

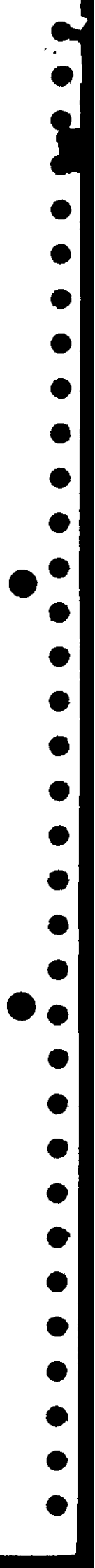
SIGMA SECURITY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1998

Company Registration Number 2090617





SIGMA SECURITY LIMITED

DIRECTORS

G T Brown	- resigned 21 July 1999
M F Tunnell	- resigned 21 July 1999
R C Payne	- resigned 2 February 1998
P S Jacomb	- resigned 1 April 1998
P B Simpson	- resigned 17 March 1998
J R Leeks	- resigned 1 April 1998
Grayston Central Services Ltd	- appointed 21 July 1999
Plant Nominees Ltd	- appointed 21 July 1999

AUDITORS

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
10 Bricket Road
St Albans
Herts
AL1 3JX

REGISTERED OFFICE

Felcourt
East Grinstead
West Sussex
RH19 2JY



SIGMA SECURITY LIMITED

REPORT OF THE DIRECTORS

The directors submit their annual report, together with the audited accounts of the company for the 12 months ended 31 December 1998. Comparative data presented relates to the 6 months period ended 31 December 1997.

PROFIT AND LOSS ACCOUNT

During the year, the company has not traded, has not incurred any liabilities and consequently has made neither profit nor loss.

PRINCIPAL ACTIVITY AND REVIEW OF OPERATIONS

The main activity of the company is that of security specialists. The company transferred its trade and all of its assets and liabilities at net book value on 1 January 1998 to Rentokil Initial Security Services Limited, a fellow subsidiary of Rentokil Initial plc.

YEAR 2000

There is a separate Information Technology ("IT") department in the Rentokil Initial plc group of companies which is responsible for ensuring that businesses conform to the group's IT strategy and policies and also responsible for writing and maintaining proprietary operating software. Some years ago the various IT software in use was reviewed for compliance with year 2000 requirements and a programme was prepared to ensure compliance including replacing some non-compliant software and associated hardware. This has been done within normal IT budgets and was largely completed by the end of 1998, although some minor programme changes and final testing will not be completed until mid 1999. We believe that all critical systems are, or will be, fully compliant but clearly there is always some risk of some unforeseen problems in even the best run projects.

DIRECTORS

The directors named on page 2 held office, except as shown, throughout the year.

Mr M F Tunnell is a director of Rentokil Initial Security Services Limited and his interests in group companies are shown in the accounts of Rentokil Initial Security Services Limited.

The shareholdings of Mr G T Brown in Rentokil Group companies are as follows:

Rentokil Initial plc, ordinary shares of 1p each

	<u>1 January 1998</u> <u>Beneficial Interest</u> Numbers	<u>31 December 1998</u> <u>Beneficial Interest</u> Numbers
G T Brown	8,419	4,233

SHARE OPTIONS

	<u>GT</u> <u>Brown</u> Numbers
At 1 January 1998	216,000
Granted during the year	40,845
Exercised during the year	(140,000)
At 31 December 1998	<u>116,845</u>



SIGMA SECURITY LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

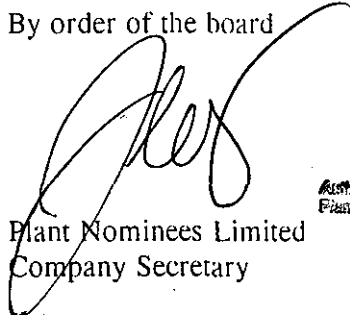
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

Following the merger of Price Waterhouse and Coopers & Lybrand on 1 July 1998, Price Waterhouse resigned in favour of the new firm PricewaterhouseCoopers and the directors appointed PricewaterhouseCoopers to fill the casual vacancy created by the resignation. An elective resolution has been passed to dispense with the requirement to re-appoint auditors at the annual general meeting. PricewaterhouseCoopers have indicated their willingness to continue in office for the coming year.

By order of the board


Plant Nominees Limited
Company Secretary

Authorised Representative
Plant Nominees Ltd.

18 October 1999



AUDITORS' REPORT TO THE MEMBERS OF

SIGMA SECURITY LIMITED

We have audited the financial statements on pages 6 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the Annual Report, including, as described on page 4, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our professions ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared under the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

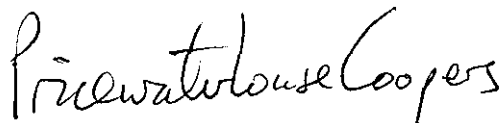
BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

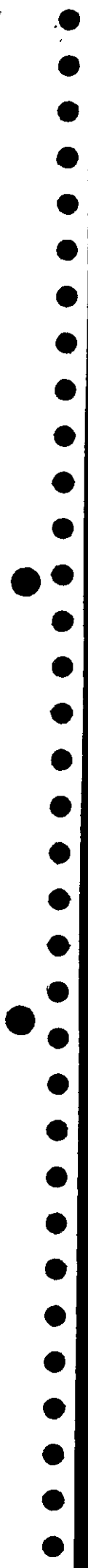
OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1998 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
10 Bricket Road
St Albans
Herts
AL1 3JX

18 October 1999



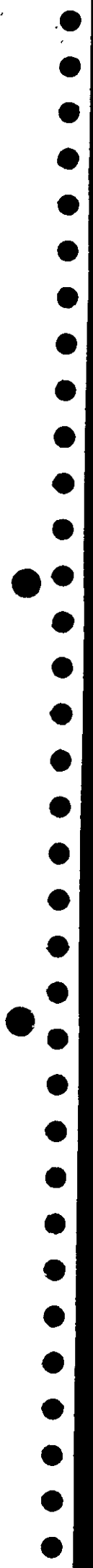
SIGMA SECURITY LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998

	<u>1998</u> £	<u>6 Months ended</u> <u>31 December 1997</u> £
TURNOVER (Notes 1,2)	-	13,548,607
Cost of sales	<u>-</u>	<u>(12,282,021)</u>
GROSS PROFIT	-	1,266,586
Administrative expenses	-	(348,908)
Management charges	<u>-</u>	<u>(421,056)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 3)	-	496,622
Taxation on profit on ordinary activities (Note 9)	<u>-</u>	<u>(113,000)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	<u>-</u>	<u>383,622</u>
RETAINED PROFIT FOR THE YEAR (Note 11)	<u>-</u>	<u>383,622</u>

The company had no recognised gains and losses during the year other than those recorded in the above profit and loss account: accordingly, no separate statement of total recognised gains and losses has been prepared.

The notes on pages 8 to 13 form part of the financial statements.



SIGMA SECURITY LIMITED

BALANCE SHEET - 31 DECEMBER 1998

	31 December 1998	31 December 1997
	£	£
FIXED ASSETS		
Tangible assets (Note 4)	-	25,458
CURRENT ASSETS		
Stocks (Note 5)	-	131,271
Debtors (Note 6)	5,345,085	4,828,616
Cash at bank and in hand	-	359,740
	5,345,085	5,319,627
CREDITORS (Amounts falling due within one year) (Note 7)	(4,961,192)	(4,961,192)
NET CURRENT ASSETS	383,893	358,435
TOTAL ASSETS LESS CURRENT LIABILITIES	383,893	383,893
CAPITAL AND RESERVES		
Called up share capital (Note 10)	100	100
Profit and loss account	383,793	383,793
EQUITY SHAREHOLDERS' FUNDS (Note 11)	383,893	383,893

Approved by the board on 18 October 1999


 Authorised Representative
 Grayston Central Services Ltd.

Grayston Central Services Limited
 Director

The notes on pages 8 to 13 form part of the financial statements.



SIGMA SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1998

1. ACCOUNTING POLICIES

Accounting Convention

The company prepares its financial statements on the historical cost basis. The financial statements have been prepared in accordance with the Companies Act 1985 as amended by the Companies Act 1989 and applicable accounting standards.

Cash flow statement and related party disclosures

The company is a wholly owned subsidiary of Rentokil Initial plc and is included in the consolidated financial statements of Rentokil Initial plc, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 8 and from disclosing related party transactions (but not balances) with entities that are part of and Rentokil Initial plc group or investees of the Rentokil Initial plc group.

Tangible Assets

Depreciation is provided in order to write off each asset over its estimated useful life, using the following rates:

Motor vehicles (new)	-	40% per annum on cost
Motor vehicles (used)	-	30% per annum on cost

Stocks

Stocks have been valued at the lower of cost and net realisable value.

Deferred taxation

Provision is made for deferred taxation using the liability method on all material timing differences to the extent that it is probable that an asset or liability will crystallise.

SIGMA SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1998 (CONTINUED)

2. TURNOVER

The turnover is derived wholly from within the United Kingdom and relates entirely to the provision of security services.

3. OPERATING PROFIT

(a) This is stated after charging:

	<u>1998</u>	<u>1997</u>
	£	£
Depreciation - owned assets	-	18,030
Auditors remuneration	-	-
Contract car hire	-	<u>50,101</u>
Staff costs (including directors)		
Wages and salaries	-	11,041,120
Social security costs	-	1,104,112
Other pension costs	-	<u>7,115</u>
	-	<u><u>12,152,347</u></u>

The directors received no emoluments for services as directors to the company. The audit fee has been borne by a fellow subsidiary.

(b) Numbers of staff

The average number of persons employed by the company (including directors) during the year was:

	<u>1998</u>	<u>1997</u>
	Number	Number
Management	-	5
Administration	-	25
Security Staff	-	<u>1,510</u>
	-	<u><u>1,540</u></u>



SIGMA SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1998 (CONTINUED)

4. FIXED ASSETS

Motor Vehicles
£

Cost

At 1 January 1998	123,341
Transfer to group companies	(123,341)

At 31 December 1998	-
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Depreciation

At 1 January 1998	97,883
Transfer to group companies	(97,883)

At 31 December 1998	-
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Net book amount

At 31 December 1998	-
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At 31 December 1997	25,458
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5. STOCKS

<u>1998</u>	<u>1997</u>
£	£

Uniforms	-	131,271
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SIGMA SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1998 (CONTINUED)

6. DEBTORS

	<u>1998</u> £	<u>1997</u> £
Trade debtors	-	4,095,450
Other debtors	-	11,041
Amounts owed by group companies	5,345,085	664,840
Prepayments and accrued income	<u>-</u>	<u>57,285</u>
	<u>5,345,085</u>	<u>4,828,616</u>

7. CREDITORS (amounts falling due within one year)

	<u>1998</u> £	<u>1997</u> £
Trade creditors	-	87,398
Amounts invoiced in advance	-	209,535
Corporation tax	-	121,284
Other tax and social security	-	1,402,973
Amounts owed to group companies	4,961,192	1,925,158
Accruals and deferred income	<u>-</u>	<u>1,214,844</u>
	<u>4,961,192</u>	<u>4,961,192</u>

8. OBLIGATIONS UNDER LEASES

To company has annual non-cancellable lease commitments in respect of vehicles as detailed below.

	<u>1998</u> £	<u>1997</u> £
Within one year	-	72,066
Within two to five years	<u>-</u>	<u>24,062</u>
	<u>-</u>	<u>96,128</u>



SIGMA SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1998 (CONTINUED)

9. TAXATION

	<u>1998</u> £	<u>1997</u> £
Tax on profit for the period comprises		
UK corporation tax at 31 % (1997: 31.5%)	<u>-</u>	<u>113,000</u>

There is no unprovided potential deferred tax liability.

10. SHARE CAPITAL

At 31 December 1997 and at 31 December 1998:

	<u>Number of Shares</u>	<u>£</u>
Ordinary shares of £1 each:		
Authorised	<u>1,000</u>	<u>1,000</u>
Allotted and fully paid	<u>100</u>	<u>100</u>

11. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>1998</u> £	<u>1997</u> £
Profit for the year/period	<u>-</u>	<u>383,622</u>
Net increase in shareholders' funds	<u>-</u>	<u>383,622</u>
Opening shareholders' funds	<u>383,393</u>	<u>271</u>
Closing shareholders' funds	<u>383,893</u>	<u>383,893</u>



SIGMA SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1998 (CONTINUED)

12. ULTIMATE PARENT COMPANY

The company's immediate parent company is Sigma Group Limited. The company's ultimate parent company is Rentokil Initial plc, which forms the only group into which the financial statements of the company are consolidated. The consolidated financial statements of Rentokil Initial plc are available from Felcourt, East Grinstead, West Sussex, RH19 2JY.