Rentokil Initial Facilities Services (UK) Limited

Directors' report and financial statements

Registered number 2329448

For the year ended 31 December 2011

Contents

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2011

Principal activities

The principal activities of the company in the current years trading are unchanged from the previous year and are the provision of contract cleaning and related services to the occupiers of commercial, industrial and public, retail, food processing, airports and station buildings At 31 December 2011 the trade and assets of six subsidiary entities were transferred to Rentokil Initial Facilities Services (UK) Limited meaning that the principal activities going forward will also include the supply of fire systems, extinguishers and ancillary services in offices and other commercial properties, maintenance and repair services related to all types of commercial and industrial buildings, front of house reception services, and the provision of non-clinical support services to organisations involved in healthcare

Business review

During 2011 the Initial Facilities division continued through its transformation program, moving from the legacy business model with multiple businesses acting as single service providers, to a new strategic approach focusing on total facilities management This restructuring project has invested in initiatives to address the now obsolete legal entity structure, improve customer services and streamlining of the division's cost base As the principal trader and planned sole legal entity for the division, Rentokil Initial Facilities Services (UK) Limited has made the vast majority of this investment on behalf of the Initial Facilities division This investment is reflected in the 2011 profit and loss results in the non-underlying operational items of £6,825,000 *(2010 £2,729,000)* but has also impacted operating profit excluding non-underlying operational items, where investment spend has not been clearly identifiable from normal operating activities

On 31 December 2011 the trade and assets of the following entities were transferred to Rentokil Initial Facilities Services (UK) Limited as part of phase one of a legal entity rationalisation Insitu Cleaning Company Limited, Lancaster Office Cleaning Limited, Initial Hospital Services Limited, KGL Business Services Limited, Initial Fire Services Limited and Initial Building Services Limited The purpose of this is to align the legal entity structure of the Initial Facilities division with the management structure During 2012 and 2013 phase two of this rationalisation will see further consolidation of the Company's subsidiaries to move away from historic management structures
In light of these changes and as in the prior year, we feel it is relevant here to disclose the results of the Initial Facilities division

Initial Facilities Divisional Results (Unaudited)	**2011**	2010
	£'000	£'000
Turnover	**581,370**	534,364
Gross profit	**71,137**	68,473
Profit on ordinary activities before interest & tax (excluding non-underlying items)	**27,112**	23,449

During 2011 the business strengthened its position in the UK's integrated services market with the acquisition of MSS Facilities Management Limited by the Initial Facilities division, further building on the business's maintenance and equipment servicing capabilities This has been further strengthened in 2012 by the acquisition of Modus Group Limited enabling the business to further grow its maintenance and equipment support offering in the city of London The coming 12 months will be a very exciting period for the Initial Facilities division as the business continues to invest in its future, ensuring that it is structured to be able to provide the very highest levels of customer service and flexibility required to operate in today's modern market

Directors' report *(continued)*

Principal risks and uncertainties

The directors of Rentokil Initial plc, the ultimate parent company, manage the group's risks at a group level, rather than at an individual company level In particular liquidity risk, market price risk and interest rate cash flow risk are managed at this level, and these are included on page 15 of the 2011 Rentokil Initial plc Annual Report which does not form part of this report

The principal risks are

- A weakening of the UK economy
- The number, scope, complexity and interdependencies of many initiatives – risk of management stretch, and overlapping priorities

The key operational risk to the company is further deterioration of the global economy Should the UK market weaken, it may become more difficult for the business to maintain volumes and successfully pass on price increases to customers Cash collection would potentially prove more difficult and bad debts may arise as customers suffer from the recession

Credit risk

The company has implemented policies that require appropriate credit checks on all potential new customers before sales are made

The business also sets maximum approval limits for individual credit counterparties, and these limits are reviewed and varied to take account of changes to the underlying credit rating of individual credit counterparties as required

Proposed dividend

The directors do not recommend the payment of a dividend *(2010 £Nil)*

Policy and practice on payment of creditors

It is the company's policy to settle the terms of payment with those with whom it does business when agreeing the terms of a transaction, to ensure that the terms of payment are clear and to abide by the agreed terms Trade creditors at the year end represented 35 days *(2010 21 days)* of purchases

Key performance indicators

The directors of Rentokil Initial plc manage the group's operations on a divisional basis For this reason the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Rentokil Initial Facilities Services (UK) Limited The Group uses 16 key performance indicators to judge progress towards strategic objectives They are grouped within 3 categories Colleagues (includes sales and service colleague retention, health and safety and engagement/enablement), Customers (includes gross sales % of opening portfolio, customer retention, net gain % of opening portfolio, state of service and customer satisfaction), and Shareholders (includes organic and total revenue growth, APBITA margin, debtor days, cost savings delivered, cash conversion as % of operating profit and gross capex as % of depreciation) These are included on page 5 of the 2011 Rentokil Initial plc Annual Report which does not form part of this report

Going concern

The company is dependent upon the continued financial support of its parent company to enable it to continue operating and to meet its liabilities as they fall due The parent company has confirmed that, should the need arise, it will continue to provide the necessary financial support to the company to enable it to continue as a going concern for the foreseeable future

Directors

The directors who held office during the year were as follows

M Brown	
GR Smith	(appointed 14 June 2011)
D Dowling	(resigned 27 February 2012)
J H Morris	(resigned 31 March 2011)

Directors' report *(continued)*

Employees

The company is committed to the encouragement of employee involvement and participation in the progress of the business There is regular communication from the centre with senior management on both general and specific issues, this being linked to individual communication programmes within the various business units

The company gives proper consideration to the employment of disabled persons wherever suitable positions exist In the case of persons who become disabled, all practicable measures are taken to enable them to continue their employment or train for other suitable positions

Political and charitable contributions

During the year the company made charitable donations of £Nil *(2010 £Nil)*

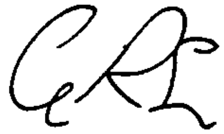
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

By order of the board



Guy Smith
Director

Castlegate House
Castlegate Way
Dudley
West Midlands
DY1 4RR

9 October 2012

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business,

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

KPMG

KPMG Audit Plc
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

Independent auditor's report to the members of Rentokil Initial Facilities Services (UK) Limited

We have audited the financial statements of Rentokil Initial Facilities Services (UK) Limited for the year ended 31 December 2011 set out on pages 7 to 21 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of Rentokil Initial Facilities Services (UK) Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

S P Purkess

S Purkess (Senior Statutory Auditor) 10 October 2012
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

Profit and loss account

for the year ended 31 December 2011

	Note	2011 Underlying items £000	2011 Non-underlying items (note 7) £000	2011 Total £000	2010 Underlying Items £000	2010 Non-underlying items (note 7) £000	2010 Total £000
Turnover	2	**205,686**	**-**	**205,686**	199,050	-	199 050
Cost of sales		**(182,222)**	**-**	**(182,222)**	(174,612)	-	(174,612)
Gross profit		**23,464**	**-**	**23,464**	24,438	-	24,438
Distribution costs		**(4,631)**	**-**	**(4,631)**	(5 929)		(5,929)
Administrative expenses		**(18,022)**	**(6,825)**	**(24,847)**	(13 718)	(2,729)	(16,447)
Operating profit/(loss)		**811**	**(6,825)**	**(6,014)**	4,791	(2 729)	2,062
Income from shares in group undertakings		**12,648**	**-**	**12,648**	588	-	588
Amounts written off investments		**(1,006)**	**-**	**(1,006)**	(138)	-	(138)
Net interest payable and similar Charges	6	**(283)**	**-**	**(283)**	(459)	-	(459)
Profit/(loss) on ordinary activities before taxation		**12,170**	**(6,825)**	**5,345**	4,782	(2,729)	2,053
Tax on profit/(loss) on ordinary Activities		**725**	**-**	**725**	(546)	-	(546)
Profit/(loss) for the financial Year		**12,895**	**(6,825)**	**6,070**	4,236	(2,729)	1,507

The company has no recognised gains or losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented The net pension asset was transferred into Rentokil Initial Facilities Services (UK) Limited on 31st December 2011 and therefore there has been no activity to present in a statement of total recognised gains and losses in the current year

All of the company's trading and results are in respect of continuing activities

There are no differences between the profits above and the historical cost equivalents

All acquisitions made by the company occurred on 31 December 2011 and thus there is no impact on the current year profit and loss account

Balance sheet
at 31 December 2011

	Note	**2011**		2010	
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets	*9*		**19,341**		137
Tangible assets	*10*		**9,460**		8,555
Investments	*11*		**34,203**		44,901
			63,004		53,593
Current assets					
Stocks	*12*	**1,229**		162	
Debtors	*13*	**63,315**		35,913	
Cash at bank and in hand		**57,532**		10,927	
		122,076		47,002	
Creditors Amounts falling due within one year	*14*	**(144,794)**		(69,185)	
Net current liabilities			**(22,718)**		(22,183)
Total assets less current liabilities			**40,286**		31,410
Provisions for liabilities	*15*		**(2,819)**		-
Net assets excluding pension asset			**37,467**		31,410
Net pension asset	*21*		**13**		-
Net assets			**37,480**		31,410
Capital and reserves					
Called up share capital	*16*		**17,293**		17,293
Profit and loss account	*17*		**20,187**		14,117
Shareholders' funds	*18*		**37,480**		31,410

These financial statements were approved by the board of directors on 9 October 2012 and were signed on its behalf by

Guy Smith
Director

Company registered number 2329448

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements These financial statements present information about the Company as an individual undertaking and not about its group

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

As the Company is a wholly owned subsidiary of Rentokil Initial plc, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group

Going concern

The company's business activities, together with the factors likely to affect its future development and position are set out in the Business review section of the Directors' Report on page 1 The company is expected to continue to generate positive cash flows on its own account for the foreseeable future On the basis of their assessment of the company's financial position, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern assumption as a basis of accounting in preparing the annual financial statements

The directors have received confirmation from Rentokil Initial plc, of its intention to financially support the company such that the company can meet its obligations as they fall due for a period of at least twelve months from the date of the directors' approval of these financial statements

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied and amounts accrued at the year end for services performed in the year, not yet invoiced For non-contract based business, revenue represents the value of goods delivered or services performed For contract-based business, revenue represents the sales value of work carried out for customers during the period

Pension costs

The company operates three pension schemes one defined benefit scheme (Initial Hospital Services Limited No1 Pension Scheme), one defined benefit scheme where the company is unable to identify its share of the assets and liabilities (Rentokil Initial Pension Scheme), and one defined contribution scheme

The ultimate parent undertaking operates a defined benefit pension scheme and a money purchase scheme Contributions to pension funds are determined on the basis of recommendations made by independent qualified actuaries and are charged to the profit and loss account in such a way as to provide for the liabilities evenly over the remaining working life of the employees Under FRS 17, the company is unable to identify its share of the underlying assets and liabilities in this scheme on a consistent and reliable basis Therefore the company's charge to the profit and loss account is equal to the contributions payable to the schemes in the accounting period Further details of the pension fund are set out in note 21

The Company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the Company in an independently administered fund

Pension scheme assets are measured using market values Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full and presented on the face of the balance sheet net of related deferred tax

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

The charge for taxation is based on the profit/loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

The company is part of a UK group for various corporation tax purposes and accordingly, may use the group relief provisions whereby current taxable profits can be offset by current tax losses arising in other companies in the group Where tax losses are surrendered from members of the wider UK tax group, no payment is generally made

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition

Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned down to their residual values The principal annual rates used for this purpose are

Freehold buildings	2% on cost
Leasehold properties	Over the term of the lease
Motor vehicles	25% on cost
Plant and equipment	10% - 50% on cost

Impairment of value under FRS 11 Impairment of fixed assets and goodwill is determined where the post tax realisable value and continuing use value are less than the net book value of the asset Any impairment loss recognised will be recognised in the profit and loss account

Investments

Investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off

Goodwill

Purchased goodwill (both positive and negative) arising on business combination in respect of acquisitions before 1 January 1998, when FRS 10 'Goodwill and intangible assets' was adopted, was written off to reserves in the year of acquisition When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life Any impairment charge is included within operating profits

On the subsequent disposal or termination of a business acquired since 1 January 1998, the profit or loss on disposal or termination is calculated after charging (crediting) the unamortised amount of any related goodwill

Intangible fixed assets and amortisation

Intangible fixed assets purchased separately from a business are capitalised at their cost

Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably Fair values are restricted to an amount that does not create, or increase, any negative goodwill

Concessions, patents, licences and trademarks purchased by the Company are amortised to nil by equal annual instalments over their useful economic lives, generally their respective unexpired periods, of between 5 and 10 years

Stocks

Stocks are stated at the lower of cost and net realisable value In general, cost is determined on a first in first out basis and includes transport and handling costs Where necessary, provision is made for obsolete, slow moving and defective stocks

Notes *(continued)*

1 Accounting policies *(continued)*

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

True and fair override

During the year the trade and net assets of six subsidiary undertakings were transferred to the company at their book value which was less than their fair value The cost of the company's investments in those subsidiary undertakings reflected the underlying fair value of net assets and goodwill at the times of acquisition As a result of this transfer, the value of the company's investments in those subsidiary undertakings fell below the amount at which they were in the company's accounting records Schedule 1 to the Companies Act 2006 The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No 410) requires that the investments be written down accordingly and that the amounts be charged as a loss in the company's profit and loss account However, the directors consider that, as there has been no overall loss to the company, it would fail to give a true and fair view to charge that diminution to the company's profit and loss account for the year and it should instead be re-allocated to goodwill and the identifiable net assets transferred, so as to recognise in the company's individual balance sheet the effective cost to the company of those net assets and goodwill The effect of this departure is to increase the holding company's profit for the financial year by £18,481,000 and to increase the amount of goodwill by £18,481,000 in the holding company's balance sheet The group financial statements are not affected by this transfer

2 Analysis of turnover

	2011 £000	2010 £000
By geographical market		
UK	**205,429**	198,742
Europe	**257**	308
	205,686	199,050

3 Notes to the profit and loss account

	2011 £000	2010 £000
Profit/(loss) on ordinary activities before taxation is stated after charging		
Depreciation and other amounts written off tangible fixed assets		
Owned	**3,113**	4,066
Leased	**-**	64
Amortisation	**98**	97
Operating lease rentals		
Other	**505**	629
Plant and machinery	**2,339**	3,658
Loss on disposal of fixed assets	**106**	134
Auditors remuneration for the audit of these financial statements	**97**	97
Non-underlying items (note 7)	**6,824**	2,729

Notes *(continued)*

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows

	Number of employees	
	2011	2010
Operatives (including branch staff)	**6,570**	7,764
Selling and Distribution	**86**	71
Administration and Management	**165**	188
	6,821	8,023

The aggregate payroll costs of these persons were as follows

	£000	£000
Wages and salaries	**116,212**	127,537
Social security costs	**7,473**	8,341
Other pension costs	**937**	915
	124,622	136,793

5 Remuneration of directors

	2011	2010
	£000	£000
Directors' emoluments	**1,038**	856
Company contributions to money purchase pension schemes	**42**	57
	1,080	913

Retirement benefits are accruing to three *(2010 two)* directors under a money purchase pension scheme

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £395,700 *(2010 £258,600)* and company pension contributions of £42,300 *(2010 £25,500)* were made to money purchase schemes on their behalf

6 Net interest payable

	2011	2010
	£000	£000
Interest payable on bank loans and overdrafts	**(387)**	(505)
Finance charges payable in respect of finance leases and hire purchase contracts	**-**	(4)
Other interest receivable	**104**	50
	(283)	(459)

Notes *(continued)*

7 Non-underlying items

	2011 £000	2010 £000
Redundancy	**2,291**	705
Consultancy	**1,584**	1,174
Property exit costs	**2,690**	-
Other	**260**	850
	6,825	2,729

Non-underlying items relate to the on-going transformation of the Initial Facilities division, as discussed in the business review on page 1 The costs are considered to be non-underlying due to their non-recurring nature and size Costs within 'Other' include professional fees and staffing costs related to the time and attendance project and restructuring the window cleaning business

8 Taxation

Analysis of charge in period

	2011 £000	£000	2010 £000	£000
UK corporation tax				
Current tax on income for the period	**-**		665	
Total current tax		**-**		665
Deferred tax (see note 13)				
Origination/reversal of timing differences	**(985)**		(131)	
Adjustment in respect of previous years	**260**		12	
Total deferred tax		**(725)**		(119)
Tax on profit/(loss) on ordinary activities		**(725)**		546

Factors affecting the tax charge for the current period

The current tax charge for the period is lower *(2010 higher)* than the standard rate of corporation tax in the UK of 26 5% *(2010 28%)* The differences are explained below

	2011 £000	2010 £000
Current tax reconciliation		
Profit on ordinary activities before tax	**5,345**	2,053
Current tax at 26 5% *(2010 28 %)*	**1,416**	575
Effects of		
Permanent differences – dividends received and disallowed costs	**(3,024)**	64
Use of capital losses brought forward	**-**	(104)
Tax losses received for nil consideration	**564**	-
Depreciation in excess of capital allowances	**426**	(191)
Timing Differences	**618**	321
Total current tax charge (see above)	**-**	665

Notes *(continued)*

8 Taxation *(continued)*

Factors that may affect future current and total tax charges

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014 A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantially enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantially enacted on 26 March 2012

This will reduce the company's future current tax charge accordingly and further reduce the deferred tax asset at 31 December 2011 (which has been calculated based on the rate of 25% substantively enacted at the balance sheet date)

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly

9 Intangible fixed assets

	Goodwill	Customer lists	Total
	£000	£000	£000
Cost			
At beginning of year	1,227	-	1,227
Transfer from investments	18,482	-	18,482
Transfer from group companies	-	820	820
At end of year	19,709	820	20,529
Amortisation			
At beginning of year	1,090	-	1,090
Charged in year	98	-	98
At end of year	1,188	-	1,188
Net book value			
At 31 December 2011	**18,521**	**820**	**19,341**
At 31 December 2010	137	-	137

On 31 December 2011 the trade and assets of the following Rentokil Initial Facilities Services (UK) Limited subsidiaries were transferred into the Company Insitu Cleaning Company Limited, Lancaster Office Cleaning Company Limited, Initial Hospital Services Limited, Initial Building Services Limited, Perception UK LLP and Rentokil Initial Fire Services Limited The goodwill arising on these transactions was £18,481,865 As part of the same transaction Rentokil Initial Facilities Services also acquired a purchased intangible asset of customer lists from Rentokil Initial Fire Services Limited of £819,518

Goodwill is being amortised over its useful life between 5 and 20 years Customer lists are being amortised over 7 years

Notes *(continued)*

10 Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Computer equipment £000	Computer Software £000	Total £000
Cost						
At beginning of year	890	20,942	267	1,212	978	24,289
Additions	13	881	-	56	500	1,450
Transfers	803	1,859	4	8	-	2,674
Disposals	(222)	(6,014)	(211)	(599)	(219)	(7,265)
At end of year	1,484	17,668	60	677	1,259	21,148
Depreciation						
At beginning of year	580	13,492	231	966	465	15,734
Charge for year	62	2,725	15	90	221	3,113
On disposals	(186)	(6,014)	(211)	(599)	(149)	(7,159)
At end of year	456	10,203	35	457	537	11,688
Net book value						
At 31 December 2011	**1,028**	**7,465**	**25**	**220**	**722**	**9,460**
At 31 December 2010	310	7,450	36	246	513	8,555

11 Fixed asset investments

	Shares in group undertakings £000
Cost	
At beginning of year	45,241
Additions	20,634
Return of investment	(12,230)
Transfer to goodwill	(18,482)
Capital contribution	386
At end of year	35,549
Provisions	
At beginning of year	(340)
Provided in the year	(1,006)
At end of year	(1,346)
Net book value	
At 31 December 2011	**34,203**
At 31 December 2010	44,901

Notes *(continued)*

11 Fixed asset investments *(continued)*

The principal trading subsidiaries of the company at 31 December 2011 are shown below All are incorporated in England and Wales

Name of Company	Nature of business	% ownership
Insitu Cleaning Company Limited	Provision of contract cleaning services in the retail and leisure sectors	100%
Lancaster Office Cleaning Company Limited	Provision of contract cleaning services to large organisations predominantly in the London area	100%
Knightsbridge Guarding Holdings Limited	Holding Company	100%
KGL Business Services	Provision of reception services	100%
Initial Hospital Services Limited	Provision of non clinical support services	100%
Initial Building Services Limited	Provision of building services	100%
Initial Facilities Management Limited	Provision of facilities management services	100%
Initial Catering Services Limited	Provision of catering services	100%
Rentokil Initial Fire Services Limited	Provision of fire prevention services	100%
JNC Fire Protection Limited	Provision of fire prevention services	40%

On 3 February 2011 the company acquired 100% of the share capital of the newly incorporated Rentokil Initial Fire Services Limited for consideration of £100,000

On 31 July 2011, the company purchased the entire share capital of Initial Catering Services Limited for consideration of £20,500,000 from Group company BET Development Limited

On 31 December 2011 the trade and assets of Insitu Cleaning Company Limited, Lancaster Office Cleaning Company Limited, Initial Hospital Services Limited, Initial Building Services Limited, Perception UK LLP and Rentokil Initial Fire Services Limited were transferred to Rentokil Initial Facilities Services (UK) Limited via a dividend in specie As a result of this transaction the investment values of these entities have been impaired As part of this transfer Rentokil Initial Fire Services Limited also transferred to the company a 40% shareholding in JNC Fire Protection Limited

Notes *(continued)*

12 Stocks

	2011 £000	2010 £000
Raw materials and consumables	**669**	162
Finished goods	**560**	-
	1,229	162

13 Debtors

	2011 £000	2010 £000
Trade debtors	**36,426**	24,297
Amounts owed by group undertakings	**13,546**	3,252
Prepayments and accrued income	**12,362**	8,364
Deferred Tax	**981**	-
	63,315	35,913

Amounts due from group undertakings are unsecured, interest free and repayable on demand

The elements of deferred taxation are as follows

	2011 £000	2010 £000
Difference between accumulated depreciation and amortisation and capital allowances	**38**	(417)
Other timing differences	**943**	361
Deferred tax asset	**981**	-
Deferred tax liability (see note 14)	**-**	(56)

14 Creditors: Amounts falling due within one year

	2011 £000	2010 £000
Bank loans and overdrafts	**39,649**	-
Trade creditors	**13,427**	3,177
Amounts owed to group undertakings	**58,768**	38,180
Taxation and social security	**2,912**	8,127
Deferred Tax (see note 13)	**-**	56
Accruals and deferred income	**27,567**	18,980
Corporation tax payable	**2,471**	665
	144,794	69,185

Notes *(continued)*

15 Provisions for liabilities

	Property provision £000	Other provisions £000	Total £000
At beginning of year	-	-	-
Utilised during year	(288)	-	(288)
Charge to the profit and loss for the year	2,621	-	2,621
Transferred in	-	486	486
At end of year	2,333	486	2,819

The property provision represents obligations under onerous leases and dilapidations on exited properties following the review of the property portfolio as part of the restructuring programme These costs will be incurred over the next two years

Other provisions relates to an onerous contract to operate a loss making catering facility until 2020 transferred to the company on 31 December 2011 from Initial Hospital Services Limited and a provision against possible claims against guarantees held by customers of Rentokil Roofing Limited Rentokil Initial Facilities Services (UK) Limited are liable for these guarantees due to Rentokil Roofing being part of Initial Building Services Limited in the past when the guarantees were issued, who after being sold went into liquidation, and thus the guarantees reverted back to Initial Building Services limited The assets and liabilities of Initial Building Services Limited were transferred to Rentokil Initial Facilities Services (UK) Limited on 31 December 2011 via a dividend in specie

16 Called up share capital

	2011 £000	2010 £000
Allotted, called up and fully paid		
17,293,100 *(2010 17,293,100)* ordinary shares of £1 each	**17,293**	17,293

17 Reserves

	Profit and loss account £000
At beginning of year	14,117
Profit for the year	6,070
At end of year	20,187

Notes *(continued)*

18 Reconciliation of movements in shareholders' funds

	2011 £000	2010 £000
Profit for the financial year	**6,070**	1,507
Increase in share capital	-	7,293
Net addition to shareholders' funds	**6,070**	8,800
Opening shareholders' funds	**31,410**	22,610
Closing shareholders' funds	**37,480**	31,410

19 Transfer of trade and assets

On 31 December 2011, the company acquired the trade and assets of Insitu Cleaning Company Limited, Lancaster Office Cleaning Limited, Initial Hospital Services Limited, Initial Fire Services Limited, Initial Building Services and KGL Business Services Limited This transaction has been accounted as a return on investment where net assets were transferred and a capital contribution where net liabilities were transferred The book values of the net assets and liabilities acquired, together with the goodwill arising in respect of these transfers, are as follows

	Lancaster Office Cleaning Limited £000	Insitu Cleaning Company Limited £000	Initial Hospital Services Limited £000	Initial Fire Services Limited £000	Initial Building Services Limited £000	KGL Business Services Limited £000	Total £000
Balances transferred							
Intangible assets	-	-	-	820	-	-	820
Investments	-	-	-	35	-	-	35
Tangible assets	332	621	503	497	721	-	2,674
Stocks	-	-	392	560	83	-	1,035
Debtors	11,741	4,537	5,351	2,584	2,342	68	26,623
Cash	2,244	14,751	17,255	86	1,784	580	36,700
Creditors <1 year	(9,394)	(15,314)	(22,986)	(4,970)	(2,717)	(500)	(55,881)
Provisions	-	-	(219)	-	(267)	-	(486)
Deferred tax	94	34	88	2	93	-	311
Pension asset	-	-	13	-	-	-	13
Return on investment/(capital contribution)	5,017	4,629	397	(386)	2,039	148	11,844
Goodwill arising on transaction	14,777	929	1,821	-	261	693	18,481

There are deemed to be no material differences between the fair value and book value of the assets transferred The goodwill arising in respect of these acquisitions will be amortised over 20 years

Notes *(continued)*

20 Commitments

Annual commitments under non-cancellable operating leases are as follows

	2011 Land and buildings £000	2011 Other £000	2010 Land and buildings £000	2010 Other £000
Operating leases which expire				
Within one year	**112**	**405**	162	179
In the second to fifth years inclusive	**145**	**2,463**	255	1,912
Over five years	**41**	**-**	104	-
	298	**2,868**	521	2,091

21 Pension scheme

The company participates in group pension schemes operated by Rentokil Initial plc and the principal scheme is the Rentokil Initial Pension Scheme ("RIPS")

The pension schemes are of both the defined benefit and defined contribution type and the assets are held in separate trustee administered funds However, the contributions paid by the company are accounted for as if the schemes were defined contribution schemes, as the company is unable to identify its share of the underlying assets and liabilities of the schemes The funds are valued every three years by a professional qualified independent actuary, the rates of contribution payable being determined by the actuary In the intervening years the actuary reviews the continuing appropriateness of the rates Details of the latest full actuarial valuation, at 31 March 2010, are set out in the accounts of Rentokil Initial plc The principal scheme in the group is the RIPS scheme in the United Kingdom, which has a number of defined benefit sections which are now closed to new entrants (other than the Initial No2 Section, accounting for 0 5% of the total schemes liabilities, which remains open) Following detailed consultations, future accrual ceased as from 31 August 2006 and defined benefit members moved into new defined contribution arrangements

At 31 December 2011, the RIPS surplus disclosed in the consolidated financial statements of Rentokil Initial plc (prepared under International Financial Reporting Standards) amounted to £144 0m (2010 surplus of £5 0m) The directors are of the opinion that there is no material difference between an FRS 17 "Retirement Benefits" and an IAS 19 valuation

On the 31 December 2011 the trade and assets of Initial Hospital Services Limited were transferred to Rentokil Initial Facilities Services (UK) Limited, including the pension asset in relation to the Initial Hospital Services Limited No1 Pension scheme and all obligations to provide defined benefits under this scheme The most recent actuarial valuation of the scheme for accounting purposes was at 6th April 2009

Principal actuarial assumptions at the year end were as follows

	2011	*2010*
Inflation	***3 3%***	*3 7%*
Salary escalation	**-**	-
Statutory revaluation in deferment	***2 4%***	*3 0%*
Discount rate (pre and post retirement)	***4 8%***	*5 4%*
Life expectancy for 65 year old male	***87 0***	*86 9*

The scheme has a number of purchased annuities in respect of past retirements These are understood to fully match the associated liabilities and so have been excluded from both the assets and liabilities at each accounting date

Notes *(continued)*

21 Pension scheme *(continued)*

The fair value of the pension plan assets and liabilities at the balance sheet date and the expected rates of return for each asset are

	2011 £000	**Return**	2010 £000	Return
Equities	**2,400**	**7.9%**	-	-
Bonds	**248**	**4.4%**	-	-
Property	**65**	**7.9%**	-	-
Cash and other net assets	**168**	**4 4%**	-	-
Total fair value of scheme assets	**2,881**		-	
Present value of scheme liabilities	**(2,863)**		-	
Surplus in scheme	**18**		-	
Related deferred tax liability	**(5)**		-	
Net pension asset	**13**		-	

The movement in surplus during the period is as follows (unless otherwise specified, the figures calculated are based on the assumptions as at the beginning of the period)

Assets	**2011 £000**	2010 £000
Assets in scheme at beginning of year	**-**	-
Transferred from group company	**2,881**	-
Assets in scheme at end of year	**2,881**	-

Liabilities	**2011 £000**	2010 £000
Liabilities in scheme at beginning of year	**-**	-
Transferred from group company	**2,863**	-
Liabilities in scheme at end of year	**2,863**	-

22 Ultimate parent company and parent undertaking of larger group of which the company is a member

The immediate parent undertaking is Rentokil Initial (1896) Limited (previously BET Limited) The ultimate parent and controlling company is Rentokil Initial 1927 plc The largest and smallest group for which the company is a member and for which group accounts are drawn up is that of Rentokil Initial plc Copies of the annual report are available from the Company Secretary, Rentokil Initial Plc, 2 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 0HA