

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

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TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

COMPANY INFORMATION

| | |
|-----------------------------|---|
| Directors | D R Wareing A D DiLucente D D Persson |
| Company secretary | R M Apperley |
| Registered number | 03173779 |
| Registered office | Unit 1 Ultronics House Athelney Way Cheltenham GL52 6RT |
| Independent auditors | PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 2 Glass Wharf Bristol BS2 0FR |

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

STRATEGIC REPORT FOR THE YEAR ENDED 30 MARCH 2019

The directors present the Strategic Report of Terminix UK Limited (formerly MPCL Limited) (the "Company") for the year ended 30 March 2019

During the year under review, Terminix UK Limited (formerly MPCL Limited) was part of the Mitie Group of companies until it was sold on 30th September 2018 to Rentokil Initial plc.

The directors, in preparing this report have complied with Section 414c of the Companies Act 2006.

Review of the business

The principle activity of the Company continued to be to provide pest control services to industrial and commercial clients.

As shown in the Company's Statement of Comprehensive Income, on page 13, the Company's revenue was £21,165,000 (2018: £22,345,000) and the loss for the financial year was £1,149,000 (2018: profit of £1,643,000)

The business has undergone significant change during the year.

On 30th September 2018, half way through the period under review, the ownership of the business transferred from Mitie Group plc to Rentokil Initial (1927) plc. Ordinarily, the accounting records of the business would have been transferred over to Rentokil Initial relatively quickly after the transaction date, perhaps within 3-4 weeks.

However, on 9th October 2018 the Competition and Markets Authority (CMA) intervened by issuing an Initial Enforcement Order (IEO), requiring Rentokil Initial to desist from integrating the business into its structure and to require that it had no influence over the operating and strategic policies of the business; at the same time, the company was required not to carry out any restructuring activities. In January 2019, the CMA appointed Smith and Williamson as Monitoring Trustee to ensure that the terms of the IEO were adhered to by both Rentokil Initial and the company, adding a second level of regulatory governance over the business.

As a result, the company has had to rely on a transitional services agreement (TSA) with Mitie (that was not designed to last more than a few weeks) to ensure that several services could be maintained during the period of the CMA's enquiry. Only at the point where a service was about to end under the TSA would the CMA permit the company to make alternative arrangements (this would be after several months had passed). The services covered by the TSA included:

- Payroll
- HR people and systems
- Finance people and systems
- Information technology
- Marketing and branding

The CMA's investigation lasted for 12 months, with the IEO not lifted until 10th October 2019 (just after the sale of the company to ServiceMaster Global Holdings Inc). Despite the company employing several senior interim executives to manage the business through this period, sufficient time was not available to properly manage the business, in particular to deal with a number of control issues, since the team was primarily pre-occupied with managing the relationship with the CMA and MT and latterly with the sale, due diligence and integration with the sale and acquisition activity.

In preventing the company from restructuring the CMA required that the company rely on Mitie to provide a financial service (in terms of finance staff and systems), but also it had to rely on Mitie's policies, procedures and controls. Some of these have proved to be inadequate for the purposes that the business requires, including but not limited to:

- Bank controls under the TSA during the year under review were weak. The end of the TSA, controls have been tightened up to ensure that transactions are recorded on a timely basis

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

STRATEGIC REPORT (CONTINUED) FOR THE PERIOD ENDED 30 MARCH 2019

- Recoverability of accounts receivable. Whilst this is usually a matter of judgement, credit management controls and processes to identify irrecoverable debts have been improved significantly following the ending of the TSA
- Accrued income. Again, recoverability of accrued income is a matter of judgement however now that the regulatory environment for the company is less strict, management are more able to control this area of the business
- Stock valuation at 31st March 2018. A significant provision should have been made against the opening stock valuation and now that the directors have made this adjustment, the closing stock valuation is not likely to materially affect the carrying value in future.

Services under the TSA have ended at certain times and where this is happened, the business has undertaken a change program to regain control of the different services. In respect of the points made above, the TSA ended on 30th September 2019 at which point new systems were put into place alongside new policies and procedures and at the signing of these accounts, changes have been made to correct the control issues that are apparent for the year under review.

Key performance indicators

As part of the Mitie Group, MPCL was managed as part of an overall operating division and KPIs were set in the context of that divisional structure.

Whilst operating as an independent company, MPCL regards the following KPIs as being relevant:

- State of service. This represents the number of visits actually made as a proportion of the number of visits contracted to be made. MPCL targets 98% state of service.
- Days sales outstanding. The amount of time it takes customers to pay receivables to MPCL is a key aspect of maintaining positive cash flow.
- Revenue per technician and contract terminations. This indicates the efficiency with which the business is able to match its resources to the demands of its customers.

Principal risks and uncertainties

As part of the Mitie Group, MPCL managed its risks within the Mitie Group Risk Framework. The director has reviewed risks to the business and concluded that these are broadly similar despite changes in ownership. Key risks include:

Strategic risks

Changes in the market and to economic conditions

The Company is exposed to UK market conditions. Company performance and resourcing requirements may be impacted by any changes in the market. The Company is able to recognise and adapt to change in requirements for services and is well placed to adapt to policy changes. Whilst not directly exposed to the risks of the UK exiting the European Union, the Company continues to monitor all aspects of its operations to determine whether or not particular risks or opportunities become more likely.

Financial risks

Reliance on material counterparties

Historically, the Company has depended on a number of significant counterparties, including clients, suppliers, banks and insurers to maintain its business, and in particular its owner. Whilst these risks continue to subsist the risk represented by Mitie as it's owner has crystallised.

Operational risks

Significant health, safety and environmental incidents

The potential to cause harm to employees, clients, or the environment exists and is mitigated by an extensive Quality, Health, Safety and Environmental (QHSE) programme. During the year under review, significant

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 30 MARCH 2019**

deficiencies were found in the Company's operating QHSE policies and have now been corrected to further mitigate these risks.

Systems control or process failure

Increased reliance on business systems dictates a robust governance framework and set of processes. Failure of the framework could impact on operational performance, particularly during the period of change in ownership. All systems have continued to be reviewed to ensure that they are robust enough to mitigate this risk in a process of regularly and formally documenting and testing business-critical systems.

Attracting and retaining skilled people

Failure to attract new talent and develop existing employees could impact growth. Following the ownership change, the Company is developing its own career development, recruitment and talent management programmes to ensure that it attracts and retains key people.

Financial risk management

The Company does not enter into any hedging instruments or any financial instruments for speculative purposes.

Appropriate trade terms are negotiated with suppliers and customers. Management reviews these terms and the relationships with suppliers and customers and manages any exposures on normal trade terms. The Company prepares regular forecasts of cash flow and liquidity and any requirement for additional funding is managed as part of the overall financing arrangements of the two owners during the year under review.

Future developments

Following the sale of the business to ServiceMaster, the Company expects to make improvements in its operating procedures in meeting customer expectations and to use this as a platform for growing the business again following a period of significant change.

This report was approved by the board and signed on its behalf by:



D R Wareing
Director

Date: 18/3/20

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

DIRECTORS' REPORT FOR THE PERIOD ENDED 30 MARCH 2019

The directors present their annual report and the audited financial statements Terminix UK Limited (formerly MPCL Limited) (the "Company") for the period ended 30 March 2019.

The accounting period has changed from 31 March 2019 to 30 March 2019. The comparatives are not materially different.

In preparing this Directors Report, the Directors have complied with section 414C(11) of the Companies Act 2006 by including certain disclosures required by s416(4) within the Strategic Report.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position are set out in the Strategic Report.

Whilst the impact of the changes during 2018 and 2019 continues to be felt by the Company, it is unlikely to generate positive cash flows on its own account without support of its parent. The Company has participated and will continue to participate in the centralised treasury arrangements of its owners and shares banking arrangements with its ultimate parent and fellow subsidiaries.

The Directors, having assessed the responses of the Directors of the ultimate parent company to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of its parent to continue as a going concern or its ability to continue with current banking arrangements.

On the basis of their assessment of the Company's financial position and of the enquiries made of the ultimate parent, the Company's Directors have a reasonable expectation that the Company will be able to continue its operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Results and dividends

The loss for the financial period amounted to £1,149,000 (2018: profit of £1,643,000).

On 28th September 2018, a dividend of £2,500,000 (2018: £Nil) was paid to Mitie Group.

Directors

The directors who served during the period and up to the date of signing the financial statements, unless otherwise stated, were:

D R Wareing (appointed 2 November 2018)
R J Blumberger (resigned 30 September 2018)
P J G Dickinson (resigned 30 September 2018)
D P F Fagan (appointed 30 September 2018, resigned 16 January 2019)
J K Hampson (appointed 30 September 2018, resigned 10 October 2018)
H J Sedgwick (appointed 2 November 2018, resigned 25 January 2019)
P P Wood (appointed 30 September 2018, resigned 10 October 2018)
A D Dilucente (appointed 16 December 2019)
D D Persson (appointed 16 December 2019)

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 30 MARCH 2019

Employees

The Company recognises the importance of good communications and employee relationships. The Company communicates with employees via multiple channels, including company meetings, company-wide e-mailings and employee-focused initiatives and events.

The Company remains committed to developing a culture that encourages the inclusion and diversity of all the Company's employees through respecting and appreciating their differences and promoting the continuous development of employees through skills enhancement and training programmes.

The Company's employment policies are designed to attract, retain, train and motivate the very best people, recognising that this can be achieved only through offering equal opportunities regardless of gender, race, religion, age, disability, sexual orientation or any other aspect of diversity. Applications from disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. It is the policy of the Company that the training, career development and promotion of disabled persons (including those who become disabled whilst employees of the Company) should, as far as reasonably possible, be identical to that of other employees.

Environment

The Group endeavours to identify, monitor and manage the impact of their activities on the environment and is fully committed to environmental accountability and protection. The Company operates in accordance with Group policies which are described in the Group's annual and sustainability reports which do not form part of this report.

Political contributions

The Company made no political donations nor incurred any political expenditure during the year.

Other information

An indication of likely future developments in the business, discussion of financial risk management, and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 2.

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 the financial statements, the directors are required to:

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 30 MARCH 2019**

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, 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.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given, and should be interpreted in accordance with Section 418 of the Companies Act 2006.

Post balance sheet period

As a result of their investigation, the CMA concluded that there would be a significant lessening of competition in the pest control market if Rentokil Initial were permitted to integrate the business, particularly in the field of national accounts.


As a result, Rentokil Initial were required provide undertakings in lieu of further investigation that the CMA accepted. This required Rentokil Initial sell these national accounts to a credible competitor; this sale was achieved along with the sale of the equity of the legal entity to ServiceMaster Inc, a NASDAQ-quoted business.

MPCL has continued to be managed under the conditions of the initial enforcement order outlined above until the sale to ServiceMaster Inc was completed.

Independent auditors

Pursuant to Section 487 of the Companies Act 2006, PwC LLP will be deemed to be appointed as the auditor.

This report was approved by the board and signed on its behalf by


D R Wareing
Director
Date: 18/3/20

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

Report on the audit of the financial statements

Disclaimer – Opinion

Because of the significance of the matter described in the Basis for disclaimer of opinion paragraph below, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly we do not express an opinion on Terminix UK Limited's financial statements.

We were engaged to audit the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 30 March 2019; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Basis for Disclaimer of Opinion

On 30 September 2018, the company was sold by its former parent subject to regulatory approvals. However, following an intervention from the Competition and Markets Authority, the acquiring party was required to divest ownership and the company was ultimately purchased by ServiceMaster Global Holdings Inc on 30 September 2019. Prior to this date the accounting records were maintained by the previous parent of the company and the current Directors of the company have not been able to obtain adequate and complete accounting records to support the financial statements for the period ended 30 March 2019.

As a consequence of the above, the accounting records for the stated period are incomplete and therefore we have been unable to perform audit procedures over the income statement for the entirety of the period and closing balance sheet at 30 March 2019. As a result, we were unable to form an opinion on the financial statements.

Ethical requirements

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Reporting on the Strategic Report and Directors' Report

Notwithstanding our disclaimer of an opinion on the financial statements, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 March 2019 is consistent with the financial statements.

Because of the significance of the matter described in the Basis of disclaimer paragraph above we have been unable to form an opinion whether, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 March 2019 has been prepared in accordance with applicable legal requirements.

Notwithstanding our disclaimer of an opinion on the financial statements, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit and performed subject to the pervasive limitation described above, we did not identify any material misstatements in the Strategic Report and Directors' Report.

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TERMINIX UK LIMITED (FORMERLY MPCL LIMITED) (CONTINUED)

Responsibilities of the directors in relation to the financial statements and the audit

Responsibilities of the directors in relation to the financial statements.

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Our responsibility for the audit and for the audit opinion.

Our responsibility is to conduct an audit of the financial statements in accordance with ISAs (UK) and to issue an auditors' report. However, because of the matters described in the Basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Reporting on the adequacy of accounting records and on the reporting of other matters.

Arising from the limitation of our work referred to in the Basis for disclaimer of opinion paragraph above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- in our opinion, adequate accounting records have not been kept by the Company.

Under the Companies Act 2006 we are also required to report to you if, in our opinion:

- returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Colin Bates (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
Date: 18 March 2020

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 MARCH 2019**

| | Note | 2019 £000 | 2018 £000 |
|--|-------------|----------------------|----------------------|
| Turnover | 4 | 21,165 | 22,345 |
| Cost of sales | | (13,681) | (16,798) |
| Gross profit | | 7,484 | 5,547 |
| Administrative expenses | | (8,769) | (3,640) |
| Operating (loss)/profit | 5 | (1,285) | 1,907 |
| Other interest receivable and similar income | 9 | 57 | 110 |
| (Loss)/profit before taxation | | (1,228) | 2,017 |
| Tax on (loss)/profit | 10 | 79 | (374) |
| (Loss)/profit for the financial period | | (1,149) | 1,643 |
| Total comprehensive (expense)/income for the financial year | | (1,149) | 1,643 |

The notes on pages 13 to 32 form part of these financial statements.

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)
REGISTERED NUMBER: 03173779

BALANCE SHEET
AS AT 30 MARCH 2019

| | Note | 30 March 2019 £000 | 31 March 2018 £000 |
|---|------|--------------------------|--------------------------|
| Fixed assets | | | |
| Intangible assets | 12 | 49 | 98 |
| Tangible assets | 13 | 65 | 460 |
| | | <u>114</u> | <u>558</u> |
| Current assets | | | |
| Stocks | 14 | 228 | 1,039 |
| Debtors: amounts falling due after more than one year | 15 | 140 | 171 |
| Debtors | 15 | 6,629 | 6,882 |
| Cash at bank and in hand | 16 | 2,469 | 2,614 |
| | | <u>9,466</u> | <u>10,706</u> |
| Creditors: amounts falling due within one year | 17 | (7,820) | (5,769) |
| Net current assets | | <u>1,646</u> | <u>4,937</u> |
| Total assets less current liabilities | | <u>1,760</u> | <u>5,495</u> |
| Provisions for liabilities | | | |
| Other provisions | 20 | (54) | (140) |
| Net assets | | <u>1,706</u> | <u>5,355</u> |
| Capital and reserves | | | |
| Called up share capital | 22 | 101 | 101 |
| Profit and loss account | 23 | 1,605 | 5,254 |
| Total shareholders' funds | | <u>1,706</u> | <u>5,355</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



D R Wareing

Director

Date: 18/3/20

The notes on pages 13 to 32 form part of these financial statements.

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 MARCH 2019**

| | Called up share capital £000 | Profit and loss account £000 | Total shareholders' funds £000 |
|--|---|---|---|
| At 1 April 2017 (restated) | 101 | 3,595 | 3,696 |
| Comprehensive income for the financial year | | | |
| Profit for the financial year | - | 1,643 | 1,643 |
| Total comprehensive income for the financial year | - | 1,643 | 1,643 |
| Contributions by and distributions to owners | | | |
| Share-based payments | - | 16 | 16 |
| Total transactions with owners | - | 16 | 16 |
| At 31 March 2018 and 1 April 2018 | 101 | 5,254 | 5,355 |
| Comprehensive income for the financial year | | | |
| Profit for the financial year | - | (1,149) | (1,149) |
| Total comprehensive income for the financial year | - | (1,149) | (1,149) |
| Contributions by and distributions to owners | | | |
| Dividends paid | - | (2,500) | (2,500) |
| Total transactions with owners | - | (2,500) | (2,500) |
| At 30 March 2019 | 101 | 1,605 | 1,706 |

The notes on pages 13 to 32 form part of these financial statements.

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 MARCH 2019

1. General information

Terminix UK Limited (formerly MPCL Limited) (the "Company") is a private company limited by shares and is incorporated in England and Wales and domiciled in the UK. The Company's registered number is 03173779. The Company's registered office is Unit 1 Ultronics House, Athelney Way, Cheltenham, England, GL52 6RT. Details of the Company's activities are set out in the Strategic Report.

The Company's ultimate parent undertaking, Rentokil Initial 1927 PLC includes the Company in its consolidated financial statements. The consolidated financial statements of Rentokil Initial 1927 PLC, which are prepared in accordance with International Financial Reporting Standards, are available to the public and may be obtained from Companies House.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

As noted in the Strategic Report on page 2, there have been limitations on the application of accounting policies, procedures and controls, including:

- Bank controls have not been adequate during the period;
- Recoverability of accounts receivable;
- Controls regarding accrued income and its subsequent recoverability; and
- Stock valuation at 31st March 2018. A significant provision should have been made against the opening stock valuation and now that the directors are able to make this adjustment, the closing stock valuation is not likely to materially affect the carrying value in future.

The following principal accounting policies have been applied consistently throughout the year:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Rentokil Initial 1927 PLC as at 31 December 2018 and these financial statements may be obtained from Companies House.

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 MARCH 2019

2. Accounting policies (continued)

2.3 Foreign currency

The financial statements are prepared in the functional currency applicable to the business. Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are reported at the rates of exchange prevailing at that date.

2.4 Classification of financial instruments issued by the Company

Financial assets and financial liabilities are recognised on the Company's Balance Sheet when the Company becomes party to the contractual provisions of the instrument. The Company derecognises financial assets and liabilities only when the contractual rights and obligations are transferred, discharged or expire.

Assets that are assessed not to be individually impaired are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables includes the Company's past experience of collecting payments, the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly, with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the profit and loss account.

Financial assets comprise loans and receivables and are measured at initial recognition at fair value and subsequently at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised where there is objective evidence that the asset is impaired. Cash and cash equivalents comprise cash in hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

The Company uses a non-recourse customer invoice discounting facility under which certain trade receivables are sold to the Company's relationship banks. The trade receivables are sold without recourse to the Company, and therefore the trade receivable balance is derecognised.

Financial liabilities comprise trade payables, financing liabilities, including bank and other borrowings, put options on non-controlling interests and deferred contingent consideration. These are measured at initial recognition at fair value and subsequently at amortised cost.

Intra-group financial instruments

Where the Company enters into financial guarantee contracts, to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 MARCH 2019

2. Accounting policies (continued)

2.5 Employee benefits

Retirement benefit costs

The Company was a participating employer in the Mitie Group defined benefit schemes. In respect of the schemes in which the Company participates, the Company accounts for its legal and constructive obligations over the period of its participation which is for a fixed period only. The Company operates a number of defined contribution retirement benefit schemes for all qualifying employees. Payments to the defined contribution and stakeholder pension schemes are charged as an expense as they fall due. *The Company also participates in a number of other local government defined benefit schemes.* In respect of the schemes in which the Company participates, the Company accounts for its legal and constructive obligations over the period of its participation which is for a fixed period only.

2.6 Share-based payments

The Company participated in a number of Mitie Group plc executive and employee share option schemes. For grants of share options and awards, the fair value as at the date of grant is calculated using the appropriate valuation model and the corresponding expense is recognised on a straight-line basis over the vesting period based on the Company's estimate of shares that will eventually vest. Further details of the Group's share option schemes are contained in the Mitie Group plc annual report.

Save As You Earn (SAYE) options are treated as cancelled when employees cease to contribute to the scheme, resulting in an acceleration of the remainder of the related expense.

2.7 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Onerous contract provisions (OCPs) arise when the unavoidable costs of meeting contractual obligations exceed the remuneration expected to be received. Unavoidable costs include total contract costs together with a rational allocation of shared costs that be directly linked to fulfilling contractual obligations which have been systematically allocated to OCPs on the basis of key cost drivers except where this is impracticable, where contract revenue is used as a proxy to activity. The provision is calculated as the lower of the termination costs payable for an early exit and the expected net cost to fulfil the Company's unavoidable contract obligations. Where a customer has an option to extend a contract and it is likely that such an extension will be made, the expected net cost arising during the extension period is included in the calculation. However, where a profit can be reasonably expected in the extension period, no credit is taken on the basis that such profits are uncertain given the potential for the customer to either not extend or offer an extension under lower pricing terms.

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 MARCH 2019

2. Accounting policies (continued)

2.8 Going concern

Whilst the impact of the changes during 2018 and 2019 continues to be felt by the Company, it is *unlikely to generate positive cash flows on its own account without support of its parent*. The Company has participated and will continue to participate in the centralised treasury arrangements of its owners and shares banking arrangements with its ultimate parent and fellow subsidiaries.

The Directors, having assessed the responses of the Directors of the ultimate parent company to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of its parent to continue as a going concern or its ability to continue with current banking arrangements.

On the basis of their assessment of the Company's financial position and of the enquiries made of the ultimate parent, the Company's Directors have a reasonable expectation that the Company will be able to continue its operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.9 Revenue recognition

Turnover represents income recognised in respect of services provided during the period (stated net of sales taxes) and is earned within the United Kingdom. Turnover is recognised to the extent that it is probable that the economic benefits will flow to the entity and the cost incurred in respect of the transaction can be reliably measured. When turnover is recognised but has not yet been billed accrued income arises. Deferred income arises when the Company has billed clients in advance of recognising revenue.

Turnover from a contract to provide services is recognised on straight-line basis unless this is not an accurate reflection of the work performed. Turnover from time and material contracts is recognised at the contractual rates as labour hours and tasks are delivered and direct expenses incurred.

2.10 Leasing

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Any lease incentives are amortised on a straight-line basis over the lease term.

2.11 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.12 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 MARCH 2019**

2. Accounting policies (continued)

2.13 Current and deferred taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based upon tax rates and legislation that have been enacted or substantively enacted at the Balance Sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when: there is a legally enforceable right to set off current tax assets against current tax liabilities; when they relate to income taxes levied by the same taxation authority; and the Company intends to settle its current tax assets and liabilities on a net basis.

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 MARCH 2019**

2. Accounting policies (continued)

2.14 Intangible assets

Goodwill

Goodwill represents the excess of the cost of a business combination of the trade and assets of the respective business over the fair value of the net identifiable assets at the date of acquisition. Goodwill on acquisitions is included in 'intangible assets'. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life.

Other intangible assets

Software and development expenditure is capitalised as an intangible asset if the asset created can be identified, if it is probable that the asset created will generate future economic benefits and if the development cost of the asset can be measured reliably.

Following initial recognition, the carrying amount of an intangible asset is its cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are reviewed for impairment annually, or more frequently when there is an indication that they may be impaired. Amortisation expense is charged to administrative expenses in the income statement on a straight-line basis over its useful life.

2.15 Tangible assets

Tangible assets are stated cost less accumulated depreciation and any impairment in value.

Depreciation is charged so as to write off the cost of assets less expected residual value of the assets over their estimated useful lives, and calculated using the straight-line method.

Depreciation is provided on the following basis:

| | |
|------------------------|----------------|
| Leasehold improvements | - Lease period |
| Plant and vehicles | - 3 - 10 years |

2.16 Impairment of fixed assets and goodwill

Annually the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 MARCH 2019**

2. Accounting policies (continued)

2.17 Stocks

Stocks are stated at the lower of cost and net realisable value and costs represent cost of materials. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and estimated selling costs. Provision is made for obsolete, slow moving or defective items where appropriate

2.18 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.19 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.20 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.21 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 MARCH 2019

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Critical accounting judgements in applying the Company's accounting policies:

In the process of applying the Company's accounting policies, which are described in Note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty are as follows:

The key assumptions concerning the future, and other key sources of estimation uncertainty at the Balance Sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are discussed below.

Provisions, contingent liabilities and onerous contracts

The Company is from time to time, party to legal proceedings and claims that are in the ordinary course of business. Judgements are required in order to assess whether these legal proceedings and claims are probable and the liability can be reasonably estimated, resulting in a provision. Or, alternatively, whether the items meet the definition of contingent liabilities. When a contract is expected to incur future unavoidable losses and has therefore become onerous, judgment is required to assess the future expected revenue and costs and hence to determine the appropriate level of provision. Provisions are liabilities of uncertain timing or amount and therefore in making a reliable estimate of the quantum and timing of liabilities judgement is applied and re-evaluated at each reporting date. The Company recognised provisions at 30 March 2019 of £54,000 (2018: £140,000). Further details are included in Note 20.

Recoverability of aged debtors and accrued income

The Company has billed and unbilled work outstanding at year end. Where balances become aged or subject to dispute, the risk of recoverability increases. As a consequence, there is management judgement involved in assessing the recoverability of these balances which involves consideration of contractual rights, work performed as well as the status of ongoing commercial negotiations

4. Turnover

The Company derives all of its turnover from the provision of services to customers based in the UK.

All turnover arose within the United Kingdom.

5. Operating (loss)/profit

The operating (loss)/profit is stated after charging/(crediting)

| | 2019 £000 | 2018 £000 |
|--|--------------|--------------|
| Loss on disposal of intangible assets | - | 21 |
| Impairment loss on other debtors and prepayments | 2 | 21 |
| Gain on disposal of tangible assets | - | (3) |
| Operating lease rentals - land and buildings | 85 | 76 |
| Depreciation of tangible assets | 464 | 235 |
| Amortisation of intangible assets | 49 | 69 |

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 MARCH 2019**

6. Auditors' remuneration

| | 2019 | 2018 |
|---|-------------|------|
| | £000 | £000 |
| Fees payable to the Company's auditors for the audit of the Company's annual financial statements | 60 | - |
| Fees payable to the Company's auditors in respect of: | | |
| Taxation compliance services | 15 | - |
| All other services | 3 | - |
| | 18 | - |

The audit fee for the prior year was borne by Mitie Waste & Environmental Services limited and no amount was allocated or recharged to the Company in the prior year.

7. Employees

Staff costs, including directors' remuneration, were as follows:

| | 2019 | 2018 |
|---|---------------|--------|
| | £000 | £000 |
| Gross pay | 10,154 | 10,773 |
| Share-based payments | - | 16 |
| Social security costs | 1,065 | 1,147 |
| Termination and redundancy payments | - | 34 |
| Contributions to defined contribution plans | 192 | 174 |
| | 11,411 | 12,144 |

The average monthly number of employees, including the directors, during the period was as follows:

| | 2019 | 2018 |
|----------------|---------------|--------|
| | Number | Number |
| Operations | 329 | 333 |
| Administration | 45 | 60 |
| | 374 | 393 |

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 MARCH 2019**

8. Directors' remuneration

| | 2019 £000 | 2018 £000 |
|---|----------------------|----------------------|
| Aggregate directors' remuneration | 126 | 201 |
| Company contributions to money purchase pension plans | - | 11 |
| | 126 | 212 |

During the period retirement benefits were accruing to 1 directors (2018: 1) in respect of money purchase schemes.

The highest paid director received remuneration of £126,000 (2018: £150,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (2018: £11,000).

The number of directors who exercised share options was Nil (2018: 2) and number of directors in respect of whose services shares were received or receivable under long term incentive schemes was Nil (2018: 1).

The following Directors, who have since resigned, are also Directors or employees of another Group company. They are remunerated by the Company shown. It is not practicable to allocate their remuneration between their services as Directors of this Company and as Directors or employees of other Group companies.

| <u>Directors</u> | <u>Remunerated by</u> | <u>Disclosed by</u> |
|------------------|-----------------------------|-----------------------------|
| Chris Hampson | Rentokil Initial (1927) PLC | Rentokil Initial (1927) PLC |
| Phil Wood | Rentokil Initial (1927) PLC | Rentokil Initial (1927) PLC |
| Daragh Fagan | Rentokil Initial (1927) PLC | Rentokil Initial (1927) PLC |

P J G Dickinson was appointed as Director on 31 March 2018 and had no remuneration for qualifying services as a Director during the current or prior year.

H Sedgwick was remunerated by Rentokil Initial (1927) PLC.

9. Other interest receivable and similar income

| | 2019 £000 | 2018 £000 |
|---|----------------------|----------------------|
| Interest receivable from Mitie group undertakings | 57 | 110 |

The interest disclosed above reflect interest received from Mitie, when MPCL Limited formed part of the Mitie group in the first half of the year.

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 MARCH 2019**

10. Tax on (loss)/profit

| | 2019 | 2018 |
|--|-------------|-------------|
| | £000 | £000 |
| Corporation tax | | |
| Current tax on loss/profit for the year | (46) | 414 |
| Adjustments in respect of prior periods | (27) | (58) |
| Total current tax | (73) | 356 |
| Deferred tax | | |
| Origination and reversal of temporary timing differences | (30) | (36) |
| Reduction in statutory tax rate | 3 | 4 |
| Adjustments in respect of prior periods | 21 | 50 |
| Total deferred tax | (6) | 18 |
| Tax on profit | (79) | 374 |

Factors affecting tax charge for the period/year

The tax assessed for the period/year is lower than (2018: lower than) the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The differences are explained below:

| | 2019 | 2018 |
|---|----------------|-------------|
| | £000 | £000 |
| (Loss)/profit before taxation | (1,228) | 2,017 |
| (Loss)/profit before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.00%) | (233) | 383 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 111 | 1 |
| Reduction in statutory tax rate on deferred tax balances | 46 | 4 |
| Tax rate changes | 3 | - |
| Relief in respect of employee share options | - | (6) |
| Adjustments in respect of prior periods | (6) | (8) |
| Total tax charge for the period/year | (79) | 374 |

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 MARCH 2019**

10. Tax on (loss)/profit (continued)

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the Balance Sheet date have been measured using this enacted tax rate and reflected in these financial statements.

11. Dividends

| | 30 March 2019 £000 | 31 March 2018 £000 |
|---|-----------------------------------|-----------------------------------|
| Dividends paid - £24.77 (2018: £Nil) per qualifying share | 2,500 | - |

12. Intangible assets

| | Software £000 |
|---------------------------------|--------------------------|
| Cost | |
| At 1 April 2018 | 295 |
| At 30 March 2019 | 295 |
| Accumulated Amortisation | |
| At 1 April 2018 | 197 |
| Charge for the year | 49 |
| At 30 March 2019 | 246 |
| Net book value | |
| At 30 March 2019 | 49 |
| At 31 March 2018 | 98 |

Intangibles are amortised over their estimated economic life of 3 years

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 MARCH 2019**

13. Tangible assets

| | Leasehold improvements £000 | Plant and vehicles £000 | Total £000 |
|---------------------------------|--|--|-----------------------|
| Cost | | | |
| At 1 April 2018 | 49 | 1,173 | 1,222 |
| Additions | 310 | 7 | 317 |
| Impairment | (310) | - | (310) |
| At 30 March 2019 | 49 | 1,180 | 1,229 |
| Accumulated depreciation | | | |
| At 1 April 2018 | 8 | 754 | 762 |
| Charge for the year | 103 | 361 | 464 |
| Impairment | (62) | - | (62) |
| At 30 March 2019 | 49 | 1,115 | 1,164 |
| Net book value | | | |
| At 30 March 2019 | - | 65 | 65 |
| At 31 March 2018 | 41 | 419 | 460 |

14. Stocks

| | 30 March 2019 £000 | 31 March 2018 £000 |
|-------------|-----------------------------------|-----------------------------------|
| Consumables | 228 | 1,039 |

Consumable stock usage recognised as cost of sales in the year amounted to £975,000 (2018: £1,281,000)

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 MARCH 2019**

15. Debtors

| | 30 March 2019 £000 | 31 March 2018 £000 |
|-------------------------------------|-----------------------------------|-----------------------------------|
| Due after more than one year | | |
| Mobilisation costs | - | 36 |
| Deferred tax asset (see note 19) | 140 | 135 |
| | <u>140</u> | <u>171</u> |
| | | |
| | 30 March 2019 £000 | 31 March 2018 £000 |
| Trade debtors | 5,556 | 3,722 |
| Mobilisation costs | - | 77 |
| Amounts owed by group undertakings | - | 1,552 |
| Other debtors | - | 500 |
| Prepayments and accrued income | 1,073 | 1,031 |
| | <u>6,629</u> | <u>6,882</u> |

The Directors consider that the carrying amount of trade debtors and other debtors approximates their fair value.

Debtors due after more than one year comprises deferred tax assets of £135,000 (2018: £135,000) and mobilisation costs of £Nil (2018: 36,000).

The amounts owed by Group undertakings were interest bearing at a rate of circa 5% (2018: circa 5%) and were repayable on demand. Since the change in ownership in September 2018 there are no longer any amounts owed by group undertakings.

16. Cash at bank and in hand

| | 30 March 2019 £000 | 31 March 2018 £000 |
|--------------------------|-----------------------------------|-----------------------------------|
| Cash at bank and in hand | <u>2,469</u> | <u>2,614</u> |

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 MARCH 2019**

17. Creditors: amounts falling due within one year

| | 30 March 2019 £000 | 31 March 2018 £000 |
|------------------------------------|-----------------------------------|-----------------------------------|
| Bank loans and overdrafts | 1,200 | - |
| Trade creditors | 1,093 | 528 |
| Amounts owed to group undertakings | 156 | 1,967 |
| Corporation tax | 357 | 430 |
| Taxation and social security | 869 | 998 |
| Other creditors | 1,885 | 233 |
| Accruals and deferred income | 2,260 | 1,613 |
| | <u>7,820</u> | <u>5,769</u> |

The Directors consider that the carrying amount of trade creditors and other creditors approximates fair value.

Amounts due to Group undertakings bear no interest and are repayable on demand.

The bank loan and overdrafts attract an annual interest rate of 0.5% - 1% over the base rate.

18. Financial instruments

| | 30 March 2019 £000 | 31 March 2018 £000 |
|---|-----------------------------------|-----------------------------------|
| Financial assets | | |
| Financial assets that are debt instruments measured at amortised cost | <u>5,691</u> | <u>5,887</u> |
| Financial liabilities | | |
| Financial liabilities measured at amortised cost | <u>(6,594)</u> | <u>(4,341)</u> |

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, mobilisation costs, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade creditors, amounts owed to group undertakings, other creditors and accruals.

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 MARCH 2019**

19. Deferred taxation

| | 2019 £000 |
|--|----------------------|
| At beginning of year | 135 |
| Charged to profit or loss | 26 |
| Adjustment in respect of prior periods | (21) |
| At end of year | 140 |

The deferred tax asset is made up as follows

| | 30 March 2019 £000 | 31 March 2018 £000 |
|-----------------------|-----------------------------------|-----------------------------------|
| Tangible fixed assets | 139 | 124 |
| Share-based payments | 1 | 9 |
| Provisions | - | 2 |
| | 140 | 135 |

20. Provisions

| | Insurance excess £000 | Dilapidation £000 | Total £000 |
|-------------------------|--------------------------------------|------------------------------|-----------------------|
| At 1 April 2018 | 86 | 54 | 140 |
| Utilised in period | (86) | - | (86) |
| At 30 March 2019 | - | 54 | 54 |

The insurance excess provision provided for the self-insured element of Fleet and Liability claims that typically settle over three to five years. This includes a provision for claims that are expected but have not yet been reported. This provision was fully utilised during the year.

The dilapidation provision relates to the legal obligation for a leased property to be returned to the landlord in the contracted condition at the end of the lease period. This cost would include repairs of any damage and wear and tear.

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 MARCH 2019

21. Share-based payments

Whilst the Company was a member of The Mitie Group, it was a member of its share-based payment scheme, however following its sale on 30th September 2018, the Company left that scheme. Following the acquisition of the Company by Rentokil Initial (1927) PLC and the issue of the Initial Enforcement Order by the Competition and Markets Authority, the Company was treated as a private Company for the purposes of share-based payments and could not offer a share-based scheme.

The Mitie Group operates five equity-settled share option schemes, involving ordinary 2.5p shares in Mitie Group plc, which are open to employees of the Company. Full details of the schemes are given in the annual report of Mitie Group plc. The main terms of each scheme are as follows:

Discretionary schemes

Mitie Group plc long term incentive plan

Awards of shares or rights to acquire shares with an exercise price of nil and a vesting period of 3 - 5 years. Awards may be forfeited if the employee leaves the Group. Performance conditions must be satisfied which are based on movements in a range of market and non-market conditions.

Mitie Group plc executive share option scheme

The right to acquire shares at a predetermined price following a vesting period of three years. Options may be forfeit if the employee leaves the Group. Before options can be exercised, a performance condition, linked to growth in earnings per share, must be satisfied.

Conditional share plan

Awards of shares or rights to acquire shares with an exercise price of nil and a vesting period of 1 - 2 years. Awards may be forfeited if the employee leaves the Group.

Non-discretionary schemes

Mitie Group plc SAYE scheme

The right to acquire shares at a predetermined price if the employee saves a regular amount over a three year period. Options must be exercised within six months of the date of vesting. Options may be forfeited if the employee leaves the Group.

Share incentive plan

Employees are invited to invest in Partnership shares which are purchased in the market on their behalf and held in a UK employee benefit trust. One Matching share is awarded for every ten Partnership shares purchased. Matching shares may be forfeited if the employee disposes of the Partnership shares within three years of purchase.

| | <u>2019</u> | <u>2018</u> |
|--|-------------|--------------|
| Weighted average share price at date of exercise | N/A | 263p |
| Options outstanding prices | N/A | 212p to 316p |
| Weighted average remaining contractual life | N/A | 3.8 years |

There were no options outstanding at 30 March 2019. During the prior year, options were granted in July, August, October, November 2018 and January 2019. In 2018, options were granted in May, July, November, December 2016 and January 2018.

The cost of options and conditional awards over the PLC parent company shares granted to employees of the Company are accounted for as a credit in equity representing a capital contribution from the parent company.

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 MARCH 2019**

22. Called up share capital

| | 30 March 2019 £000 | 31 March 2018 £000 |
|---|-----------------------------------|-----------------------------------|
| Allotted, called up and fully paid | | |
| 100,900 (2018: 100,900) Ordinary shares of £1 (2018: £1) each | 101 | 101 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

23. Reserves

Profit and loss account

The profit and loss account comprises the retained earnings and losses of the Company, less amounts distributed to the Company's shareholder.

24. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £192,000 (2018: £174,000).

25. Commitments under operating leases

At 30 March the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | 30 March 2019 £000 | 31 March 2018 £000 |
|--|-----------------------------------|-----------------------------------|
| Land and buildings | | |
| Not later than 1 year | 85 | 77 |
| Later than 1 year and not later than 5 years | 360 | 308 |
| Later than 5 years | - | 7 |
| | 445 | 392 |

TERMINIX UK LIMITED (FORMERLY MPCL LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 MARCH 2019**

26. Commitments

Commitments on behalf of group undertakings

The Company was party with other Mitie Group undertakings to cross-guarantees of each others bank overdrafts and loans, as follows:

| | 30 March 2019 £000 | 31 March 2018 £000 |
|--------------------|-----------------------------------|-----------------------------------|
| Overall commitment | - | 258.106 |

Whilst the company was a member of the Mitie Group, there were a number of cross guarantees with other Group undertakings. Following the sale of the business on 30th September 2018, these obligations were cancelled.

27. Related parties

Under FRS 102 the Company is exempt from disclosing key management personnel compensation and transactions with other companies wholly owned by Mitie Group plc and Rentokil Initial (1927) PLC.

The Company has taken advantage of the exemption under FRS 102 not to disclose transactions with fellow wholly owned subsidiaries.

28. Subsequent events

As a result of their investigation, the Competition and Markets Authority (CMA) concluded that there would be a significant lessening of competition in the pest control market if Rentokil Initial were permitted to integrate the business, particularly in the field of national accounts.

As a result, Rentokil Initial were required provide undertakings in lieu of further investigation that the CMA accepted. This required Rentokil Initial sell these national accounts to a credible competitor; this sale was achieved along with the sale of the equity of the legal entity to ServiceMaster Inc, a NYSE - quoted business.

MPCL has continued to be managed under the conditions of the initial enforcement order outlined above until the sale to ServiceMaster Inc was completed.
