

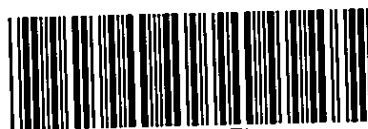
INITIAL HOSPITAL SERVICES LIMITED

**DIRECTORS' REPORT
AND FINANCIAL STATEMENT**

FOR THE YEAR ENDED 31 DECEMBER 2011

Registered Number: 892018

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Initial Hospital Services Limited
DIRECTORS' REPORT
For the year ended 31 December 2011

The directors submit their Directors' report together with the audited financial statements of the Company for the year ended 31 December 2011.

Principal activities and results

The principal activity of the Company is the provision of non-clinical support services to organisations involved in healthcare. These services include cleaning, portering and catering within National Health Service hospitals.

Review of the business and future prospects

The company's profit before tax for the financial year is £2,462,523 (2010: £2,318,770). In the year an interim dividend of £12,396,000 was paid (2010: £nil). The directors do not recommend the payment of a final dividend for 2011 (2010: £nil).

On the 31 December 2011 the trade, assets and liabilities of the company were transferred at book value to Rentokil Initial Facilities Services (UK) Limited. There are no future plans to recommence trading and as a result these financial statements have not been prepared on a going concern basis.

Principal risks and uncertainties

The directors of Rentokil Initial plc manage the risks of the Rentokil Initial group (the group) at a group level, rather than at an individual business unit level. For this reason, the Company's directors believe that a discussion of the Company's risks would not be appropriate for an understanding of the development, performance or position of the Company's business. The principal risks and uncertainties of the group, which include those of the Company, are discussed in the group's 2011 annual report (page 16) which does not form part of this report. Rentokil Initial plc is the Company's ultimate controlling Company.

Key performance indicators (KPI's)

The directors of the group manage the group's operations on a business sector 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 Company's business. The development, performance and position of the group are discussed in the Rentokil Initial group 2011 annual report (page 5) which does not form part of this report.

Initial Hospital Services Limited
DIRECTORS' REPORT (CONTINUED)
For the year ended 31 December 2011

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate cash flow risk. The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by monitoring levels of debt finance and the related finance costs and as such no hedge accounting is applied.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Company's finance department.

Foreign exchange risk and price risk do not have any material impact on the Company.

Credit risk

The Company has implemented policies that require appropriate credit checks on customers before sales are made. However, the Company's customers are predominately the National Health Service which requires little or no credit checks. The credit risk relating to cash and deposits with financial institutions is managed on the Company's behalf by Rentokil Initial group as part of its Treasury activities.

Liquidity risk

The Company currently has no requirement for debt financing but maintains sufficient funds for operations.

Interest rate cash flow risk

The Company has interest bearing assets in the form of cash balances. The interest rate cash flow risk is managed on the Company's behalf by Rentokil Initial group as part of its Treasury activities.

Policy in relation to payment of suppliers

The Company has a variety of payment terms with its suppliers. These will be either negotiated along with other contract terms or will conform to standard terms applied by the Company or by the supplier. It is the Company's policy to pay suppliers in accordance with either negotiated or standard terms provided that the relevant invoice is properly presented and is not the subject of dispute.

The company had no trade creditors at the year end from which to calculate creditor days (2010 72 days)

Employees

The Company attaches considerable importance to keeping its employees informed of matters affecting their jobs and the progress of the business. The regular parent Company magazine contributes towards this purpose. There are, in addition, several in-house publications covering local and divisional matters. Employees have frequent opportunities to meet and have discussions with their managers.

Initial Hospital Services Limited
DIRECTORS' REPORT (CONTINUED)
For the year ended 31 December 2011

Employees (continued)

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should be, as far as possible, identical to that of a person who does not suffer from a disability.

Directors

The directors who served during the year and up to the date of signing these financial statements were:

P R Daly (resigned 28 November 2011)
A T Councell (resigned 30 April 2012)
C Marshall (appointed 30 April 2012)
G R Smith (appointed 14 June 2011)
D Dowling (resigned 07 July 2011)

Statement on disclosure of information to the auditors

In accordance with the Companies Act 2006, each director who was a director at the time the report was approved confirms the following:

- So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- Each has taken all steps that each ought to have taken as director to make himself aware of any relevant information and to establish that the company's auditors are aware of that information.

Independent auditors

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

By order of the board



Company registered number: 892018
Director
12 October 2012

2 City Place
Beehive Ring Road
Gatwick Airport
West Sussex, RH6 0HA

Initial Hospital Services Limited
STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE DIRECTORS REPORT AND THE
FINANCIAL STATEMENTS
For the year ended 31 December 2011

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 judgements 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. (As explained in note 1, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis)

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INITIAL HOSPITAL SERVICES LIMITED

We have audited the financial statements of Initial Hospital Services 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 auditors

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

Emphasis of matter – non-going concern basis of preparation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reason set out in that note.

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 INITIAL HOSPITAL SERVICES 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 McCallion (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

16 October 2012

Initial Hospital Services Limited
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Turnover	2	49,011	56,857
Cost of sales		<u>(43,669)</u>	<u>(51,833)</u>
Gross profit		5,342	5,024
Administrative expenses		<u>(3,055)</u>	<u>(2,764)</u>
Operating profit	3	2,287	2,260
Net interest receivable/(payable)	4	106	(14)
Other finance income	19	<u>70</u>	<u>73</u>
Profit on ordinary activities before taxation		2,463	2,319
Taxation charge on profit on ordinary activities	7	<u>(685)</u>	<u>(669)</u>
Profit for the financial year	18	<u>1,778</u>	<u>1,650</u>

All amounts for the period relate to discontinued operations. On 31 December 2011 the trade and assets of the company were hived up and transferred to Rentokil Initial Facilities Services UK Ltd, its immediate parent company and part of the Rentokil Initial plc group.

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

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents.

The notes on pages 10 to 21 form part of the financial statements.

Initial Hospital Services Limited
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Profit for the financial year		1,778	1,650
Actuarial loss for the year	19	(676)	(25)
Deferred tax adjustment on actuarial loss		183	7
Total recognised gains and losses relating to the year		<u>1,285</u>	<u>1,632</u>

Initial Hospital Services Limited
BALANCE SHEET
As at 31 December 2011

	Notes	2011 £'000	2010 £'000
Fixed assets			
Tangible assets	8	-	439
		-	439
Current assets			
Stocks	9	-	378
Debtors amounts falling due after more than one year	10	1	3,387
Debtors amounts falling due within one year	11	-	3,697
Cash at bank and in hand		-	16,399
		1	23,861
Creditors: amounts falling due within one year	12	-	(10,755)
Net current assets		1	13,106
Total assets less current liabilities		1	11,610
Creditors: amounts falling due after more than one year	13	-	(2,662)
Provisions	14	-	(220)
Net assets excluding pension asset		1	10,663
Pension asset	19	-	449
Net assets		1	11,112
Capital and reserves			
Called up share capital	16	1	1,000
Profit and loss reserve	17	-	10,112
Total shareholders' funds	18	1	11,112

The financial statements on pages 7 to 21 were approved by the Board on 12 October 2012 and signed on its behalf by

G Smith
Director



Initial Hospital Services Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2011

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, except as noted below

The ASB has issued amendments to the following standards:

- FRS 29 (IFRS 7) Financial Instruments
- SSAP 25 Segmental Reporting
- FRS 8 Related Party Disclosures

FRS 29 (IFRS 7) Financial Instruments is amended to require enhanced disclosures about fair value measurements and liquidity risk and introduce a new requirement for credit risk disclosures for loans and receivables. FRS 8 Related Party Disclosures is amended to replace the definition of a related party with that set out in UK law. SSAP 25 Segmental Reporting exemption extended to those subsidiary undertakings whose parent undertaking provides segmental information in accordance with EU-adopted IFRSs. The amendments have not had any impact on the financial statements

a) Basis of preparation

In previous years, the financial statements have been prepared on a going concern basis. However, on 31 December 2011 the trade and assets of the company were hived up and transferred to Rentokil Initial Facilities Services (UK) Ltd. As they do not intend to acquire a replacement trade, and intend to liquidate the company, the directors have not prepared the financial statements on a going concern basis. No adjustments were necessary to the amounts at which the remaining net assets are included in these financial statements.

b) Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated to write off the cost of tangible fixed assets, less their residual values, over their expected useful lives using the straight line basis. The expected useful lives of the assets to the business are reassessed periodically in the light of experience.

The principal straight line annual rates of depreciation used for this purpose are

Motor vehicles	12.5% - 25%
Plant, machinery and fixtures	10% - 33%
Computer Hardware & Software	3 - 5 years

c) Revenue Recognition

Revenue excludes VAT and other similar sales-based taxes, rebates and discounts and represents the amounts receivable for services rendered and goods sold to 3rd party.

Initial Hospital Services Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2011

Revenue Recognition – (continued)

customers. 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. Contract income is recognised in accounting periods on a straight-line basis over the life of the contract.

d) Operating leases

The Company utilises assets under operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

e) Stocks

Stocks are stated at the lower of cost and net realisable value. 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.

f) Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are differences between the taxable profits and results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all the available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Initial Hospital Services Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2011

g) Pension scheme arrangements

Defined benefit scheme

The Company operates a defined benefit pension scheme for the benefit of certain of its former employees, the assets of which are held separately from those of the Company in independently administered funds.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the defined benefit pension scheme is charged to operating profit. The expected return on the scheme's assets and the increase during the year in the present value of the scheme's liabilities arising from the passage of time are included in other financial income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. Refer to Note 19 for further information on the pension scheme held by the company.

No pension scheme surplus has been recognised at the year-end as all assets and liabilities have been transferred to the company's parent.

2 TURNOVER

The whole of the turnover is attributable to the principal activities of the Company which is the provision of non-clinical support services to organisations involved in healthcare. These services include cleaning, portering and catering within National Health Service hospitals. All turnover arose within the United Kingdom.

3 OPERATING PROFIT

	2011 £'000	2010 £'000
Operating profit is stated after charging		
Depreciation on owned tangible fixed assets	205	253
Depreciation on tangible fixed assets held under finance leases	1	14
Operating lease rental costs - other	317	285
Loss on disposal of fixed assets	5	3
Auditors' remuneration - audit fees	28	26

4 NET INTEREST RECEIVABLE

	2011 £'000	2010 £'000
Bank interest receivable/(payable)	106	(14)
	<u>106</u>	<u>(14)</u>

Initial Hospital Services Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2011

5 DIRECTORS EMOLUMENTS

	2011 £'000	2010 £'000
Aggregate emoluments	<u>120</u>	<u>71</u>

In the current year two (2010: two) directors received emoluments in respect of their qualifying service to the company. The directors are remunerated by another company within the Rentokil Initial Group and the company is recharged for qualifying services received as seen in the table above.

In the year the highest paid director received £80,000 in respect of his qualifying services to the company.

Retirement benefits are accruing to two (2010: two) director under a defined contribution pension scheme and the highest paid director is a member of a defined contribution pension scheme.

6 EMPLOYEE INFORMATION

The average monthly number of persons (including directors) employed by the Company during the year was

	2011 Number	2010 Number
Direct operatives	2,655	3,184
Selling and distribution	4	3
Administration and management	<u>11</u>	<u>13</u>
	<u>2,670</u>	<u>3,200</u>
Staff costs	2011	2010
	£'000	£'000
Wages and salaries	34,112	39,674
Social security costs	2,309	2,814
Other pension costs	<u>245</u>	<u>323</u>
	<u>36,666</u>	<u>42,811</u>

Initial Hospital Services Limited**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****For the year ended 31 December 2011****7 TAXATION CHARGE ON PROFIT ON ORDINARY ACTIVITIES****Current Tax:**

	2011 £'000	2010 £'000
United Kingdom tax on profits of the year	<u>641</u>	<u>751</u>
Current tax charge on profit on ordinary activities	<u>641</u>	<u>751</u>
Deferred Tax		
Origination and reversal of timing differences	50	(99)
Adjustment in respect of previous periods	<u>(6)</u>	<u>17</u>
Tax on profit on ordinary activities	<u>685</u>	<u>669</u>

The tax assessed for the year is lower (2010: higher) than the standard rate of corporation tax in the United Kingdom 26.5% (2010: 28%) The differences are explained below.

	2011 £'000	2010 £'000
Profit on ordinary activities before tax	<u>2,463</u>	<u>2,319</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom at 26.5% (2010: 28%)	653	649
Effects of		
Disallowable expenses	5	5
Depreciation in excess of capital allowances	-	10
Other timing differences	<u>(17)</u>	<u>87</u>
Total current tax charge for the year	<u>641</u>	<u>751</u>

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% over a period of 3 years from 2012. The first reduction in the UK corporation tax rate from 26% to 24% was substantively enacted on 26 March 2012 and was effective from 1 April 2012. This supersedes a reduction in corporation tax rate from 26% to 25%, previously announced in the 2011 Budget, which was substantially enacted on 5 July 2011 and was effective from 1 April 2012.

Initial Hospital Services Limited**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****For the year ended 31 December 2011****7 TAXATION CHARGE ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)****Deferred tax**

	2011 £'000	2010 £'000
Decelerated capital allowances	27	50
Other timing differences	61	69
Net deferred tax asset in debtors (Note 10)	88	119
Deferred tax arising on pensions deficit (Note 20)	(4)	(174)
Net deferred tax Assets/(liability)	84	(55)

The movement in deferred tax in the year was.

	£'000
Balance brought forward at 1 January 2011	(55)
Adjustment in respect of previous periods	6
Current year debit	(50)
Deferred tax arising on actuarial loss	183
Transferred to other Group Company	(84)
Balance carried forward at 31 December 2011	-

There is no unprovided deferred tax relating to the disposal of fixed assets

8 TANGIBLE FIXED ASSETS

	Computer hardware and Software £'000	Motor vehicles £'000	Plant, machinery and fixtures £'000	Total £'000
Cost				
At 1 January 2011	227	103	1,949	2,279
Additions	5	-	269	274
Disposals	(9)	-	(156)	(165)
Transfer to group company	(223)	(103)	(2,062)	(2,388)
At 31 December 2011	-	-	-	-
Accumulated Depreciation				
At 1 January 2011	212	101	1,527	1,840
Charge for the financial year	12	2	192	206
Disposals	(9)	-	(151)	(160)
Transfer to group company	(215)	(103)	(1,568)	(1,886)
At 31 December 2011	-	-	-	-
At 31 December 2011	-	-	-	-
At 31 December 2010	15	2	422	439

Initial Hospital Services Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2011
8 TANGIBLE FIXED ASSETS - CONTINUED

The net book value of tangible assets includes an amount of £nil (2010: £1,000) in respect of assets held under finance leases.

9 STOCK

	2011	2010
	£'000	£'000
Raw materials and consumables	<u>-</u>	<u>378</u>

10 DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2011	2010
	£'000	£'000
Amounts owed by parent and fellow subsidiary undertakings	<u>1</u>	<u>3,387</u>

Amounts owed by parent and fellow subsidiary undertakings are unsecured, interest free and have no fixed date of repayment.

11 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011	2010
	£'000	£'000
Trade debtors	-	2,988
Amounts owed by parent and fellow subsidiary undertaking	-	84
Deferred tax (note 7)	-	119
Prepayments and accrued income	-	506
	<u>-</u>	<u>3,697</u>

Amounts owed by parent and fellow subsidiary undertakings are unsecured, interest free and have no fixed date of repayment

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011	2010
	£'000	£'000
Trade creditors	-	418
Amounts owed to parent and fellow subsidiary undertakings	-	863
Corporation tax	-	751
Other taxes and social security	-	1,936
Accruals and deferred income	-	6,787
	<u>-</u>	<u>10,755</u>

Amounts owed to parent and fellow subsidiary undertakings are unsecured, interest free and have no fixed date of repayment

Initial Hospital Services Limited**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****For the year ended 31 December 2011****13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2011	2010
	£'000	£'000
Loans due to parent	-	2,662
	<u>-</u>	<u>2,662</u>

Amounts owed to parent are unsecured, interest free and have no fixed date of repayment.

14 PROVISIONS

	£'000
At 1 January 2011	220
Utilised during the year	(179)
Additions	179
Transferred to another group company	<u>(220)</u>
At 31 December 2011	<u>-</u>

This provision is in respect to future losses of an onerous contract which Initial Hospital Services Limited are obligated to provide services until 2020

15 OBLIGATION UNDER OPERATING LEASES

At 31 December 2011 the Company had annual commitments under non-cancellable operating leases for assets expiring as follows:

	Other	Other
	2011	2010
	£'000	£'000
Leases expiring		
- within one year	-	34
- after one year but within five years	<u>-</u>	<u>157</u>
	<u>-</u>	<u>191</u>

Initial Hospital Services Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2011
16 CALLED UP SHARE CAPITAL

	2011	2010
	£'000	£'000
Authorised:		
1,000,000 ordinary shares of £1 each	<u>1</u>	<u>1,000</u>
Allotted, called up and fully paid:		
1,000,000 ordinary shares of £1 each	<u>1</u>	<u>1,000</u>

17 PROFIT AND LOSS ACCOUNT

	2011	2010
	£'000	£'000
At 1 January	<u>10,112</u>	<u>8,480</u>
Profit for the financial year	1,778	1,650
Actuarial loss on pension scheme net of tax	(493)	(18)
Dividends paid	(12,396)	-
Share capital reduction	<u>999</u>	<u>-</u>
At 31 December	<u>-</u>	<u>10,112</u>

18 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2011	2010
	£'000	£'000
Profit for the financial year	1,778	1,650
Actuarial loss on pension scheme net of tax	(493)	(18)
Dividends paid	<u>(12,396)</u>	<u>-</u>
Net increase in shareholders' funds	<u>(11,111)</u>	<u>1,632</u>
Opening shareholders' funds	<u>11,112</u>	<u>9,480</u>
Closing shareholders' funds	<u>1</u>	<u>11,112</u>

19 PENSION COMMITMENTS

Employees of the Company are included in the UK Rentokil Initial Pension Scheme. However, the Company provides pensions benefits to certain of its former employees through the Initial Hospital Services Limited No1 Pension scheme, which is the only scheme of the Company providing defined benefits. The most recent actuarial valuation of the scheme for accounting purposes was at 6 April 2009. In addition insurance premiums for death in service benefits were payable. Future employer contributions are currently under review.

Initial Hospital Services Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2011
19 PENSION COMMITMENTS (CONTINUED)

The assumptions used for calculating the liabilities were as follows.

	2011	2010
Inflation	3.3%	3.7%
Salary escalation	n/a	n/a
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	87

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

The amounts recognised in the profit and loss account are as follows.

	2011 £'000	2010 £'000
Current service cost	-	-
Expected return on assets	202	192
Interest cost on scheme liabilities	(132)	(119)
Other finance income	70	73

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%	2,509	7.2%
Bonds	248	4.4%	401	4.0%
Property	65	7.9%	22	4.2%
Cash and other net assets	167	4.4%	168	3.6%
Total fair value of scheme assets	2,880		3,100	
Present value of scheme liabilities	(2,863)		(2,477)	
Surplus in scheme	17		623	
Related deferred tax liability	(4)		(174)	
Transferred to other Group Company	(13)		-	
Net pension asset	-		449	

Initial Hospital Services Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2011
19 PENSION COMMITMENTS (CONTINUED)

The amount recognised in the statement of total recognised gains and losses can be analysed as follows.

	2011		2010	
	£'000		£'000	
Actuarial return less expected return on pension scheme assets	(370)	(12.8%)	303	9.8%
Experience gains and losses arising on scheme liabilities	(28)	(1.0%)	(45)	(1.8%)
Changes in assumptions underlying the present value of the scheme liabilities	(278)	(9.7%)	(283)	(11.4%)
Actuarial loss recognised in STRGL	(676)	(23.6%)	(25)	(1.0%)

The above percentages for the actual return less expected return are expressed as a percentage of the scheme asset at the end of the year. All other percentages shown are expressed as a percentage of the scheme liabilities at the end of the year.

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	2010
	£'000	£'000
Assets in scheme at beginning of year	3,100	2,878
Movement in year		
Expected return on assets	202	192
Employer contributions	-	(164)
Benefits paid	(52)	(109)
Actuarial loss on assets	(370)	303
Assets in scheme at end of year	2,880	3,100

Liabilities

	2011	2010
	£'000	£'000
Liabilities in scheme at beginning of year	2,477	2,139
Movement in year		
Interest cost	132	119
Benefits paid	(52)	(109)
Actuarial loss on liabilities	306	328
Liabilities in scheme at end of year	2,863	2,477

Initial Hospital Services Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2011

20 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The Company's immediate parent is Rentokil Initial Facilities Services (UK) Limited.

The Company's ultimate parent Company and controlling party is Rentokil Initial plc, which forms the only group into which the financial statements of the Company are consolidated. The consolidated financial statements of Rentokil Initial plc are available from 2 City Place, Beehive Ring Road, Gatwick Airport, West Sussex, RH6 0HA.

21 OTHER RELATED PARTY TRANSACTIONS

The Company's ultimate controlling party is Rentokil Initial plc. The Company has not undertaken any transactions with related parties during the year, other than transactions with fellow wholly owned members of Rentokil Initial plc. Such transactions are exempt from disclosure under FRS 8.