

INITIAL HOSPITAL SERVICES LIMITED

**DIRECTORS' REPORT
AND FINANCIAL STATEMENT**

FOR THE YEAR ENDED 31 DECEMBER 2012

Registered Number: 892018



Initial Hospital Services Limited
DIRECTORS' REPORT
For the year ended 31 December 2012

The directors submit their Directors' report together with the audited financial statements of the Company for the year ended 31 December 2012

Principal activities and results

The Company is no longer trading after transferring all its trade, assets and liabilities to RIFS on the 31 December 2011

Review of the business and future prospects

The Company's profit before tax for the financial year is £nil (2011 £2,462,523) In the year an interim dividend of £nil was paid (2011 £12,396,000) The directors do not recommend the payment of a final dividend for 2012 (2011 £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 2012 annual report (page 27) 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 2012 annual report (page 25) which does not form part of this report

Initial Hospital Services Limited
DIRECTORS' REPORT (CONTINUED)
For the year ended 31 December 2012

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 (2011 nil)

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.

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

A T Councell (resigned 30 April 2012)
C Marshall (appointed 30 April 2012)
G R Smith

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

Initial Hospital Services Limited
DIRECTORS' REPORT (CONTINUED)
For the year ended 31 December 2012

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



Guy Smith
Director
27 September 2013
Company registered number: 892018

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 2012

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 2012 set out on pages 7 to 20. 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2012 and of its result 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



Simon Purkess (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
1 Snowhill
Snowhill Queensway
Birmingham
B4 6GH

27 September 2013

Initial Hospital Services Limited
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Turnover	2	-	49,011
Cost of sales		<u>-</u>	<u>(43,669)</u>
Gross profit		-	5,342
Administrative expenses		<u>-</u>	<u>(3,055)</u>
Operating profit	3	-	2,287
Interest receivable	4	-	106
Other finance income	12	<u>-</u>	<u>70</u>
Profit on ordinary activities before taxation		-	2,463
Taxation charge on profit on ordinary activities	7	<u>-</u>	<u>(685)</u>
Profit for the financial year	10	<u>-</u>	<u>1,778</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 20 form part of the financial statements.

Initial Hospital Services Limited
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Profit for the financial year		-	1,778
Actuarial loss for the year	12	-	(676)
Deferred tax adjustment on actuarial loss		-	183
Total recognised gains and losses relating to the year		<u>-</u>	<u>1,285</u>

Initial Hospital Services Limited
BALANCE SHEET
As at 31 December 2012

	Notes	2012 £'000	2011 £'000
Current assets			
Debtors amounts falling due after more than one year	8	<u>1</u>	<u>1</u>
		<u>1</u>	<u>1</u>
Net assets		<u>1</u>	<u>1</u>
Capital and reserves			
Called up share capital	9	1	1
Profit and loss account	10	-	-
Total shareholders' funds	11	<u>1</u>	<u>1</u>

The financial statements on pages 7 to 20 were approved by the Board on 27 September 2013 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 2012

1 ACCOUNTING POLICIES

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 historical 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	20% - 33%

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 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.

Initial Hospital Services Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2012

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

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

Initial Hospital Services Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2012

3 OPERATING PROFIT

	2012 £'000	2011 £'000
Operating profit is stated after charging		
Depreciation on owned tangible fixed assets	-	205
Depreciation on tangible fixed assets held under finance leases	-	1
Operating lease rental costs - other	-	317
Loss on disposal of fixed assets	-	5
Auditors' remuneration - audit fees	-	28

In prior year, the audit fee of the company was borne by its parent

4 INTEREST RECEIVABLE

	2012 £'000	2011 £'000
Bank interest receivable	-	106
	<u>-</u>	<u>106</u>

5 DIRECTORS' EMOLUMENTS

	2012 £'000	2011 £'000
Aggregate emoluments	-	120
	<u>-</u>	<u>120</u>

In the current year no (2011 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.

Retirement benefits are accruing to no (2011 two) directors under a defined contribution pension scheme and the highest paid director is a member of a defined contribution pension scheme.

Initial Hospital Services Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2012

6 EMPLOYEE INFORMATION

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

	2012	2011
	Number	Number
Direct operatives	-	2,655
Selling and distribution	-	4
Administration and management	-	11
	<u>-</u>	<u>2,670</u>
Staff costs	2012	2011
	£'000	£'000
Wages and salaries	-	34,112
Social security costs	-	2,309
Other pension costs	-	245
	<u>-</u>	<u>36,666</u>

Initial Hospital Services Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2012

7 TAXATION CHARGE ON PROFIT ON ORDINARY ACTIVITIES

Current Tax:

	2012 £'000	2011 £'000
United Kingdom tax on profits of the year	-	641
Current tax charge on profit on ordinary activities	-	641
Deferred Tax		
Origination and reversal of timing differences	-	50
Adjustment in respect of previous periods	-	(6)
Tax on profit on ordinary activities		685

The tax assessed for the year is equal to (2011 lower than) the standard rate of corporation tax in the United Kingdom 24.5% (2011 26.5%). The differences are explained below

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	-	2,463
Profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom at 24.5% (2011 26.5%)	-	653
Effects of		
Disallowable expenses	-	5
Depreciation in excess of capital allowances	-	-
Other timing differences	-	(17)
Total current tax charge for the year	-	641

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. As the company is not trading, it is not anticipated that these reductions will impact the company.

Initial Hospital Services Limited**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****For the year ended 31 December 2012****7 TAXATION CHARGE ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)****Deferred tax**

	2012	2011
	£'000	£'000
Decelerated capital allowances	-	27
Other timing differences	-	61
Net deferred tax asset in debtors (Note 10)	-	88
Deferred tax arising on pensions deficit (Note 20)	-	(4)
Net deferred tax Assets/(Liability)	-	84

The movement in deferred tax in the year was

	£'000
Balance brought forward at 1 January 2012	-
Adjustment in respect of previous periods	-
Current year debit	-
Deferred tax arising on actuarial loss	-
Transferred to other Group Company	-
Balance carried forward at 31 December 2012	-

There is no un-provided deferred tax relating to the disposal of fixed assets

8 DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2012	2011
	£'000	£'000
Amounts owed by parent and fellow subsidiary undertakings	1	1

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

9 CALLED UP SHARE CAPITAL

	2012	2011
	£	£
Authorised:		
1 ordinary shares of £1 each	1	1
Allotted, called up and fully paid		
1 ordinary shares of £1 each	1	1

Initial Hospital Services Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2012

10 PROFIT AND LOSS ACCOUNT

	2012 £	2011 £
At 1 January	-	10,112
Profit for the financial year	-	1,778
Actuarial loss on pension scheme net of tax	-	(493)
Dividends paid	-	(12,396)
Share capital reduction	-	999
At 31 December	-	-

11 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2012 £'000	2011 £'000
Profit for the financial year	-	1,778
Actuarial loss on pension scheme net of tax	-	(493)
Dividends paid	-	(12,396)
Net increase in shareholders' funds	-	(11,111)
Opening shareholders' funds	1	11,112
Closing shareholders' funds	1	1

Initial Hospital Services Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2012

12 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 N1 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.

The assumptions used for calculating the liabilities were as follows:

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:

	2012 £'000	2011 £'000
Current service cost	-	-
Expected return on assets	-	202
Interest cost on scheme liabilities	-	(132)
Other finance income	-	70

Initial Hospital Services Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2012

12 PENSION COMMITMENTS (CONTINUED)

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

	2012		2011	
	£'000	Return	£'000	Return
Equities	-	-	2,400	7.9%
Bonds	-	-	248	4.4%
Property	-	-	65	7.9%
Cash and other net assets	-	-	167	4.4%
Total fair value of scheme assets	-		2,880	
Present value of scheme liabilities	-		(2,863)	
Surplus in scheme	-		17	
Related deferred tax liability	-		(4)	
Transferred to other Group Company	-		(13)	
Net pension asset	-		-	

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

	2012		2011	
	£'000	%	£'000	%
Actuarial return less expected return on pension scheme assets	-	-	(370)	12.8%
Experience gains and losses arising on scheme liabilities	-	-	(28)	1.0%
Changes in assumptions underlying the present value of the scheme liabilities	-	-	(278)	9.7%
Actuarial loss recognised in STRGL	-	-	(676)	

Initial Hospital Services Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2012

12 PENSION COMMITMENTS (CONTINUED)

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

	2012	2011
	£'000	£'000
Assets in scheme at beginning of year	-	3,100
Movement in year		
Expected return on assets	-	202
Employer contributions	-	-
Benefits paid	-	(52)
Actuarial loss on assets	-	(370)
Assets in scheme at end of year	<u>-</u>	<u>2,880</u>

Liabilities

	2012	2011
	£'000	£'000
Liabilities in scheme at beginning of year	-	2,477
Movement in year		
Interest cost	-	132
Benefits paid	-	(52)
Actuarial loss on liabilities	-	306
Liabilities in scheme at end of year	<u>-</u>	<u>2,863</u>

Initial Hospital Services Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2012

13 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.

14 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.