

Auditors and disclosure of information to auditors

Insofar as each of the directors is aware, there is no relevant audit information (as defined by section 234 of the Companies Act 1985) of which the company's auditors are unaware; and each of the directors has taken all of the steps that he should have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors of the company will be proposed at the annual general meeting to be held on 3 May 2007.

Statement of Directors' Responsibilities

Company law requires the directors to take responsibility for preparing the annual report, including the remuneration report, and the financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit and loss and cash flows of the group for that period. In preparing these financial statements, the directors are required to adopt suitable accounting policies and to apply them consistently, making judgements and estimates that are reasonable and prudent and following applicable accounting standards. These standards are: (a) UK Generally Accepted Accounting Principles (UK GAAP) for the company; and (b) International Financial Reporting Standards (IFRS) as adopted for use in the EU and implemented in the UK for the group.

The directors are responsible for ensuring that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements and the remuneration report comply with the Companies Act 1985 and as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the group and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the Rentokil Initial plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Safe Harbour Statement

The directors' report and certain other sections of this annual report and accounts include statements that constitute "forward-looking statements". Forward-looking statements include information concerning possible, estimated or assumed future results of our operations, earnings, liquidity, cash flow and capital expenditures, industry or market conditions, acquisition

activities and the effect of completed acquisitions, gearing, debt levels and the ability to obtain additional financing or make payments on our debt, legal, regulatory or fiscal developments, demand for and pricing of our products and other aspects of our business or general economic conditions. Forward-looking statements are not guarantees of performance. By their nature, forward-looking statements involve risks, uncertainties and assumptions because they relate to events and depend on circumstances that will or may occur in the future. Although we make such statements based on assumptions that we believe to be reasonable, there can be, and we give, no assurance, whether express or implied, that actual results will not differ materially or significantly from our expectations or estimations.

Annual general meeting

The annual general meeting of the company will be held at No 4 Hamilton Place, London W1J 7BQ on 3 May 2007 at 11 a.m. A separate letter to shareholders containing the notice of the annual general meeting and information on the resolutions to be proposed as special business accompanies this annual report.

By order of the board.



Paul Griffiths
Secretary
14 March 2007

AUDIT COMMITTEE REPORT

The audit committee's terms of reference are available on the company's website and were updated at the beginning of 2004 to reflect the Smith Guidance. The principal oversight responsibilities of the committee cover: financial reporting, internal control and risk management, various matters concerning the external auditors including their appointment, scope of their duties, their independence and monitoring and receiving reports from the internal audit function. The committee reviewed its terms of reference towards the end of 2006 and concluded that they remain appropriate.

The members of the committee at the end of the year were Ian Harley (chairman), chartered accountant, Duncan Tatton-Brown, chartered management accountant, Peter Bamford and Alan Giles. In order to fulfil its terms of reference, the committee reviews, challenges and approves, as the case may be, presentations or reports from senior management, consulting as necessary with the external auditors. During the year the committee had a satisfactory level of dialogue with the company's auditors and did not find it necessary to seek external advice.

The audit committee met six times in 2006. The meetings were fully attended other than four occasions when Messrs, Mason, Giles, Harley and Bamford were each unable to attend a meeting due to an unavoidable prior commitment. Three of the meetings included an element without executive management present.

In February 2006 the committee considered the following: proposed changes in narrative reporting requirements, draft financial statements for 2005, the preliminary announcement and related auditors' reports, fees for audit and non-audit work, plans for reviewing the internal control and risk framework, a tax policy, the internal audit activity in 2005 and plans for 2006 and plans to consolidate all subsidiary audits on the company's auditors, PricewaterhouseCoopers LLP.

In March 2006 the committee considered the following: the report and accounts including IFRS disclosures and related reports from the auditors and reports on the internal control framework, half-yearly report on whistleblowing, external auditor effectiveness including a report on an internal survey used as a measurement tool.

In August 2006 the committee considered the following: half year results and related audit reports, half-yearly report on whistleblowing, internal audit activity report for the first half and the proposed audit strategy for 2007.

In May and November 2006 the committee considered the first and third quarter trading updates and related auditor reviews.

In December 2006 the committee considered the following: internal audit resource plans, an amended risk management policy and related amended procedures, outline of content for the 2006 business review, review of the effectiveness of the internal audit function and a review of the committee's terms of reference.

Auditor independence was considered at a number of meetings. The committee invites the chief executive, the chief financial officer, director – corporate accounting and control, director – corporate internal audit and representatives of the external auditors to attend its meetings. The company secretary attends meetings in his role as secretary of the committee.

Internal controls

The annual report provides information on and an assessment of the company's business, operations, financial position and prospects. The board is responsible for maintaining a sound system of internal controls, including financial, operational and compliance controls and risk management, and reviews the effectiveness of the system at least annually in order to safeguard shareholders' investments and the company's assets. The system is designed to manage, rather than eliminate, risk and can only provide reasonable and not absolute assurance against material misstatement or loss.

The audit committee assists the board in the performance of its responsibilities by reviewing the board procedures for review of internal controls, internal and external auditors' reports on internal control issues and reports on internal controls and risk management systems.

The board's procedures for the review of internal controls, contained within its manual on procedures and practices, provide the framework for the group's risks and how they are assessed, managed and monitored. The risk identification and management process has been in place during the whole of 2006 (and up to 14 March 2007, the date of the approval of the audited 2006 accounts) and during that time the board, with the assistance of the committee, has reviewed the process.

The process used to review the effectiveness of the system of internal control involved: a review of the changes since the last assessment in the nature and extent of significant risks and the company's ability to respond to changes in its business; a review of the scope and quality of management's monitoring of risks and the system of internal control and the work of the internal audit function and other providers of assurance; the incidence of control failings or weakness and their impact on financial performance; and the effectiveness of the public reporting process. The committee reviews the scope of external audit, the half-yearly and annual financial statements (including compliance with legal and regulatory requirements) and trading updates and reports to the board on financial issues raised by both internal and external audit reports.

The committee receives reports from the internal audit department, covering financial, operational and information technology risks and controls and reviews the performance of the department against its terms of reference.

Changes in the management structure introduced in 2005 and an increased level of delegated authority to the divisions and operating businesses introduced changes in the control environment which needed to be monitored and tested to ensure that the group's internal controls and risk management procedures continued to be effective. During 2006 a review was undertaken of the existing internal control framework which was found to be generally good, although capable of improvement in some areas, and action plans were put in place to improve systems and procedures where appropriate.

An updated risk management policy was incorporated into the board's policies and procedures at the end of 2006. This revised risk management policy introduced a new assurance process which will be implemented during 2007. The board considers that the revised policy and the associated review process will provide further assurance on the adequacy of the system of internal control.

Approved by the board of directors on 14 March 2007 and signed on its behalf by



Ian Harley
Audit committee chairman