

Directors' report

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Principal activities

The company is the holding company of a group which through its operating businesses in some 50 countries provides a range of, principally, business to business support services. A summary description of the group's activities is given on pages 8 and 9. The principal subsidiary undertakings and joint ventures of the company are shown on page 85.

Business review

The strategy update and KPIs, on pages 4 to 7 and the business review, on pages 10 to 15 form part of this report and report on the group's activities during the year and on likely future developments. They also describe the key performance indicators used by the board to monitor progress against strategy and list the principal risks and uncertainties affecting the business.

Results and dividend

The consolidated profit before income tax for 2009 was £65.0 million (the tax on this was £16.1 million). Net consolidated capital employed is £(150.1) million compared to £(61.9) million last year.

The company did not pay a final dividend on 2008 profits, or an interim dividend in respect of 2009 profits. The board continues to believe that it is in the best interest of the company to conserve its cash resources and accordingly has not recommended a final dividend in respect of 2009.

Substantial interests and share capital

The company is not directly or indirectly owned or controlled by another corporation or by an individual and there are no arrangements in operation which may at a subsequent date result in a change in control of the company. As at 26 March 2010 the following shareholders had indicated that they were interested in 3% or more of the company's issued share capital. There were no movements in the company's ordinary shares during the period.

Substantial shareholding	%	No. of ordinary shares	Nature of holding
Schroders plc	13.97	253,544,833	Indirect
Lloyds Banking Group plc	5.077	92,143,711	Indirect
Invesco Ltd	5.01	90,991,468	Direct
Aviva plc (and subsidiaries)	5.05	91,572,527	Direct
Ameriprise Financial Inc	5.003	90,790,221	Indirect
Legal and General Group plc	3.99	72,494,739	Indirect
Orbis Holdings Ltd	3.10	56,278,825	Indirect

Ameriprise Financial includes Threadneedle Asset Management Holdings Ltd.

Silchester International Investors no longer holds a disclosable interest in the company.

Authority for the company to make purchases of its own shares of up to 181,483,101 million was obtained at the annual general meeting on 14 May 2009. No purchases of its shares were made by the company in 2009.

The authority is normally renewable annually and approval will be sought from shareholders at the 2010 annual general meeting to renew the authority for a further year.

Electronic communications

In accordance with the Companies Act 2006, the company will distribute its printed annual report only to shareholders who have indicated to the company that they wish to receive it in that form. The company will periodically canvas new shareholders on how they wish to receive their shareholder communications. Further information on shareholder services is available on pages 95 and 96.

Board

Biographical information on the current directors of the company, including their ages and their dates of appointment, is shown on page 23.

The directors retiring by rotation will be Richard Burrows, Duncan Tatton-Brown and William Rucker, who are eligible and offer themselves for re-election at the 2010 annual general meeting. None of the directors retiring by rotation has a service contract with the company. Biographical information of the directors seeking election is set out in the notes accompanying the notice of the annual general meeting.

Michael Murray resigned as a director with effect from 31 March 2010 and the company has announced the appointment of Jeremy Townsend as a director and chief financial officer. He is currently Finance Director at Mitchells & Butlers, a role he has held since 2008, having joined in 2005 as Deputy Finance Director. He previously held various financial roles at J Sainsbury plc, including Group Financial Controller, Corporate Finance Director and Strategy Director. He will join the board later in the year.

Directors' interests

The interests of the directors and their families in the share capital of the company on 1 January 2009, or their date of appointment if later, and 31 December 2009 are set out on pages 36 and 38. Details of incentive awards to directors are shown in the remuneration report on page 38. No director had any beneficial interest in the shares of any of the company's subsidiaries on those dates. Any changes in the interests of the directors and their families in the company and its subsidiary companies during the period from the end of the financial year to 26 March 2010 are shown in the directors' remuneration report.

Directors' indemnity and insurance

The company has granted indemnities in favour of its directors as is permitted by the Companies (Audit Investigations and Community Enterprise) Act 2004. It has also purchased insurance cover for the directors against liabilities arising in relation to the company, as permitted by the Companies Act 2006. This insurance does not cover fraudulent activity.

Interests of directors in contracts

The board has a formal process for considering and, if appropriate, authorising potential conflicts of interest which is reviewed annually by the nominations committee.

During 2009 no director had any material interest in any significant contract to which the company or any subsidiary was a party.

Related party transactions

Other than in respect of arrangements relating to employment of directors, details of which are provided in the remuneration report or as set out in note 34, there is no material indebtedness owed to or by the company to any employee or any other person considered to be a related party.

Employees

The company attaches considerable importance to communicating with colleagues. Internal communications take place at a group, divisional, business and team level in order to ensure that colleagues receive accurate information in a timely manner and a variety of structures exist for two-way communications at all levels. At a corporate level the group intranet is used to announce company news with the support of direct e-mail communication from the executive team. This is supplemented by a periodic electronic magazine called "Horizons" which features interviews with senior executives about major initiatives and performance.

In Europe the company meets its European Forum (European Works Council) usually twice a year to communicate with colleagues' representatives from across the continent. It maintains an open dialogue with the Forum at times of business change. Divisional communications use a wide range of channels such as e-mail, divisional intranets, electronic newsletters and quarterly magazines to communicate business issues including financial and economic factors affecting the operations. Great importance is placed on face-to-face team meetings.

Applications for employment by disabled persons are always fully considered, taking into account the aptitudes of the applicants. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with Rentokil Initial continues and that appropriate re-training is made available. It is the policy of Rentokil Initial that the training, career development and promotion of disabled persons should, as far as possible, be identical with those of other employees.

Auditors

In September 2009 the company appointed KPMG Audit Plc as auditors and PricewaterhouseCoopers LLP resigned. Information on the change of auditors is set out in the Audit Committee report on pages 28 and 29. A resolution to reappoint KPMG Audit Plc as auditors will be put to the annual general meeting on Friday 14 May 2010.

Post balance sheet events

Since the end of the year the group has announced the closure of the City Link hub at Wednesbury in the West Midlands. See note 35.

Policy in relation to payment of suppliers

Rentokil Initial has a variety of payment terms with its suppliers in various countries. These are either negotiated along with other contract terms or conform to standard terms applied either by the relevant group 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 in a timely manner and is not the subject of dispute. At 31 December 2009 the trade creditors of the group represented 52 days of annual purchases and the UK businesses' trade creditors represented 36 days of purchases; UK trade debtors represented 40 days of turnover. During the year the parent company did not have any trade creditors.

Other performance areas 2009

As a means of helping shareholders to assess the success of our strategies, the company uses non-financial performance indicators, which are shown in the table on page 6 and further information on these and on other performance areas is set out in the Corporate Responsibility review on pages 20 to 22.

Communities and charitable donations

The company's approach to the community consists of three separate elements – charitable cash donations (often linked to employees' initiatives), community support, and community investment. Community support and investment is locally rather than centrally driven. Charitable donations amounted to £150,000 (£142,000 in 2008). This amount excludes value in kind donations or colleagues' time.

Donations for UK charitable purposes in 2009 amount to £61,000 and a further £89,000 was donated in other countries. There were no payments to political organisations. Payments are made to a wide range of charitable organisations both in the UK and overseas. The company operates a matched giving scheme whereby the company matches donations raised by employee fundraising.

Further details of the company's non-financial indicators can be found in the company's web-based Corporate Responsibility Report 2009, which is available at www.rentokil-initial.com.

Key contracts

The group does not have any dominant customer or supplier relationships.

Research and development

The company invests in an active programme of research and development in support of its major international business streams. This programme includes the conception, design, testing and manufacture of new products to enhance the quality, effectiveness and safety of the company's services and minimise their environmental impact. Where appropriate, work may be sponsored at universities with expertise in relevant areas. The company's total research and development expenditure in 2009 was £1.7 million (2008: £1.7 million).

Financial instruments

The company's financial risk management objectives and policies are set out within the financial review on pages 16 to 19, which includes the policy for hedging certain forecast financial transactions. The review and notes 16, 21 and 22 to the accounts also detail the company's exposure to price, credit and liquidity risks. The company is not materially exposed to foreign exchange risks arising from cross-border trading transactions, although it is significantly exposed to foreign exchange investment risks.

Takeovers Directive

Pursuant to section 992 of the Companies Act 2006, which implements the EU Takeovers Directive, the company is required to disclose certain additional information. Those further disclosures, which are not made elsewhere in this annual report, are as follows:

The company's articles of association give power to the board to appoint directors, but also require directors to retire and submit themselves for re-election at the first annual general meeting following the appointment and for re-election by rotation. The articles themselves may be amended by special resolution of the shareholders.

The board is responsible for the management of the business of the company and may exercise all the powers of the company subject to the provisions of relevant statutes and the company's memorandum and articles of association. For example, the articles contain specific provisions and restrictions regarding the company's power to borrow money.

Powers relating to the issuing and buying back of shares are also included in the articles of association and such authorities are renewed by shareholders each year at the annual general meeting. A copy of the articles of association is available to view on the company's website.

The company's Euro Medium Term Note Programme contains conditions that in general terms allow the Notes in issue by the company to be put back to the company in the event of a change of control of the company coupled with either a credit rating downgrade below "investment grade" or where the company's credit rating is already below "investment grade".

The company's main central committed bank facilities require mandatory prepayment and cancellation in the event of a change of control of the company.

There are a number of other agreements that take effect, alter or terminate upon a change of control of the company, such as some commercial agreements, financing arrangements and employee share plans. None of these are deemed to be significant in terms of their potential impact on the group as a whole. The remuneration and contractual arrangements for the executive directors and senior management do not contain any matters that are required to be disclosed under The Takeovers Directive. Copies of executive directors' service contracts are available for inspection by shareholders at the company's registered office and at the annual general meeting.

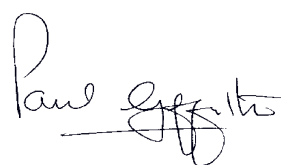
Annual general meeting

The annual general meeting of the company will be held at No. 4 Hamilton Place, London W1J 7BQ on Friday 14 May 2010 at 11 a.m.

In addition to the adoption of the 2009 report and accounts, resolutions dealing with re-election of directors and the resolution dealing with the approval of the directors' remuneration report, there are resolutions on the following matters: the appointment and remuneration of the auditors, a routine authority to repurchase the company's shares, authorities to allot shares and disapply pre-emption rights and a general authority to make donations to EU political organisations.

A separate letter to shareholders containing the notice of the annual general meeting and explanatory information on the resolutions to be proposed as special business accompanies this annual report. This annual report and the notice of the annual general meeting can be found on the company's website, www.rentokil-initial.com.

By order of the board,



Paul Griffiths
Secretary
26 March 2010