

Consolidated income statement

For the year ended 31 December

	Notes	2009 £m	2008 £m
Continuing operations:			
Revenue	1	2,530.8	2,409.9
Operating expenses	2	(2,411.5)	(2,327.8)
Operating profit		119.3	82.1
Analysed as:			
Operating profit before amortisation and impairment of intangible assets ¹		180.6	147.6
Amortisation and impairment of intangible assets ¹		(61.3)	(65.5)
Operating profit		119.3	82.1
Interest payable and similar charges	5	(125.0)	(153.5)
Interest receivable	6	67.4	91.6
Share of profit from associates, net of tax of £2.6 million (2008: £2.0 million)	13	3.3	2.6
Profit before income tax		65.0	22.8
Income tax expense ²	7	(16.1)	(6.4)
Profit for the year from continuing operations		48.9	16.4
Discontinued operations:			
Profit for the year from discontinued operations	8	–	5.0
Profit for the year (including discontinued operations)		48.9	21.4
Attributable to:			
Minority interest		1.3	2.6
Equity holders of the company		47.6	18.8
		48.9	21.4
Basic earnings per share			
• Continuing operations	9	2.63p	0.76p
• Discontinued operations	9	–	0.28p
• Continuing and discontinued operations	9	2.63p	1.04p
Diluted earnings per share			
• Continuing operations	9	2.63p	0.76p
• Discontinued operations	9	–	0.28p
• Continuing and discontinued operations	9	2.63p	1.04p

¹ Other than computer software.

² Taxation includes £14.8 million (2008: £19.0 million) in respect of overseas taxation.

Consolidated statement of comprehensive income

For the year ended 31 December

	Notes	2009 £m	2008 £m
Profit for the year (including discontinued operations)		48.9	21.4
Other comprehensive income:			
Net exchange adjustments offset in reserves		28.7	(67.5)
Actuarial (loss)/gain on defined benefit pension plans	24	(211.4)	46.9
Revaluation of available-for-sale investments		(2.5)	1.7
Movement on cash flow hedge reserve		(0.8)	(4.2)
Tax on items taken directly to reserves		49.0	(12.8)
Cumulative exchange recycled to income statement on disposal of foreign operations		(2.0)	-
Net loss not recognised in income statement		(139.0)	(35.9)
Total comprehensive expense for the year		(90.1)	(14.5)
Attributable to:			
Minority interest		3.5	3.2
Equity holders of the company		(93.6)	(17.7)
		(90.1)	(14.5)

Consolidated balance sheet

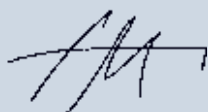
At 31 December

	Notes	2009 £m	2008 £m
Assets			
Non-current assets			
Intangible assets	11	668.2	754.9
Property, plant and equipment	12	636.3	721.2
Investments in associated undertakings	13	13.4	13.7
Other investments	14	1.4	3.0
Deferred tax assets	23	26.0	10.1
Retirement benefit assets	24	-	154.4
Other receivables	15	26.5	26.9
Derivative financial instruments	16	27.3	28.1
		1,399.1	1,712.3
Current assets			
Other investments	14	2.3	-
Inventories	17	47.3	53.4
Trade and other receivables	15	437.5	525.4
Derivative financial instruments	16	13.1	1.7
Cash and cash equivalents	18	101.7	104.1
		601.9	684.6
Liabilities			
Current liabilities			
Trade and other payables	19	(543.3)	(564.5)
Current tax liabilities		(102.4)	(90.5)
Provisions for other liabilities and charges	20	(56.8)	(31.5)
Bank and other short-term borrowings	21	(89.7)	(92.2)
Derivative financial instruments	16	(13.3)	(52.7)
		(805.5)	(831.4)
Net current liabilities			
		(203.6)	(146.8)
Non-current liabilities			
Other payables	19	(14.0)	(14.6)
Bank and other long-term borrowings	21	(1,120.1)	(1,374.1)
Deferred tax liabilities	23	(73.8)	(127.5)
Retirement benefit obligations	24	(64.3)	(19.5)
Provisions for other liabilities and charges	20	(69.0)	(91.0)
Derivative financial instruments	16	(4.4)	(0.7)
		(1,345.6)	(1,627.4)
Net liabilities			
		(150.1)	(61.9)
Equity			
Capital and reserves attributable to the company's equity holders			
Called up share capital	25	18.1	18.1
Share premium account		6.8	6.8
Other reserves		(1,777.3)	(1,798.5)
Retained profits		1,593.0	1,702.7
		(159.4)	(70.9)
Minority interest		9.3	9.0
Total equity			
		(150.1)	(61.9)

The financial statements on pages 39 to 84 were approved by the board of directors on 26 March 2010 and were signed on its behalf by:



Alan Brown
Chief Executive



Michael Murray
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December

	Attributable to equity holders of the company					Total equity £m
	Called up share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Minority interest £m	
At 1 January 2008	18.1	6.8	(1,727.9)	1,753.9	7.4	58.3
Profit for the year (including discontinued operations)	–	–	–	18.8	2.6	21.4
Other comprehensive income:						
Net exchange adjustments offset in reserves	–	–	(68.1)	–	0.6	(67.5)
Actuarial gain on defined benefit pension plans	–	–	–	46.9	–	46.9
Revaluation of available-for-sale investments	–	–	1.7	–	–	1.7
Movement on cash flow hedge reserve	–	–	(4.2)	–	–	(4.2)
Tax on items taken directly to reserves	–	–	–	(12.8)	–	(12.8)
Total comprehensive expense for the year	–	–	(70.6)	52.9	3.2	(14.5)
Transactions with owners:						
Dividends paid to ordinary shareholders	–	–	–	(106.7)	–	(106.7)
Cost of share options and long-term incentive plan	–	–	–	2.6	–	2.6
Transactions with minority interests:						
Dividends paid to minority interests	–	–	–	–	(1.6)	(1.6)
At 31 December 2008	18.1	6.8	(1,798.5)	1,702.7	9.0	(61.9)
At 1 January 2009	18.1	6.8	(1,798.5)	1,702.7	9.0	(61.9)
Profit for the year (including discontinued operations)	–	–	–	47.6	1.3	48.9
Other comprehensive income:						
Net exchange adjustments offset in reserves	–	–	26.5	–	2.2	28.7
Actuarial loss on defined benefit pension plans	–	–	–	(211.4)	–	(211.4)
Revaluation of available-for-sale investments	–	–	(2.5)	–	–	(2.5)
Movement on cash flow hedge reserve	–	–	(0.8)	–	–	(0.8)
Tax on items taken directly to reserves	–	–	–	49.0	–	49.0
Cumulative exchange recycled to income statement on disposal of foreign operations	–	–	(2.0)	–	–	(2.0)
Total comprehensive expense for the year	–	–	21.2	(114.8)	3.5	(90.1)
Transactions with owners:						
Cost of share options and long-term incentive plan	–	–	–	5.1	–	5.1
Transactions with minority interests:						
Acquisition of minority interests	–	–	–	–	(0.7)	(0.7)
Dividends paid to minority interests	–	–	–	–	(2.5)	(2.5)
At 31 December 2009	18.1	6.8	(1,777.3)	1,593.0	9.3	(150.1)

Treasury shares of £11.1 million (2008: £11.1 million) have been netted against retained earnings. Treasury shares represent 7.4 million (2008: 7.4 million) shares held by the Rentokil Initial Employee Share Trust. The market value of these shares at 31 December 2009 was £8.6 million (2008: £3.3 million). Dividend income from, and voting rights on, the shares held by the Trust have been waived.

Analysis of other reserves

	Capital reduction reserve £m	Legal £m	Cash flow hedge reserve £m	Translation reserve £m	Available for sale £m	Total £m
At 1 January 2008	(1,722.7)	10.4	–	(16.2)	0.6	(1,727.9)
Net exchange adjustments offset in reserves	–	–	–	(68.1)	–	(68.1)
Revaluation of available-for-sale investments	–	–	–	–	1.7	1.7
Movement in cash flow hedge reserve	–	–	(4.2)	–	–	(4.2)
Total comprehensive expense for the year	–	–	(4.2)	(68.1)	1.7	(70.6)
At 31 December 2008	(1,722.7)	10.4	(4.2)	(84.3)	2.3	(1,798.5)
At 1 January 2009	(1,722.7)	10.4	(4.2)	(84.3)	2.3	(1,798.5)
Net exchange adjustments offset in reserves	–	–	–	26.5	–	26.5
Revaluation of available-for-sale investments	–	–	–	–	(2.5)	(2.5)
Movement in cash flow hedge reserve	–	–	(0.8)	–	–	(0.8)
Cumulative exchange recycled to income statement on disposal of foreign operations	–	–	–	(2.0)	–	(2.0)
Total comprehensive expense for the year	–	–	(0.8)	24.5	(2.5)	21.2
At 31 December 2009	(1,722.7)	10.4	(5.0)	(59.8)	(0.2)	(1,777.3)

The capital reduction reserve arose in 2005 as a result of the scheme of arrangement of Rentokil Initial 1927 plc under section 425 of the Companies Act 1982 to introduce a new holding company, Rentokil Initial plc, and the subsequent reduction in capital approved by the High Court whereby the nominal value of each ordinary share was reduced from 100p to 1p. The effect of this capital reorganisation transaction, which was treated as a reverse acquisition in the group financial statements, was to increase distributable reserves by £1,792.3 million.

Consolidated cash flow statement

For the year ended 31 December

	Notes	2009 £m	2008 £m
Cash flows from operating activities			
Cash generated from operating activities before special pension contribution	27	496.6	352.0
Special pension contribution		-	(33.3)
Cash generated from operating activities		496.6	318.7
Interest received		5.5	30.1
Interest paid		(65.9)	(96.2)
Income tax paid		(17.5)	(27.3)
Net cash generated from operating activities		418.7	225.3
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)		(176.2)	(222.6)
Purchase of intangible fixed assets		(6.3)	(8.2)
Proceeds from sale of PPE		10.0	15.8
Acquisition of companies and businesses, net of cash acquired	30	(11.2)	(40.9)
Disposal of companies and businesses	8	4.4	(2.1)
Purchase of available-for-sale investments		(0.8)	-
Dividends received from associates		1.8	1.1
Net cash flows from investing activities		(178.3)	(256.9)
Cash flows from financing activities			
Dividends paid to equity shareholders	10	-	(106.7)
Dividends paid to minority interests		(2.5)	(1.6)
Interest element of finance lease payments		(1.1)	(1.2)
Capital element of finance lease payments		(9.3)	(8.6)
(Repayments)/new loans		(216.0)	228.8
Net cash flows from financing activities		(228.9)	110.7
Net increase in cash and bank overdrafts	28	11.5	79.1
Cash and bank overdrafts at beginning of year	18	62.4	86.5
Exchange losses on cash and bank overdrafts		(14.2)	(103.2)
Cash and bank overdrafts at end of the financial year	18	59.7	62.4

Accounting policies

Basis of preparation

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRSs”) and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations as adopted by the European Union as at 31 December 2009.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investments and certain financial assets and liabilities (including derivative instruments).

Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

Any change in the parent’s controlling interest in a subsidiary that does not result in a loss of control (in buying or selling shares to the minority) is treated as a transaction with equity shareholders and is shown as a movement in the consolidated statement of changes in equity.

(b) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The group’s investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The group’s share of its associates’ post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Unrealised gains and losses on transactions between the group and its associates are eliminated to the extent of the group’s interest in the associates.

Segment reporting

Reporting segments reflect the internal management organisation and reporting structures. Each segment is headed by a divisional managing director who reports directly to the chief executive officer and is a member of the company executive board responsible for the review of group performance. Operating businesses within each segment report to segment divisional managing directors.

Segmental revenue represents the total revenue of each individual business unit within a reporting segment and includes inter segment revenues. Segmental profit is the profit measure used to measure performance internally and is calculated as profit before tax, interest, amortisation and impairment of intangibles (other than computer software) and items of a one-off nature (adjusted operating profit “APBITA”).

Segmental revenues and profits are shown at constant exchange rates consistent with our internal reporting and review processes. Other segmental information is stated at actual exchange rates.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in sterling, which is the company’s functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at reporting period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except when deferred in equity as qualifying net investment hedges. Foreign exchange differences for financing of investments which are considered “quasi equity” are reported in reserves. Other foreign exchange differences are taken to the income statement.

(c) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at period end exchange rates.

Property, plant and equipment

Land and buildings comprise mainly factories and offices. Provision for depreciation of freehold buildings is made in equal annual instalments of 1% to 2% of cost. Leasehold buildings classified as finance leases are depreciated in equal annual instalments over the shorter of the lease term or estimated useful life of the leased asset. No depreciation is charged on freehold land or fixed assets under construction. When properties are sold, the difference between sale proceeds and net book value is dealt with in the income statement.

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation on other assets is calculated using the straight-line method to allocate the difference between their cost and their residual values over their estimated useful lives, as follows:

- 4 to 5 years – Vehicles
- 3 to 10 years – Plant, equipment (including equipment for rental), tropical plants and their containers on rental
- 3 to 10 years – Office equipment, furniture and fittings

Assets' residual values and useful lives are reviewed annually and amended as necessary. Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds the higher of the asset's fair value less cost to sell or value-in-use.

For the purposes of assessing value-in-use, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) and cash flow forecasts are made using assumptions consistent with the most up-to-date budgets and plans that have been formally approved by management. These cash flows are discounted using a pre-tax discount rate based on the weighted average cost of capital for the group, adjusted for the particular risks of the cash-generating unit being reviewed for impairment.

Business combinations

Under the requirements of IFRS 3, all business combinations are accounted for using the purchase method ("acquisition accounting"). The cost of a business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, equity instruments issued by the acquirer and any costs directly attributable to the business combination. The cost of a business combination is allocated at the acquisition date by recognising the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria, at their fair values at that date. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree. An intangible asset, such as customer relationships, brands, patents and royalties, is recognised if it meets the definition of an intangible asset in IAS 38, "Intangible Assets" and its fair value can be measured reliably. The intangible assets identified in all acquisitions made since 1 January 1998 are goodwill, customer lists and relationships, reacquired franchise rights and contract portfolios. Consideration in excess of net identifiable assets acquired in respect of minority interests in existing subsidiary undertakings is taken directly to reserves.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, where applicable. The main categories of intangible assets are as follows:

Intangible assets – indefinite useful lives

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill in respect of business combinations made since 1 January 1998 is included in intangible assets. Goodwill on the acquisition of associates is included in investments in associates. Goodwill in respect of the acquisition of subsidiaries made prior to January 1998 remains eliminated against reserves.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses previously recognised are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Intangible assets – finite useful lives

Intangible assets with finite useful lives are initially measured at either cost or fair value and amortised on a straight-line basis over their useful economic lives, which are reviewed on an annual basis. The fair value attributable to intangible assets acquired through a business combination is determined by discounting the expected future cash flows to be generated from that asset at the risk adjusted weighted average cost of capital for the group. The residual values of intangible assets are assumed to be nil.

The estimated useful economic lives of intangible assets are as follows:

Customer lists and relationships:	5 to 16 years
Brands and patents:	2 to 15 years
Reacquired franchise rights:	3 to 5 years
Computer software:	3 to 5 years

The following are the main categories of intangible assets:

(a) Customer lists and relationships

Customer lists and portfolios acquired as part of a business combination are initially measured at fair value and amortised on a straight-line basis over their useful economic lives. Separate values are not attributed to internally generated customer lists or relationships.

(b) Brands and patents

Brands and patents acquired as part of a business combination are initially measured at fair value and amortised on a straight-line basis over their useful economic lives. Expenditure incurred to develop, maintain and renew brands and patents internally is recognised as an expense in the period incurred. Separate values are not attributed to internally generated brands and patents.

(c) Reacquired franchise rights

Reacquired franchise rights acquired as part of a business combination in City Link represents the benefit to the group from the right to operate in certain geographical regions. These are initially measured at fair value and amortised on a straight-line basis over the remaining contractual period of the franchise agreements which terminate on 25 October 2010.

(d) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software and are amortised over their estimated useful lives.

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives.

(e) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility and only if the cost can be measured reliably.

Other development expenditure is recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have been capitalised are amortised from the date the product is available for use on a straight-line basis over the period of its expected benefit.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less (and subject to insignificant changes in value). In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity share capital (Treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Where fair value hedge accounting is applied, the carrying value is adjusted for any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Borrowings are classified as current liabilities unless the group has a continuing right to defer settlement of the liability for at least 12 months after the balance sheet date under both its committed bank credit facility and Euro Medium Term Note programme.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor the taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted (or substantively enacted) by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Employee benefits

(a) Defined benefit pension obligations

The group operates a number of pension schemes throughout the world. The principal scheme is the UK scheme, which has a number of defined benefit sections, which are now closed to new entrants (other than the Initial No 2 section, accounting for 0.5% of the total scheme's liabilities, which remains open) and a defined contribution section. The defined benefit scheme is funded through payments to a trustee-administered fund, determined by periodic actuarial calculations. A number of much smaller defined benefit and defined contribution schemes operate elsewhere which are also funded through payments to trustee-administered funds or insurance companies. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity.

The asset or liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. The group will recognise a pension surplus as an asset where there is an unconditional right to a refund or where the group has sufficient scope to reduce future pension contributions.

Current and past service costs, to the extent they have vested, and curtailments are recognised as charges or credits against operating profit in the income statement. Interest costs on plan liabilities and the expected return on plan assets are recognised in finance costs. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the consolidated statement of comprehensive income.

(b) Defined contribution pension plans

The group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Other post-employment obligations

Some group companies provide post-employment healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to the consolidated statement of comprehensive income.

(d) Share-based compensation

The group operates a number of equity-settled, share-based compensation plans. The economic cost of awarding shares and share options to employees is recognised as an expense in the income statement equivalent to the fair value of the benefit awarded. The fair value is determined by reference to option pricing models, principally Monte Carlo and adjusted Black-Scholes models. The charge is recognised in the income statement over the vesting period of the award. At each balance sheet date, the group revises its estimate of the number of options that are expected to become exercisable. Any revision to the original estimates is reflected in the income statement with a corresponding adjustment to equity immediately to the extent it relates to past service and the remainder over the rest of the vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(e) Termination benefits

Termination benefits are payable when an employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

(f) Profit-sharing and bonus plans

The group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the probability of certain performance criteria being achieved. A provision is recognised where a contractual obligation exists or where past practice indicates that there is a constructive obligation to make such payments in the future.

(g) Holiday pay

Paid holidays are regarded as an employee benefit and as such are charged to the income statement as the benefits are earned. An accrual is made at the balance sheet date to reflect the fair value of holidays earned but not yet taken.

Provisions

Vacant property, environmental, self-insurance and other provisions are recognised when the group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation; and if this amount is capable of being reliably estimated. If such an obligation is not capable of being reliably estimated it is classified as a contingent liability.

Vacant property provision is made in respect of vacant and partly sub-let leasehold properties to the extent that future rental payments are expected to exceed future rental income. Environmental provision is made for all known liabilities to remediate contaminated land on the basis of management's best estimate of the costs of these liabilities. Self-insurance provision is made for all claims incurred as at the balance sheet date (whether notified or not) based on actuarial assessments of the likely amounts of these liabilities. Other provisions are made for all other known liabilities that exist at the year end based on management's best estimate as to the cost of settling these liabilities. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

When the effect of the time value of money is material, provision amounts are calculated on the present value of the expenditures expected to be required to settle the obligation. The present value is calculated using forward market interest rates, as measured at the balance sheet reporting date, which have been adjusted for risks already reflected in future cash flow estimates.

Revenue recognition

Revenue comprises the fair value for the rendering of services, net of value-added tax and other similar sales-based taxes, rebates and discounts and after eliminating sales within the group. Revenue is recognised as follows:

(a) Service revenue

Revenue excludes VAT and other similar sales-based taxes, rebates and discounts and represents the amounts receivable for services rendered and goods sold outside the group.

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. For long-term contracts involving the installation of equipment, revenue is recognised using the percentage completion method and represents the sales value of work executed during the period.

(b) Rental income

Rental assets such as tropical plants, washroom equipment, garments, linen, security equipment, etc which are owned by group entities or where at least substantially all the risks and rewards of ownership of such equipment are retained by group entities are capitalised as fixed assets and depreciated over their estimated useful lives.

All rental income received or receivable in respect of rental assets is accounted for on an operating lease basis. Income from the rental of these assets is credited to revenue on a strict time-apportioned basis.

(c) Franchise income

Franchise income is recognised as services are provided or continuing rights granted by the agreement are used.

(d) Interest income

Interest income is recognised on a time-apportioned basis using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Leases

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

The corresponding rental obligations, net of finance charges, are included in other payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders. Interim dividends are recognised when paid.

Financial instruments

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions.

Financial assets

The group classifies its investments in the following categories: financial assets at fair value through the income statement, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date. The group assesses at each balance sheet date whether there is objective evidence that financial assets are impaired.

All financial assets are held at amortised cost except for derivatives, which are classified as held for trading unless in a hedging relationship and certain assets classified as available-for-sale, which are held at fair value.

(a) Financial assets at fair value through the income statement

Derivatives are categorised as held for trading unless they are designated as hedges. Assets are classified as current if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months from the balance sheet date. These are classified as non-current assets. Loans and receivables include trade and other receivables and cash and other equivalents.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Available-for-sale investments are fair valued and changes to market values are recognised in equity. On subsequent disposal or impairment, the accumulated gains and losses, previously recognised in equity, are recognised in the income statement as "gains and losses from investment securities". Loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest rate method, subject to impairment.

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Financial liabilities

All financial liabilities are stated at amortised cost using the effective interest rate method except for derivatives, which are classified as held for trading (except where they qualify for hedge accounting) and are held at fair value.

Financial liabilities held at amortised cost include trade payables, accruals, vacant property provisions, deferred consideration and borrowings.

Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The group designates certain derivatives as either (1) hedges of the fair value of recognised assets or liabilities, (2) hedges of net investments in foreign operations or (3) cash flow hedges.

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(b) Net investment hedge

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

(c) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

(d) Cash flow hedge

The portion of the gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. Any ineffective portion is recognised in the income statement. The gains or losses that are recognised in equity are transferred to the consolidated income statement in the same period in which the hedged cash flows affect the consolidated income statement.

Discontinued operations

A discontinued operation is a component of an entity that has either been disposed of, or that is classified as held for sale, which represents a separate major line of business or geographical area of operations and is part of a single coordinated plan to dispose of a separate line of business or geographical area of operations.

Fair value estimation

The fair value of any financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate and currency swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate to their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated earlier under intangible assets – goodwill. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions consistent with the most up-to-date budgets and plans that have been formally approved by management.

(b) Valuation of acquired intangible assets

Acquisitions may result in customer relationships, brands and reacquired franchise rights being recognised. These are valued using the excess earnings and relief from royalty methods. In applying these methodologies certain key judgements and estimates are required to be made in respect of future cash flows.

(c) Provision for impairment of trade receivables

Provision is made against accounts that in the estimation of management may be impaired. Within each of the businesses, assessment is made locally of the recoverability of accounts receivable and the creditworthiness of the customer. Determining the recoverability of an account involves estimation as to the likely financial condition of the customer and their ability to subsequently make payment.

(d) Income taxes

The group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(e) Provision for vacant property and environmental restoration

Significant judgement is required in determining the worldwide provision for vacant property and environmental restoration. Vacant property and environmental restoration tend to be long-term in nature and the required use of an appropriate market discount rate and forecast future utilisation based upon management's best estimate determines the level of provision required at the balance sheet date. The phasing and actual cash spend may be different from the original forecast utilisation spend.

(f) Retirement benefits

Defined benefit schemes are reappraised annually by independent actuaries based upon actuarial assumptions. Significant judgement is required in determining these actuarial assumptions. Refer to note 24 for the principal assumptions used for the Rentokil Initial Pension Scheme in the United Kingdom.

(g) Self-insurance

The group operates captive insurance companies in the UK and US. These companies provide reinsurance exclusively to certain companies within the group. Provision is made based on actuarial assessment of the liabilities arising from the insurance coverage provided. The actuarial assessment of the reserve for future claims necessarily includes estimates as to the likely trend of future claims costs and as to the emergence of further claims subsequent to the year end. An actuarial review of claims is performed annually. To the extent that actual claims differ from those projected, the provisions could vary significantly.

Standards, amendments and interpretations to published standards that are not yet effective

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

IFRS 3 (revised), "Business combinations" and consequential amendments to IAS 27, "Consolidated and separate financial statements", IAS 28, "Investments in associates" and IAS 31, "Interests in joint ventures", effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. The group will apply IFRS 3 (revised) to all business combinations from 1 January 2010.

A number of other standards and interpretations have been issued, but are not yet effective and have not been early adopted. These are not expected to have a significant impact on the group.

Notes to the accounts

1. Segment information

Revenue and profit

	Revenue 2009 £m	Revenue 2008 £m	Adjusted operating profit 2009 £m	Adjusted operating profit 2008 £m
Continuing operations (at constant exchange rates)				
Textiles and Washroom Services	772.1	753.6	115.1	123.3
Pest Control	396.7	384.1	75.2	73.8
Asia Pacific	183.4	196.5	19.8	23.6
Ambius	106.8	119.3	7.6	9.9
City Link	353.1	381.9	(5.6)	(43.5)
Facilities Services	608.6	653.0	26.3	18.4
Central items	–	–	(43.1)	(38.3)
Total segmental	2,420.7	2,488.4	195.3	167.2
Inter group revenue	(64.9)	(78.5)	–	–
	2,355.8	2,409.9	195.3	167.2
Exchange	175.0	–	25.5	–
Continuing operations (at actual exchange rates)				
One-off items	–	–	(40.2)	(19.6)
Amortisation of intangible assets ¹	–	–	(57.0)	(51.1)
Impairment of goodwill	–	–	(4.3)	(14.4)
Operating profit	–	–	119.3	82.1
Interest payable and similar charges	–	–	(125.0)	(153.5)
Interest receivable	–	–	67.4	91.6
Share of profit from associates (net of tax)	–	–	–	–
– Textiles and Washroom Services	–	–	3.3	2.6
Profit before income tax	–	–	65.0	22.8
Income tax expense	–	–	(16.1)	(6.4)
Total for the year from continuing operations	2,530.8	2,409.9	48.9	16.4

¹ Other than computer software.

Revenue from external customers attributed to the United Kingdom amounted to £979.9 million (2008: £1,050.6 million). No major customer accounts for more than 10% of total revenue. Inter group revenue represents trading with other Rentokil Initial business units which is eliminated on consolidation.

	Inter group revenue ¹		One-off items ²		Amortisation and impairment of intangibles ²	
	2009	2008	2009	2008	2009	2008
Textiles and Washroom Services	37.8	45.2	29.4	0.5	7.3	13.8
Pest Control	0.7	1.0	–	–	17.2	13.7
Asia Pacific	0.4	0.6	0.1	2.7	19.8	19.8
Ambius	0.2	0.3	0.7	–	3.1	2.8
City Link	0.3	–	3.3	16.4	11.0	10.9
Facilities Services	25.5	31.4	3.9	–	2.6	4.2
Central items	–	–	2.8	–	0.3	0.3
Total	64.9	78.5	40.2	19.6	61.3	65.5

¹ At constant exchange rates.

² At actual exchange rates.

IFRS 8, “Operating Segments” is effective for all accounting periods beginning on or after 1 January 2009. It covers the publication of segmental information and is applicable to Rentokil Initial plc for the period ended 31 December 2009.

To comply with the new standard the group has aligned its segmental information, with effect from 1 January 2009, with the new operational organisation structure implemented on 1 July 2008. As a result the group has restated the 2008 comparative segmental information on the new basis.

Reported segments represent groups of businesses providing similar products and services and are headed by a divisional managing director. Businesses in Asia Pacific are grouped together under one segment and one divisional managing director. Central items represent corporate expenses that are not directly attributable to any reportable segment. A description of the segments is provided on pages 8 and 9.

The restated segmental information is not significantly different from the previous segmental information published on a “management basis”. The main changes result from a change in the internal organisational structure with certain business units now reporting through different divisional structures coupled with some minor changes to the allocation of divisional overheads. The principal changes are the relocation of the UK Washrooms business and the UK Shared Service Centre to the Facilities Services division, the transfer of the South African business to the Pest Control division and the transfer of the Medical and Specialist Hygiene businesses from Facilities Services to the Textiles and Washroom Services division.

In addition, revenues are now stated gross of inter group trading rather than net and revenues and profits are shown at constant exchange rates consistent with our internal reporting and review processes. Other segmental information is shown at actual exchange rates.

Other segment items included in the consolidated income statement are as follows:

	Depreciation 2009 £m	Depreciation 2008 £m	Amortisation 2009 £m	Amortisation 2008 £m
Continuing operations				
Textiles and Washroom Services	138.9	117.6	9.4	8.5
Pest Control	16.4	13.9	17.8	14.3
Asia Pacific	17.0	15.2	16.6	14.6
Ambius	12.5	11.1	3.1	2.8
City Link	5.7	9.2	11.5	11.6
Facilities Services	19.0	18.5	3.0	2.6
Central items	1.1	1.1	0.9	0.9
Total for the year from continuing operations	210.6	186.6	62.3	55.3

Central items represent corporate expenses that are not directly attributable to any reportable segment.

The consolidated segment operating assets and liabilities at 31 December 2009 and 31 December 2008 and capital expenditure for the years then ended are as follows:

	Assets 2009 £m	Assets 2008 £m	Liabilities 2009 £m	Liabilities 2008 £m	Capital expenditure 2009 £m	Capital expenditure 2008 £m
Continuing operations						
Textiles and Washroom Services ¹	719.9	826.1	230.0	228.0	124.4	156.5
Pest Control	246.7	293.8	92.4	99.5	16.1	33.1
Asia Pacific	229.7	275.0	57.8	63.3	17.3	40.2
Ambius	69.7	87.4	18.0	20.8	9.7	14.4
City Link	341.2	365.7	89.2	91.7	3.3	13.7
Facilities Services	185.9	221.6	105.8	112.0	11.4	21.1
Central items	80.2	213.1	171.9	159.2	2.0	1.3
Total from continuing operations	1,873.3	2,282.7	765.1	774.5	184.2	280.3

¹ Includes associates

Non-current assets other than financial instruments, deferred tax assets, post-employment assets located in the UK amount to £385.8 million (2008: £418.5 million).

Reconciliation of segment assets/liabilities to total assets/liabilities

	Assets 2009 £m	Assets 2008 £m	Liabilities 2009 £m	Liabilities 2008 £m
Segment assets/liabilities as above	1,873.3	2,282.7	765.1	774.5
Deferred tax assets	26.0	10.1	–	–
Cash and cash equivalents	101.7	104.1	–	–
Current tax liabilities	–	–	102.4	90.5
Bank and other short-term borrowings	–	–	89.7	92.2
Bank and other long-term borrowings	–	–	1,120.1	1,374.1
Deferred tax liabilities	–	–	73.8	127.5
Total assets/liabilities	2,001.0	2,396.9	2,151.1	2,458.8

Segment assets primarily consist of property, plant and equipment, investments, intangible assets, inventories and receivables. Segment liabilities primarily consist of payables and provisions for other liabilities and charges. Cash and cash equivalents and bank and other short-/long-term borrowings are managed by group treasury and therefore it is not considered appropriate to analyse these by reportable segment. Assets and liabilities are allocated to reportable segments on a specific basis.

Capital expenditure comprises additions to property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

Analysis of revenue by category

	Continuing operations 2009 £m	Continuing operations 2008 £m	Discontinued operations 2009 £m	Discontinued operations 2008 £m	Total 2009 £m	Total 2008 £m
Contract service revenue (including rental income)	1,873.2	1,751.1	–	–	1,873.2	1,751.1
Non-contract service revenue	577.6	584.6	–	–	577.6	584.6
Sales of goods	80.0	74.2	–	–	80.0	74.2
	2,530.8	2,409.9	–	–	2,530.8	2,409.9

2. Operating expenses by nature

Operating expenses include the following items:

	Continuing operations 2009 £m	Continuing operations 2008 £m	Discontinued operations 2009 £m	Discontinued operations 2008 £m	Total 2009 £m	Total 2008 £m
Employee costs (note 3)	1,165.2	1,137.2	–	–	1,165.2	1,137.2
Depreciation – owned assets	202.9	179.0	–	–	202.9	179.0
– under finance leases	7.7	7.6	–	–	7.7	7.6
Amortisation – intangible assets ¹	57.0	51.1	–	–	57.0	51.1
– computer software	5.3	4.2	–	–	5.3	4.2
Impairment of intangibles	4.3	14.4	–	–	4.3	14.4
Cost of inventories expensed	64.9	64.3	–	–	64.9	64.3
Loss on disposal of PPE	3.5	0.8	–	–	3.5	0.8
Loss on disposal/retirement of intangible assets	0.7	2.0	–	–	0.7	2.0
Audit and non-audit services ² (note 4)	3.1	3.8	–	–	3.1	3.8
Hire of machinery and equipment	5.2	5.5	–	–	5.2	5.5
Other operating lease rentals	75.4	81.5	–	–	75.4	81.5
Net foreign exchange losses	0.1	0.8	–	–	0.1	0.8
Research and development costs (external)	1.7	1.7	–	–	1.7	1.7

¹ Excluding computer software.

² Includes amounts paid to both KPMG Audit Plc and its associates and PricewaterhouseCoopers LLP and its associates.

3. Employee benefit expense

	Continuing operations 2009 £m	Continuing operations 2008 £m	Discontinued operations 2009 £m	Discontinued operations 2008 £m	Total 2009 £m	Total 2008 £m
Wages and salaries	989.6	975.9	–	–	989.6	975.9
Social security costs	150.8	140.2	–	–	150.8	140.2
Share-based payments	5.1	2.6	–	–	5.1	2.6
Pension costs						
• defined contribution plans	18.4	16.8	–	–	18.4	16.8
Pension costs						
• defined benefit plans (note 24)	1.3	1.7	–	–	1.3	1.7
	1,165.2	1,137.2	–	–	1,165.2	1,137.2

Average monthly numbers of people employed by the group during the year:

	Number	Number	Number	Number	Number	Number
Processing and service delivery	58,168	67,649	–	–	58,168	67,649
Sales and marketing	3,351	3,502	–	–	3,351	3,502
Administration and overheads	5,996	6,105	–	–	5,996	6,105
	67,515	77,256	–	–	67,515	77,256

Emoluments of directors of Rentokil Initial plc are included in staff costs above and in the key management compensation table in note 34.

Further details are also given in the directors' remuneration report on pages 32 to 38.

4. Audit and non-audit services

	2009 £m	2008 £m
Fees payable to the company's auditors for the audit of the parent company and group accounts	0.4	0.5
Fees payable to the company's auditors and its associates for other services:		
The audit of the company's subsidiaries, pursuant to legislation	2.1	1.9
Other services pursuant to legislation	–	0.4
Other services relating to taxation	–	0.4
Services relating to corporate finance transactions	–	0.1
All other services	0.1	0.5
Total audit and non-audit services (continuing operations)	2.6	3.8

KPMG Audit Plc were appointed as group auditors in September 2009. The amounts included in the above table for the year ended 31 December 2009 relate to fees payable to KPMG Audit Plc and its associates. Amounts shown for the year ended 31 December 2008 relate to fees payable to the previous group auditor, PricewaterhouseCoopers LLP and its associates.

Prior to the appointment of KPMG Audit Plc the group had paid its previous auditors, PricewaterhouseCoopers LLP and its associates, £0.2 million in respect of their review of the 2009 interim financial statements and £0.3 million in respect of other services for the year ended 31 December 2009.

Fees amounting to £0.1 million (2008: £0.1 million) were payable to auditors other than KPMG Audit Plc and its associates (2008: PricewaterhouseCoopers LLP and its associates) in respect of the audit of the company's subsidiaries, pursuant to legislation.

Included within "fees payable to the company's auditors for the audit of the company's subsidiaries, pursuant to legislation" are amounts payable to KPMG Audit Plc and its associates incurred in respect of the audit work undertaken on financial controls. This work may include an element which goes beyond that strictly required by relevant Auditing Standards. The amount is estimated not to exceed £0.2 million.

In addition to the above services, PricewaterhouseCoopers LLP act as auditors to the Rentokil Initial Pension Scheme. The appointment of auditors to the group's pension scheme and the fees paid in respect of the audit are agreed by the trustees of the scheme, who act independently from the management of the group. The aggregate fees paid to PricewaterhouseCoopers LLP for audit services to the pension scheme during the year were £70,000 (2008: £73,000).

5. Interest payable and similar charges

	2009 £m	2008 £m
Interest payable on bank loans and overdrafts ²	17.5	32.4
Interest payable on medium-term notes issued ²	46.0	56.5
Net interest (receivable)/payable on interest rate swaps	(3.3)	5.8
Interest on defined benefit plan liabilities	55.3	54.1
Interest payable on finance leases	1.2	1.2
Foreign exchange (gain)/loss on translation of foreign denominated loans	(1.3)	0.1
Amortisation of discount on provisions	0.9	1.6
Net ineffectiveness of fair value hedges ³	(3.1)	3.4
Fair value loss/(gain) on other derivatives ^{1,3}	11.8	(1.6)
Total interest payable and similar charges (continuing operations)	125.0	153.5

¹ The fair value loss/(gain) on other derivatives includes fair value losses relating to forward rate agreements of £8.4 million (2008: £1.6 million gain) and interest rate swaps of £3.4 million (2008: £nil). The fair value loss on the forward rate agreements includes £4.2 million in respect of cash flow hedges previously recognised in reserves recycled to the income statement in the year.

² Interest expense on financial liabilities held at amortised cost.

³ (Gain)/loss on financial assets/liabilities at fair value through the income statement.

6. Interest receivable

	2009 £m	2008 £m
Bank interest ¹	6.2	29.9
Return on defined benefit plan assets	61.2	61.7
Total interest receivable (continuing operations)	67.4	91.6

¹ Interest income on loans and receivables.

7. Income tax expense

	2009 £m	2008 £m
Analysis of charge in the year		
UK Corporation tax at 28.0% (2008: 28.5%)	1.0	15.4
Double tax relief	(0.2)	(15.4)
	0.8	–
Overseas taxation	29.8	28.8
Adjustment in respect of previous periods	0.9	(16.4)
Total current tax	31.5	12.4
Deferred tax*	(15.4)	(6.0)
Total income tax expense (continuing operations)	16.1	6.4
*The deferred tax credit comprises:		
Accelerated tax depreciation	4.6	(1.6)
Deferred tax on retirement benefit obligations	3.2	24.4
Unremitted overseas profits	(6.8)	–
Other temporary differences	(16.4)	(28.8)
Deferred tax credit	(15.4)	(6.0)
Tax on items charged to equity		
Deferred tax (credit)/debit in respect of actuarial loss/gain on defined benefit pensions	(49.0)	12.8
Total tax (credited)/debited to equity	(49.0)	12.8

The tax on the group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2009 £m	2008 £m
Profit before income tax (continuing operations)	65.0	22.8
Tax calculated at domestic tax rates applicable to profits in the respective countries	17.6	7.2
Adjustment in respect of previous periods	4.3	(13.0)
Expenses not deductible for tax purposes – other	4.8	3.3
Income not subject to tax	(2.0)	(0.4)
Goodwill deduction for which no deferred tax asset was recognised	(0.3)	(0.3)
Utilisation of previously unrecognised tax losses	(2.0)	(0.8)
Goodwill written off	1.0	4.4
Deferred tax on withdrawal of Industrial Building Allowances	–	4.4
Losses not relieved	3.2	1.3
Deferred tax on unremitted profits	(6.8)	–
Provisions utilised for which no deferred tax assets were recognised	(1.6)	–
Other	(2.1)	0.3
Total income tax expense (continuing operations)	16.1	6.4

Adjustments in respect of previous periods represent the creation or release of tax provisions in respect of previous periods. Tax provisions are released when no longer required following agreement of the relevant liabilities with fiscal authorities.

As a substantial proportion of profits are generated outside the UK, the standard rate of tax has been determined as the weighted average of the standard rates of tax in each of the different countries where profits are generated. The relevant rates were 27.0% in 2009 and 31.6% in 2008. The increase is caused by a change in the profitability of the group's subsidiaries in the respective countries.

8. Discontinued operations and disposals

The group disposed of its electronic security businesses in the Asia Pacific region on 31 December 2009, the results of which are included within continuing operations.

Details of net assets disposed and disposal proceeds are as follows:

	2009 £m
Non-current assets	
– Intangible assets	6.2
– Property, plant and equipment	0.5
Current assets	4.7
Current liabilities	(3.1)
Non-current liabilities	(1.5)
Net assets disposed	6.8
Loss on disposal	(1.1)
Consideration	5.7
Consideration deferred to future periods	(1.0)
Consideration deferred from prior periods	0.3
Costs deferred to future periods	0.1
Cash disposed	(0.7)
Cash inflow from disposals of companies and businesses	4.4

The loss on disposal above of £1.1 million excludes translation exchange gains of £2.0 million, which are recycled to the income statement, giving a total post-tax profit on disposal of companies and businesses of £0.9 million.

Financial performance of discontinued operations

	2009 £m	2008 £m
Revenue	–	–
Operating expenses	–	5.0
Operating profit	–	5.0
Finance costs – net	–	–
Profit before income tax	–	5.0
Income tax expense	–	–
Profit after income tax from discontinued operations	–	5.0

The £5.0 million profit after tax from discontinued operations in 2008 resulted from the release of a provision in respect of legal claims.

9. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of shares in issue during the year, excluding those held in the Rentokil Initial Employee Share Trust for UK employees (see note at the bottom of the consolidated statement of changes in equity), which are treated as cancelled.

	2009 £m	2008 £m
Profit from continuing operations attributable to equity holders of the company	47.6	13.8
Profit from discontinued operations attributable to equity holders of the company	–	5.0
Weighted average number of ordinary shares in issue	1,807.4	1,807.4
Basic earnings per share from continuing operations	2.63p	0.76p
Basic earnings per share from discontinued operations	–	0.28p
Basic earnings per share from continuing and discontinued operations	2.63p	1.04p

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all potential dilutive ordinary shares. The company has two categories of potential dilutive ordinary shares, being those share options granted to employees where the exercise price is less than the average market price of the company's shares during the year and long-term incentive awards granted to key executives and managers where performance conditions have not been met and the awards are still in their vesting period at the end of the year with the exception of the 2009 awards where part of the vesting conditions have been met.

	2009 £m	2008 £m
Profit from continuing operations attributable to equity holders of the company	47.6	13.8
Profit from discontinued operations attributable to equity holders of the company	–	5.0
Weighted average number of ordinary shares in issue	1,807.4	1,807.4
Adjustment for share options and incentive awards	2.9	–
Weighted average number of ordinary shares for diluted earnings per share	1,810.3	1,807.4
Diluted earnings per share from continuing operations	2.63p	0.76p
Diluted earnings per share from discontinued operations	–	0.28p
Diluted earnings per share from continuing and discontinued operations	2.63p	1.04p

10. Dividends

	2009 £m	2008 £m
2007 final dividend paid – 5.25p per share	–	94.9
2008 interim dividend paid – 0.65p per share	–	11.8
	–	106.7

The board is not recommending the declaration of a final dividend for 2009.

11. Intangible assets

	Goodwill £m	Customer lists and relationships £m	Brands, patents and reacquired franchise rights £m	Computer software £m	Total £m
Cost					
At 1 January 2008	430.8	376.2	44.6	25.7	877.3
Exchange differences	57.3	78.2	6.7	5.7	147.9
Additions	–	–	–	8.2	8.2
Disposals/retirements	–	–	(1.1)	(3.5)	(4.6)
Acquisition of companies and businesses	14.9	25.7	1.1	–	41.7
Reclassification	0.3	(0.3)	–	–	–
At 31 December 2008	503.3	479.8	51.3	36.1	1,070.5
At 1 January 2009	503.3	479.8	51.3	36.1	1,070.5
Exchange differences	(11.4)	(16.9)	(1.2)	(1.1)	(30.6)
Consideration adjustment	(3.2)	–	–	–	(3.2)
Additions	–	–	–	6.3	6.3
Disposals/retirements	–	–	–	(2.6)	(2.6)
Acquisition of companies and businesses	1.3	0.8	–	–	2.1
Disposal of companies and businesses	(3.7)	(6.9)	(0.9)	(0.1)	(11.6)
At 31 December 2009	486.3	456.8	49.2	38.6	1,030.9
Accumulated amortisation and impairment					
At 1 January 2008	–	(169.1)	(10.8)	(14.4)	(194.3)
Exchange differences	(2.6)	(46.4)	(1.5)	(3.7)	(54.2)
Disposals	–	–	1.1	1.5	2.6
Impairment charge	(14.4)	–	–	–	(14.4)
Amortisation charge	–	(42.5)	(8.6)	(4.2)	(55.3)
At 31 December 2008	(17.0)	(258.0)	(19.8)	(20.8)	(315.6)
At 1 January 2009	(17.0)	(258.0)	(19.8)	(20.8)	(315.6)
Exchange differences	1.4	10.0	0.3	0.5	12.2
Disposals	–	–	–	1.9	1.9
Disposal of companies and businesses	3.6	1.4	0.3	0.1	5.4
Impairment charge	(4.3)	–	–	–	(4.3)
Amortisation charge	–	(48.1)	(8.9)	(5.3)	(62.3)
At 31 December 2009	(16.3)	(294.7)	(28.1)	(23.6)	(362.7)
Net Book Value					
At 1 January 2008	430.8	207.1	33.8	11.3	683.0
At 31 December 2008	486.3	221.8	31.5	15.3	754.9
At 31 December 2009	470.0	162.1	21.1	15.0	668.2

Amortisation of £62.3 million (2008: £55.3 million) has been charged to operating expenses.

Impairment tests for goodwill

Goodwill is allocated to the group's cash-generating units (CGUs) identified according to country of operation and reportable segment. A summary of the 2009 goodwill allocation by reportable segment is shown below:

	UK £m	Europe £m	North America £m	Asia Pacific £m	Africa £m	2009 Total £m	2008 Total £m
Textiles and Washroom Services	3.9	73.1	–	–	–	77.0	80.0
Pest Control	–	15.5	60.2	–	0.2	75.9	83.4
Asia Pacific	–	–	–	79.9	–	79.9	84.2
Ambius	–	2.9	12.9	–	–	15.8	17.3
City Link	203.1	–	–	–	–	203.1	203.1
Facilities Services	18.3	–	–	–	–	18.3	18.3
31 December 2009	225.3	91.5	73.1	79.9	0.2	470.0	
31 December 2008	225.3	95.9	80.7	84.2	0.2		486.3

The recoverable amount of a CGU is determined based on the higher of value-in-use calculations using cash flow projections based on financial budgets and long-range plans approved by management covering a five-year period which are prepared as part of the group's normal planning process and fair value less costs to sell if appropriate. Cash flows beyond the five-year period are extrapolated using estimated growth rates. The key assumptions used by individual CGUs for value-in-use calculations were long-term growth rates of between 0% and 2% and pre-tax discount rates of between 10% and 13% (2008: 12% and 18%). The growth rates used by individual CGUs are based on the long-term growth rates predicted for the relevant sector and country in which a business operates. They do not exceed the long-term average growth rate for that industry or country. The pre-tax discount rates are based on the group's weighted average cost of capital adjusted for specific risks relating to the relevant sector and country.

During the year an impairment charge of £4.3 million in respect of prior years acquisitions was made. The charge related to our electronic security businesses and three smaller pest control and washrooms businesses in Asia Pacific.

The remaining goodwill balance at 31 December 2009 amounts to £470.0 million with £203.1 million of this relating to the acquisition of the City Link franchises and Target Express in previous years. The most significant assumption surrounding the recoverability of this goodwill balance relates to the future cash flows of the enlarged City Link business and the extent of the success of the initiatives implemented to return this business to profitability. The impairment test assumes operating cash inflows in 2014 of some £36 million with future years growing at rates consistent with the longer-term growth rates disclosed above. These cash flows would need to be approximately 33% below these levels before goodwill is impaired. The remaining balance of £266.9 million is spread across a number of CGUs and no reasonable change in the key assumptions above would give rise to a significant impairment in these businesses.

12. Property, plant and equipment

	Land and buildings £m	Equipment for rental £m	Other plant and equipment £m	Vehicles and office equipment £m	Total £m
Cost					
At 1 January 2008	182.5	463.0	266.2	212.2	1,123.9
Exchange differences	40.2	137.9	61.0	47.2	286.3
Additions	13.3	136.8	29.9	49.6	229.6
Disposals	(9.6)	(64.6)	(30.8)	(52.3)	(157.3)
Acquisition of companies and businesses ¹	(1.0)	0.1	0.5	1.2	0.8
Reclassifications	(4.1)	–	2.3	1.8	–
At 31 December 2008	221.3	673.2	329.1	259.7	1,483.3
At 1 January 2009	221.3	673.2	329.1	259.7	1,483.3
Exchange differences	(12.2)	(37.2)	(19.1)	(10.1)	(78.6)
Additions	4.1	122.1	16.4	33.0	175.6
Disposals	(6.5)	(93.4)	(17.5)	(43.4)	(160.8)
Acquisition of companies and businesses ¹	–	–	–	0.2	0.2
Disposal of companies and businesses	–	(3.4)	(0.4)	(1.1)	(4.9)
Reclassifications	(0.2)	–	–	0.2	–
At 31 December 2009	206.5	661.3	308.5	238.5	1,414.8
Accumulated depreciation and impairment					
At 1 January 2008	(35.5)	(251.4)	(166.8)	(109.0)	(562.7)
Exchange differences	(10.6)	(78.0)	(38.3)	(26.6)	(153.5)
Disposals	4.8	63.2	28.7	44.0	140.7
Reclassifications	0.1	–	–	(0.1)	–
Depreciation charge	(6.2)	(115.7)	(23.4)	(41.3)	(186.6)
At 31 December 2008	(47.4)	(381.9)	(199.8)	(133.0)	(762.1)
At 1 January 2009	(47.4)	(381.9)	(199.8)	(133.0)	(762.1)
Exchange differences	3.1	21.1	12.0	6.3	42.5
Disposals	2.8	91.6	14.9	38.0	147.3
Disposal of companies and businesses	–	3.2	0.4	0.8	4.4
Depreciation charge	(8.1)	(133.5)	(26.0)	(43.0)	(210.6)
At 31 December 2009	(49.6)	(399.5)	(198.5)	(130.9)	(778.5)
Net Book Value					
At 1 January 2008	147.0	211.6	99.4	103.2	561.2
At 31 December 2008	173.9	291.3	129.3	126.7	721.2
At 31 December 2009	156.9	261.8	110.0	107.6	636.3
The net carrying amounts of assets held under finance leases are as follows:					
At 31 December 2008	10.2	–	0.3	15.2	25.7
At 31 December 2009	3.9	0.4	0.4	14.1	18.8

¹ Included within acquisition of companies and businesses are fair value adjustments to prior periods of (£0.1 million) (2008: £0.6 million). Refer to note 30 for further details on fair value adjustments.

The category of equipment for rental consists of equipment leased by the group to third parties under operating leases.

13. Investments in associated undertakings

	2009 £m	2008 £m
At 1 January	13.7	5.7
Exchange differences	(1.8)	6.5
Share of profit ¹	3.3	2.6
Dividends	(1.8)	(1.1)
At 31 December	13.4	13.7

¹ Share of profit is after tax and minority interest of associates.

Investments in associates at 31 December 2009 includes goodwill of £nil (2008: £nil).

The group's interest in its principal associate, which is unlisted, was as follows:

Name	Country of incorporation	Assets £m	Liabilities £m	Revenue £m	Profit £m	Interest held
2009						
Nippon Calmic Ltd (49%)	Japan	23.4	(8.6)	31.6	3.3	49%
2008						
Nippon Calmic Ltd (49%)	Japan	25.0	(10.1)	24.1	2.6	49%

14. Other investments

	2009 £m	2008 £m
At 1 January	3.0	3.1
Additions	0.8	–
Disposals	(0.1)	(0.2)
Acquisition of companies and businesses	–	0.1
At 31 December	3.7	3.0
Less: non-current portion	1.4	3.0
Current portion	2.3	–
Available-for-sale financial assets include the following:		
• UK Government gilts and US Treasury bonds	3.5	2.8
• Unlisted equity securities – Continental Europe	0.2	0.2
• Unlisted equity securities – North America	–	–
	3.7	3.0

All other investments are classified as available-for-sale financial assets and are valued based on public price quotations as appropriate. All revaluations of investments have been taken to equity. Changes in fair values of available-for-sale financial assets are recorded directly in equity. Other investments were not impaired in 2009 or 2008.

Available-for-sale financial assets are denominated in the following currencies:

• Pounds sterling	3.2	2.5
• US dollar	0.3	0.3
• Euro	0.2	0.2
	3.7	3.0

None of the financial assets are either past due or impaired.

Investments

Fixed rate cash deposits include £3.5 million (2008: £2.8 million) invested in UK and US Government bonds which are held by the group's insurance operations in accordance with local insurance regulations and are used to meet insurance liabilities as they fall due. The weighted average effective interest rate earned is 5.8% (2008: 4.4%) and the weighted average rate is fixed for 1.5 years (2008: 1.0 years).

15. Trade and other receivables

	2009 £m	2008 £m
Trade receivables	399.2	492.9
Less: provision for impairment of receivables	(23.0)	(31.3)
Trade receivables – net	376.2	461.6
Other receivables	47.1	47.8
Prepayments	40.7	42.9
Total	464.0	552.3
Less non-current portion:		
Other receivables	26.5	26.9
	26.5	26.9
Current portion	437.5	525.4

Book value approximates fair value because of the short-term nature of the receivable and the low interest environment in which they are held.

There is limited concentration of credit risk with respect to trade receivables due to the group's customer base being large and diverse.

Analysis of the group's provision for impairment of trade receivables:

	2009 £m	2008 £m
At 1 January	31.3	16.8
Acquisition of companies and businesses	0.2	–
Disposal of companies and businesses	(0.2)	–
Additional provision	9.0	17.0
Receivables written off as uncollectable	(12.6)	(5.5)
Unused amounts reversed	(3.8)	(0.6)
Exchange differences	(0.9)	3.6
At 31 December	23.0	31.3

Analysis of total trade receivables which are not impaired:

	2009 £m	2008 £m
Not yet due	121.6	198.4
Past due less than 1 month	148.8	143.1
Between 1 and 3 months	81.9	84.7
Between 3 and 6 months	17.4	22.5
Between 6 and 12 months	5.5	8.3
Over 12 months	1.0	4.6
	376.2	461.6

The maximum amount of credit risk with respect to customers is represented by the carrying amount on the balance sheet. Customer credit facilities for new customers are approved by designated managers at business level. Credit limits are set with reference to trading history and reports from credit rating agencies. Overdue accounts are regularly reviewed and impairment provisions are created where necessary with due regard to the historical risk profile of the customer. There were no new customers in 2009 where the group considered there was a risk of significant credit default. There are no trade receivables that would otherwise be past due or impaired whose terms have been renegotiated.

The carrying amounts of the group's trade receivables are denominated in the following currencies:

	2009 £m	2008 £m
Pounds sterling	133.8	193.8
Euro	199.5	209.7
US dollar	17.8	25.3
Other currencies	48.1	64.1
	399.2	492.9

The creation and release of provisions for impaired receivables have been included within operating expenses in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other receivables and prepayments do not contain impaired assets.

Other receivables include £17.9 million of interest bearing and £2.0 million of non-interest bearing notes and deferred consideration received in respect of business disposals. The notes/deferred consideration have final maturities between 2010 and 2014, although earlier repayments may be precipitated under the terms of the respective disposal notes/sale agreements. The interest bearing notes relate to the part disposal of our business in South Africa and are classified as available-for-sale. The deferred consideration/disposal notes are classified as loans and receivables.

16. Derivative financial instruments

	Fair value assets 2009 £m	Fair value assets 2008 £m	Fair value liabilities 2009 £m	Fair value liabilities 2008 £m
Interest rate swaps:				
• fair value hedge	–	28.1	–	–
• non-hedge	27.3	–	(0.4)	–
• cash flow hedge	–	–	(4.0)	–
Forward rate agreements:				
• non-hedge	–	–	–	(1.8)
• cash flow hedge	–	–	(0.8)	(2.7)
Foreign exchange swaps:				
• non-hedge	13.1	0.1	(9.5)	(47.6)
• net investment hedge	–	1.6	(0.8)	(1.3)
Foreign exchange forwards:				
• non-hedge	–	–	(2.2)	–
	40.4	29.8	(17.7)	(53.4)
Analysed as follows:				
Current portion	13.1	1.7	(13.3)	(52.7)
Non-current portion	27.3	28.1	(4.4)	(0.7)
	40.4	29.8	(17.7)	(53.4)

Fair value and cash flow hedge accounting has been applied to derivatives (marked as "fair value hedge" and "cash flow hedge") in accordance with IAS 39. Where no hedge accounting has been applied, related derivatives have been marked as "non-hedge". Any ineffectiveness on the fair value and cash flow hedges are taken directly to finance costs. The ineffective portion recognised in the income statement that arises from fair value hedges amounts to a gain of £3.1 million (2008: loss of £3.4 million) (note 5). There was no ineffectiveness to be recorded from net investment in foreign entity hedges or those derivatives in a cash flow hedge relationship.

The group has £300 million fixed to floating (LIBOR plus spread) interest rate swaps for which fair value hedge accounting was applied and whose critical terms match those of the bonds disclosed in note 21. On 1 April 2009, the group entered into a set of £300 million floating (LIBOR plus spread) to fixed interest rate swaps whose critical terms matched those of the original £300 million fixed to floating interest rate swap. At this date the fair value hedge was revoked and both interest rate swaps are non-hedge accounted. Upon ceasing hedge accounting, the fair value adjustment attributable to the risk being hedged is being amortised on a straight-line basis over the remaining life of the bond.

The group has £75 million and £50 million floating (LIBOR plus spread) to fixed interest rate swaps for which cash flow hedge accounting is applied and whose critical terms match those of the bonds disclosed in note 21. A charge of £3.6 million (2008: £nil) has been recognised in reserves during the year in respect of the interest rate swaps which are cash flow hedge accounted.

The group has outstanding forward rate agreements maturing in between three to six months with nominal values of £200 million (2008: £464.7 million) attracting an average fixed interest rate of 2.05%. These forward rate agreements are cash flow hedge accounted. A charge of £1.4 million (2008: £4.2 million) has been recognised in reserves during the year in respect of the forward rate agreements which are cash flow hedge accounted and a £4.2 million (2008: £nil) charge recognised in reserves in prior periods has been recycled to the income statement in the year.

The effective nominal value of foreign exchange swaps is £516.6 million (2008: £1,009.0 million) and foreign exchange forwards is £30.7 million (2008: £nil).

Fair value hierarchy of derivative financial instruments

For all financial instruments held by the group, those that are held at fair value are to be classified by reference to the source of inputs used to derive the fair value. The following hierarchy is used:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly as prices or indirectly through modelling based on prices;

Level 3 – inputs for the asset or liability that are not based on observable market data.

The group holds all derivatives at fair value using discounted cash flow valuation models based on market rates which are observable. Therefore all derivative financial instruments held at fair value by the group fall into Level 2. No financial instruments have moved between levels in the year.

17. Inventories

	2009 £m	2008 £m
Raw materials	7.4	9.3
Work in progress	0.8	1.6
Finished goods	39.1	42.5
	47.3	53.4

There were no material inventory impairment charges in 2009 and 2008.

18. Cash and cash equivalents

	2009 £m	2008 £m
Cash at bank and in hand	88.5	103.0
Short-term bank deposits	13.2	1.1
	101.7	104.1
Cash and bank overdrafts include the following for the purposes of the cash flow statement:		
Cash and cash equivalents	101.7	104.1
Bank overdrafts (note 21)	(42.0)	(41.7)
	59.7	62.4

Included within cash at bank and in hand is £11.1 million (2008: £9.7 million) of restricted cash.

Interest is receivable and payable at rates of interest varying between 0.6% and 5.6%.

Cash

Floating rate cash earns interest at commercial rates in line with local market practice. Central treasury companies invest all significant cash surpluses in major currencies (£, US\$ and euro) at money market rates. Short-term deposits are placed with banks usually for maturities of up to three months and earn interest at market rates related to the currency and the sums invested.

19. Trade and other payables

	2009 £m	2008 £m
Trade payables	124.5	138.3
Social security and other taxes	83.8	77.3
Other payables	68.3	77.2
Accruals and deferred income	268.5	260.7
Deferred and contingent consideration on acquisitions	12.2	25.6
Total	557.3	579.1
Less non-current portion:		
Other payables	13.2	14.2
Deferred and contingent consideration on acquisitions	0.8	0.4
	14.0	14.6
Current portion	543.3	564.5

20. Provisions for other liabilities and charges

	Vacant properties £m	Environmental £m	Self- insurance £m	Other £m	Total £m
At 1 January 2008	35.1	26.1	43.0	20.3	124.5
Exchange differences	0.1	2.7	5.0	0.5	8.3
Additional provisions	–	1.2	10.3	19.0	30.5
Unused amounts reversed – continuing	–	(1.1)	–	(1.5)	(2.6)
Unused amounts reversed – discontinued	–	–	–	(5.0)	(5.0)
Unwinding of discount on provisions	0.3	1.3	–	–	1.6
Used during the year	(5.0)	(5.1)	(13.0)	(11.7)	(34.8)
At 31 December 2008	30.5	25.1	45.3	21.6	122.5
At 1 January 2009	30.5	25.1	45.3	21.6	122.5
Exchange differences	(0.1)	0.4	(1.9)	(0.3)	(1.9)
Additional provisions	3.0	2.3	3.0	24.8	33.1
Unused amounts reversed – continuing	(0.3)	(0.6)	(0.3)	(1.6)	(2.8)
Unwinding of discount on provisions	0.3	0.6	–	–	0.9
Used during the year	(4.6)	(4.2)	(11.6)	(5.6)	(26.0)
At 31 December 2009	28.8	23.6	34.5	38.9	125.8

Provisions analysed as follows:

	2009 £m	2008 £m
Non-current	69.0	91.0
Current	56.8	31.5
	125.8	122.5

Vacant properties

The group has a number of vacant and partly sub-let leasehold properties, with the majority of the head leases expiring before 2020. Provision has been made for the residual lease commitments together with other outgoings, after taking into account existing sub-tenant arrangements and assumptions relating to later periods of vacancy.

Environmental

The group owns a number of properties in the UK, Europe and the USA where there is land contamination and provisions are held for the remediation of such contamination. These provisions are expected to be substantially utilised within the next ten years.

Self-insurance

The group purchases external insurance from a portfolio of international insurers for its key insurable risks. The group has historically self-insured its risks but during the latter part of 2008, other than for third party motor liability and workers compensation in the USA and the global property damage/business interruption, this practice was stopped and these became fully covered in the insurance market. Provision is still held for self-insured past cover. For the continuing self-insured programmes, individual claims are met in full by the group up to agreed self-insured limits in order to limit volatility in claims. The calculated cost of self-insurance claims, based on an actuarial assessment of claims incurred at the balance sheet date, is accumulated as claims provisions.

Other

Other provisions principally comprise amounts required to cover obligations arising, warranties given and costs relating to disposed businesses together with amounts set aside to cover certain legal and regulatory claims. These provisions are expected to be substantially utilised within the next five years.

The above provisions have been discounted where appropriate using a discount rate of 1.9% (2008: 3.0%) for the UK, 3.0% (2008: 3.0%) for Europe and 3.8% (2008: 2.1%) for the USA.

21. Bank and other borrowings

	2009 £m	2008 £m
Non-current		
Bank borrowings	226.0	437.2
Other loans	885.5	921.3
Finance lease liabilities	8.6	15.6
	1,120.1	1,374.1
Current		
Bank overdrafts (note 18)	42.0	41.7
Bank borrowings	9.7	13.9
Other loans	30.4	32.0
Finance lease liabilities	7.6	4.6
	89.7	92.2
Total bank and other borrowings	1,209.8	1,466.3

The group's policy is to fund its businesses centrally with borrowings that are substantially denominated (75% or greater) in the same currency or effective currency as those operations, and in the same proportion as the group's forecast cash flows generated by those businesses. The mix of the group's debt and various notes are shown below. The £300 million, £50 million and €500 million notes are held under the group's 2.5 billion Euro Medium Term Note programme.

	Matures	IAS 39 hedging	Interest coupon	2009 £m	2008 £m
£300 million Bond	03/16	NH (2008:FV)	Fixed rate – 5.75% pa	(336.9)	(339.6)
£75 million Bond	09/13	CFH (2008:NH)	Floating rate – 3 month LIBOR +3.98%	(75.2)	(75.5)
£50 million Bond	10/13	CFH (2008:NH)	Floating rate – 3 month LIBOR +3.25%	(49.8)	(49.8)
Sterling RCF bank drawings				(225.0)	(80.0)
Sterling legs of foreign exchange swaps		Mainly NIH		414.6	355.4
€500 million Bond	03/14	NIH	Fixed rate – 4.625% pa	(453.3)	(487.7)
Euro RCF bank drawings				–	(191.5)
Euro foreign exchange swaps		Mainly NIH		(289.3)	(315.6)
US dollar RCF bank drawings				–	(164.7)
US dollar foreign exchange swaps				(125.3)	(39.8)
Finance leases in various currencies				(16.2)	(20.2)
Non-current bank borrowings				(1.0)	(1.0)
Notes issued by subsidiaries of Rentokil Initial plc				(0.7)	(0.7)
Current bank borrowings				(9.7)	(13.9)
Net cash and cash equivalents				59.7	62.4
Net debt				(1,108.1)	(1,362.2)

Key:

FV – Fair value hedge accounting applied

CFH – Cash flow hedge accounting applied

NH – Hedge accounting not applied

NIH – Designated for Net Investment Hedging

The group has a committed £500 million revolving credit facility which expires in October 2012.

In September 2008, £75 million was raised through the issue of 25-year Floating Rate Reset Notes. From the date of the issue until August 2013 the Reset Notes will bear interest at three-month LIBOR +3.98%. Thereafter the interest rate will be 4.55% plus a credit spread which will be reset every two years by auction.

In October 2008, £50 million was raised through the issue of Floating Rate Notes due 2013.

In June 2009, floating to fixed interest rate swaps were entered into on the £75 million and £50 million floating rate notes that are designated in a cash flow hedge.

Floating rate loans bear interest at rates, based on the relevant national borrowing rate benchmark equivalents (e.g. £ LIBOR), which are fixed in advance usually for periods of between one and twelve months.

Floating rate exposure is managed using forward rate agreements which all mature within one year as disclosed in note 16.

Other borrowings represent bank loans and overdrafts and are held at amortised cost.

Any ineffectiveness on the fair value and cash flow hedges is taken directly to finance costs. Where no hedge accounting has been applied, all the notes and related derivatives have been marked as "NH" ("non-hedge") and any changes are taken to finance costs.

The fair value and carrying amount of non-current bank and other borrowings are shown in the table below.

	Carrying amount 2009 £m	Carrying amount 2008 £m	Fair value 2009 £m	Fair value 2008 £m
Bank borrowings	226.0	437.2	226.0	437.2
Other loans	885.5	921.3	915.3	641.6
Finance lease liabilities	8.6	15.6	8.6	15.6
	1,120.1	1,374.1	1,149.9	1,094.4

The fair values are based on cash flows discounted using a rate based on the associated borrowing rate.

Net investment hedging

The group has designated a portion of the €500 million bond as a hedging instrument in a net investment hedge of its subsidiaries in the eurozone along with foreign currency swaps with a notional value of €200 million. The carrying value of the euro note at 31 December 2009 was £453.3 million (2008: £487.7 million). The group has foreign currency swaps which were entered into in 2008 to manage currency debt exposure. These swaps achieve hedge accounting and are accounted for as net investment hedges. They had a fair value loss as at 31 December 2009 of £0.8 million (2008: £0.3 million gain) with a maturity of between one and four months.

The foreign exchange gain of £30.6 million (2008: £103.2 million loss) on translation of the borrowings into sterling has been recognised in exchange reserves. Where net investment hedging has been applied to the medium-term notes, the related note has been marked with a "NIH".

Finance leases

Finance lease payments fall due as follows:

	2009 £m	2008 £m
Not later than one year	8.0	5.0
Between:		
• one and two years	4.7	8.1
• two and three years	2.8	4.1
• three and four years	1.7	2.6
• four and five years	0.2	1.9
• over five years	-	-
	17.4	21.7
Future finance charges on finance leases	(1.2)	(1.5)
Present value of finance lease liabilities	16.2	20.2

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

22. Maturity profile of financial liabilities

The table below analyses the group's financial liabilities, which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
At 31 December 2009					
Borrowings	96.5	44.7	923.5	334.9	1,399.6
Derivative financial instruments	0.8	–	4.4	–	5.2
Trade and other payables	346.7	13.2	–	–	359.9
Finance leases	6.9	5.0	5.5	–	17.4
Other	18.7	6.1	8.1	10.7	43.6
	469.6	69.0	941.5	345.6	1,825.7
At 31 December 2008					
Borrowings	104.1	48.7	706.6	854.1	1,713.5
Derivative financial instruments	4.0	0.5	–	–	4.5
Trade and other payables	349.8	14.2	–	–	364.0
Finance leases	8.9	6.3	6.5	–	21.7
Other	40.0	4.0	11.6	12.4	68.0
	506.8	73.7	724.7	866.5	2,171.7

Other includes £31.4 million (2008: £42.4 million) in respect of provisions related to underlying onerous lease contracts and £12.2 million (2008: £25.6 million) in respect of deferred consideration.

Reconciliation of total financial instruments

The table below reconciles the group's accounting categorisation of financial assets and liabilities (based on initial recognition) to the classes of assets and liabilities as shown on the face of the balance sheet.

	Fair value through income statement £m	Loans and receivables £m	Available for sale £m	Financial liabilities held at amortised cost £m	Not categorised as a financial instrument £m	Total £m	Non-current £m	Current £m
At 31 December 2009								
Assets								
Other investments	–	–	3.7	–	–	3.7	1.4	2.3
Trade and other receivables	–	405.4	17.9	–	40.7	464.0	26.5	437.5
Derivative financial instruments	40.4	–	–	–	–	40.4	27.3	13.1
Cash and cash equivalents	–	101.7	–	–	–	101.7	–	101.7
Liabilities								
Derivative financial instruments	(17.7)	–	–	–	–	(17.7)	(4.4)	(13.3)
Trade and other payables	–	–	–	(372.1)	(185.2)	(557.3)	(14.0)	(543.3)
Borrowings	–	–	–	(1,209.8)	–	(1,209.8)	(1,120.1)	(89.7)
Finance leases	–	–	–	(17.4)	–	(17.4)	(6.9)	(10.5)
At 31 December 2008								
Assets								
Other investments	–	–	3.0	–	–	3.0	3.0	–
Trade and other receivables	–	491.6	17.8	–	42.9	552.3	26.9	525.4
Derivative financial instruments	29.8	–	–	–	–	29.8	28.1	1.7
Cash and cash equivalents	–	104.1	–	–	–	104.1	–	104.1
Liabilities								
Derivative financial instruments	(53.4)	–	–	–	–	(53.4)	(0.7)	(52.7)
Trade and other payables	–	–	–	(389.6)	(189.5)	(579.1)	(14.6)	(564.5)
Borrowings	–	–	–	(1,466.3)	–	(1,466.3)	(1,374.1)	(92.2)
Finance leases	–	–	–	(21.7)	–	(21.7)	(8.9)	(12.8)

The table below analyses the group's derivative financial instruments, which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
At 31 December 2009					
Foreign exchange swaps					
• Outflow	1,101.1	–	–	–	1,101.1
• Inflow	1,104.2	–	–	–	1,104.2
Foreign exchange forwards					
• Outflow	33.4	–	–	–	33.4
• Inflow	31.2	–	–	–	31.2
Net inflow	0.9	–	–	–	0.9
At 31 December 2008					
Foreign exchange swaps					
• Outflow	1,982.2	877.6	–	–	2,859.8
• Inflow	1,960.3	849.6	–	–	2,809.9
Net outflow	(21.9)	(28.0)	–	–	(49.9)

The carrying amounts of the group's financial liabilities are denominated in the following currencies:

	Borrowings 2009 £m	Borrowings 2008 £m	Trade payables and other 2009 £m	Trade payables and other 2008 £m	Total 2009 £m	Total 2008 £m
Pounds sterling	703.9	570.3	189.7	192.5	893.6	762.8
Euro	489.0	703.6	132.3	155.2	621.3	858.8
US dollar	3.1	166.8	26.4	28.1	29.5	194.9
Other currencies	13.8	25.6	52.5	54.0	66.3	79.6
	1,209.8	1,466.3	400.9	429.8	1,610.7	1,896.1

All financial liabilities are held at amortised cost.

Foreign currency risk

The group uses debt denominated in foreign currencies to provide either a natural offset in the income statement of the translation of foreign currency assets or to designate borrowings and foreign exchange swap agreements as net investment hedges of the foreign currency assets of subsidiaries, with translation gains or losses taken to equity.

Similarly, the group's businesses do not undertake significant cross-border trade and therefore are not subject to significant foreign currency transaction risk.

Undrawn committed borrowing facilities

The group had the following undrawn committed borrowing facilities (including letters of credit of £22.6 million (2008: £45.7 million)) available at 31 December 2009 and 31 December 2008 in respect of which all continuing conditions precedent had been met at that date.

	2009 £m	2008 £m
Expiring within		
• one year, or on demand	22.6	–
• one and two years	–	170.7
• two and three years	275.0	–
• three and four years	–	63.8
• four and five years	–	–
• over five years	–	–
	297.6	234.5

The committed borrowing facilities in the above table are subject to guarantees by Rentokil Initial 1927 plc.

Risk management

(i) Financial risk factors

The group's activities expose it to market risk, credit risk, liquidity risk and cash flow interest rate risk.

(a) Market risk

The group is exposed to market risk, primarily related to foreign exchange and interest rate risk. The group's objective is to reduce, where it is deemed appropriate to do so, fluctuations in earnings and cash flows associated with changes in interest rates, foreign currency rates and of the currency exposure of certain net investments in foreign subsidiaries. To achieve this, management actively monitors these exposures and the group enters into currency and interest rate swaps, forward rate agreements and forward foreign exchange contracts to manage the volatility relating to these exposures.

The group targets forecast currency cash flows to determine a foreign exchange overlay structure that results in the currency split of the group's borrowings reflecting that of the forecast currency cash flows. In addition, the group runs an active net investment hedging programme that in turn results in relatively small revaluation foreign exchange gains and losses recognised in the income statement. The group calculates the impact on equity of a defined shift in foreign exchange rates. The same shift in foreign exchange rates is used for all currencies. The simulation is run for major foreign exchange positions held in equity. Based on the simulations performed, the impact on equity of a 1% shift would be a maximum increase/decrease of £3.9 million (2008: 1%, £0.9 million). This increase/decrease would be offset by the translation of group foreign currency net assets.

(b) Credit risk

The group has no significant concentrations of credit risk. It has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. The maximum credit risk exposure of the group's financial assets at the end of the period is represented by the amounts reported under the corresponding balance sheet headings. No foreign exchange sensitivities have been disclosed as the amounts involved are insignificant.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the group aims to maintain flexibility in funding by keeping committed credit lines available.

(d) Cash flow interest rate risk

The group's interest rate risk arises from its Medium Term Note borrowings and bank facilities. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk.

At the end of December 2009, approximately 97% of the group's debt was at a fixed rate of interest. During 2010 this proportion will reduce slightly to approximately 87%. Accordingly, the group is not materially exposed to rising interest rates.

The group calculates the impact on profit and loss and equity of a defined interest rate shift. The same interest rate shift is used for all currencies. The simulation is run only for liabilities or items in equity that represent the major interest-bearing positions. Based on the simulations performed, the impact on profit or loss of a 1% shift would be a maximum increase/decrease of £4.5 million (2008: 1.0%, £6.0 million) before forward rate agreements and caps entered into as hedges. The simulation is done on a monthly basis. The impact on equity would be a maximum increase/decrease of £4.1 million (2008: £nil). The simulation is performed on the position as at 31 December 2009.

(ii) Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide benefits for shareholders and other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group is in compliance with the financial and other covenants within its committed bank credit facilities as well as all obligations relating to the notes issued under the Euro Medium Term Note (EMTN) programme.

The board has set the following policies so as to minimise the company's exposure to liquidity risk and thus ensure that the company is able to meet its liabilities as they fall due.

The company is committed to maintaining a debt/equity capital structure that is sufficiently robust so as to ensure the continued access to a broad range of financing sources and thus be able to maintain sufficient flexibility to pursue commercial opportunities. The company will target a minimum financing headroom of £200 million, when measured against its latest forecast/anticipated cash flows over a rolling 12-month time horizon. The company's sources of finance should be structured in a manner so as to minimise potential refinancing risk particularly arising from a bunching of debt/note facility maturities.

The company's financing sources are diversified, across the international banking and capital markets, so as to avoid the over-reliance upon a single source, or disproportionately large source, of funds from an individual capital market note issue or bank finance provider. At 31 December 2009, the group's credit rating was BBB- with a negative outlook.

We continue to target a stable BBB+ rating in the medium term. The board believes that a key priority must be to retain sufficient financing flexibility to fund its business turnaround strategy.

23. Deferred income tax

The movement on the deferred income tax account is as follows:

	2009 £m	2008 £m
At 1 January	(117.4)	(90.6)
Exchange differences	4.5	(17.1)
Acquisition of companies and businesses	(0.2)	(2.9)
Disposal of companies and businesses	1.5	–
Transfers to current taxation	(0.6)	–
Credited to the income statement	15.4	6.0
Credited/(charged) to equity	49.0	(12.8)
At 31 December	(47.8)	(117.4)
Deferred taxation has been presented on the balance sheet as follows:		
Deferred tax asset within non-current assets	26.0	10.1
Deferred tax liability within non-current liabilities	(73.8)	(127.5)
	(47.8)	(117.4)

The major components of deferred tax assets and liabilities at the year end (without taking into consideration the offsetting of balances within the same tax jurisdiction) are as follows:

	Customer lists/ intangibles £m	Accelerated tax depreciation £m	Retirement benefits £m	Unremitted earnings from subsidiaries £m	Tax losses £m	Other £m	Total £m
At 31 December 2008	54.0	54.3	27.4	11.2	(11.4)	(18.1)	117.4
At 31 December 2009	39.1	55.0	(18.4)	4.4	(17.2)	(15.1)	47.8

Unprovided deferred tax assets in respect of unutilised tax losses amount to £66.6 million (2008: £52.3 million). Of the losses, £16.1 million will expire at various dates between 2010 and 2029. Capital losses carried forward amount to £80.5 million (2008: £79.7 million). Other deferred tax assets amounting to £13.1 million (2008: £28.7 million) have not been recognised due to the uncertainty regarding their utilisation.

Deferred tax liabilities have not been recognised in respect of withholding tax and other taxes that would be payable on unremitted earnings of certain subsidiaries as such amounts are permanently reinvested. If these earnings were remitted, tax of £nil (2008: £83.3 million) would be payable. The reduction in this unprovided amount is due to the UK exemption from tax on most overseas dividends introduced during the year.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

24. Retirement benefit obligations

Apart from the legally required social security state schemes, the group operates a number of pension schemes around the world covering many of its employees. The major schemes are of the defined benefit type with assets held in separate trustee administered funds.

The principal scheme in the group is the Rentokil Initial Pension Scheme ("RIPS") in the United Kingdom, which has a number of defined benefit sections which are now closed to new entrants (other than the Initial No 2 Section, accounting for 0.5% of the total schemes liabilities, which remains open). Actuarial valuations of the UK scheme are usually carried out every three years. The most recent full valuation was at 31 March 2007.

These defined benefit schemes are reappraised annually by independent actuaries based upon actuarial assumptions in accordance with IAS 19 requirements. The principal assumptions used for the UK RIPS scheme are shown below.

	2009	2008
Weighted average %		
Discount rate	5.7%	6.4%
Expected return on plan assets	6.0%	6.0%
Future salary increases	4.5%	3.7%
Future pension increases	3.5%	2.9%

The expected return on plan assets in the above table is a long-term rate of return. Assets with higher historic volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is a weighted average of the expected return for each asset class over the benchmark asset allocation for the scheme at 31 December 2009, less an appropriate allowance for the cost of maintaining the swap portfolio.

Mortality assumptions

At 31 December 2009, standard tables PNMA00 and PNFA00 projected based on the year of the member's birth using the PA92 series Medium Cohort projection factors (incorporating underpins to annual improvements in mortality rates of 1.0% for males and 0.5% for females). The mortality rates are scaled by a factor of 130% for "non-executive" members and by 85% for "executive" members. This equates to a man aged 65 living for a further 20.1 years if he is a "non-executive" member and for a further 23.6 years if he is an "executive" member. The corresponding figures for a woman are 22.2 and 25.5 years respectively.

The same assumptions were adopted at 31 December 2008.

Pension benefits

The amounts recognised in the balance sheet are determined as follows:

	2009 UK RIPS £m	2009 Other ¹ £m	2009 Total £m	2008 UK RIPS £m	2008 Other ¹ £m	2008 Total £m
Present value of funded obligations	(1,026.7)	(27.5)	(1,054.2)	(874.4)	(27.3)	(901.7)
Fair value of plan assets	978.8	22.3	1,001.1	1,028.8	20.5	1,049.3
Present value of unfunded obligations	(47.9)	(5.2)	(53.1)	154.4	(6.8)	147.6
	–	(11.2)	(11.2)	–	(12.7)	(12.7)
(Liability)/Asset in the balance sheet	(47.9)	(16.4)	(64.3)	154.4	(19.5)	134.9
Presented on the balance sheet as:						
Retirement benefit assets	–	–	–	154.4	–	154.4
Retirement benefit obligations	(47.9)	(16.4)	(64.3)	–	(19.5)	(19.5)
	(47.9)	(16.4)	(64.3)	154.4	(19.5)	134.9

The amounts recognised in the income statement are as follows:

	2009 UK RIPS £m	2009 Other ¹ £m	2009 Total £m	2008 UK RIPS £m	2008 Other ¹ £m	2008 Total £m
Current service cost ²	0.2	1.1	1.3	0.5	1.2	1.7
Interest cost ²	54.5	0.8	55.3	53.2	0.9	54.1
Amount charged to pension liability	54.7	1.9	56.6	53.7	2.1	55.8
Expected return on plan assets ²	(60.4)	(0.8)	(61.2)	(60.8)	(0.9)	(61.7)
Total pension (income)/cost	(5.7)	1.1	(4.6)	(7.1)	1.2	(5.9)

¹ Other retirement benefit plans are predominantly made up of defined benefit plans situated in Ireland, Germany, Australia, Belgium, Norway and France.

² Service costs are charged to operating expenses and interest cost and return on plan assets to interest payable and receivable respectively.

The movement in the fair value of pension plan assets recognised in the balance sheet is as follows:

	2009 UK RIPS £m	2009 Other £m	2009 Total £m	2008 UK RIPS £m	2008 Other £m	2008 Total £m
At 1 January	1,028.8	20.5	1,049.3	974.0	18.9	992.9
Exchange differences	–	(0.7)	(0.7)	–	5.3	5.3
Expected return on plan assets	60.4	0.8	61.2	60.8	0.9	61.7
Actuarial gain/(loss) during the year	(66.5)	1.5	(65.0)	6.1	(3.1)	3.0
Contributions received from employees	0.1	0.1	0.2	0.1	0.2	0.3
Contributions received from employer	0.3	1.2	1.5	33.9	1.1	35.0
Benefits paid	(44.3)	(1.1)	(45.4)	(46.1)	(2.8)	(48.9)
At 31 December	978.8	22.3	1,001.1	1,028.8	20.5	1,049.3

The fair value of plan assets at the balance sheet date is analysed as follows:

	2009 UK RIPS £m	2009 Other £m	2009 Total £m	2008 UK RIPS £m	2008 Other £m	2008 Total £m
Equity instruments	165.8	7.7	173.5	134.4	6.0	140.4
Debt instruments	475.3	13.5	488.8	584.8	13.8	598.6
Property	–	0.6	0.6	–	0.5	0.5
Other	115.5	0.5	116.0	48.0	0.2	48.2
Swaps	222.2	–	222.2	261.6	–	261.6
Total plan assets	978.8	22.3	1,001.1	1,028.8	20.5	1,049.3

Where available, the bid value of assets has been used. In other cases, the market value as provided by the investment managers has been used. Other includes £33.3 million of cash paid into an escrow account by the company during 2008 and has been included as an asset of the pension scheme as it is considered unlikely that these funds will return to the company. This amount was paid to the pension scheme in January 2010.

Pension plan assets include the company's ordinary shares with a fair value of £0.2 million (2008: £0.1 million).

The movement in the present value of the defined benefit obligation recognised in the balance sheet is as follows:

	2009 UK RIPS £m	2009 Other £m	2009 Total £m	2008 UK RIPS £m	2008 Other £m	2008 Total £m
At 1 January	874.4	40.0	914.4	910.1	32.8	942.9
Exchange differences	–	(1.4)	(1.4)	–	8.2	8.2
Total expense charged in the income statement	54.7	1.9	56.6	53.7	2.1	55.8
Actuarial (gain)/loss during the year	143.8	2.6	146.4	(43.4)	(0.5)	(43.9)
Contributions received from employees	0.1	0.1	0.2	0.1	0.2	0.3
Expenses paid by employer	(2.0)	–	(2.0)	(2.0)	–	(2.0)
Benefits paid	(44.3)	(4.5)	(48.8)	(44.1)	(2.8)	(46.9)
At 31 December	1,026.7	38.7	1,065.4	874.4	40.0	914.4

The history of the plan for the current and prior periods is as follows:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Present value of defined benefit plan liabilities	(1,065.4)	(914.4)	(942.9)	(1,039.9)	(1,057.1)
Fair value of plan assets	1,001.1	1,049.3	992.9	921.1	874.8
Net surplus/(deficit)	(64.3)	134.9	50.0	(118.8)	(182.3)
Experience adjustments on plan liabilities	29.5	(9.6)	14.0	(16.2)	21.2
Experience adjustments on plan assets	(65.0)	3.0	(13.3)	20.1	73.1

The group made a contribution of £0.3 million to the UK defined benefit scheme in 2009 (2008: £33.9 million). There are no contributions planned until the finalisation of the next valuation which is due in March 2010.

The expected return on plan assets is based on market expectations at the beginning of the year. The actual return on plan assets was negative £3.8 million (2008: £64.7 million).

The cumulative actuarial loss recognised in the consolidated statement of comprehensive income was £195.5 million (2008: £15.9 million gain). An actuarial loss of £211.4 million (2008: £46.9 million gain) was recognised during the year.

25. Share Capital

	2009 £m	2008 £m
Share capital		
Authorised		
4,100,000,000 ordinary shares of 1p each	41.0	41.0
Issued and fully paid		
At 1 January and 31 December – 1,814,831,011 shares (2008: 1,814,831,011)	18.1	18.1

26. Share-based payments

The company has share option schemes for approximately 500 senior executives worldwide. The exercise price for share options is the mid-market closing price immediately preceding the date of grant. Share options are equity settled.

Grants of share options under the Discretionary Approved and Discretionary Schemes (the “Discretionary Schemes”) are calculated by reference to base salaries and management grade in the company. There are two levels of qualification under the Discretionary Schemes. Level 1 applies to all senior executives (including executive directors), Level 2 and deferred share schemes apply to executive directors and sector managing directors. They are summarised as follows:

Level 1:

Before the exercise of an option under Level 1, the company’s annual growth in earnings per share on average over the first three consecutive calendar years, commencing in the year in which the option is granted, is at least 4% per annum in excess of the UK rate of inflation. Failing this, the company’s annual growth in earnings per share on average over a greater period (up to a maximum of ten years) is at least 4% in excess of the UK rate of inflation.

Level 2:

The exercise condition under Level 2 is by reference to total shareholder return, i.e. the appreciation of the share price (including reinvested dividends) in comparison with the performance of the FTSE 100 index and a defined group of support services companies being used as comparators, during three consecutive calendar years commencing in the year in which the option is granted, on the following basis:

If the company achieves a median performance in relation to the FTSE 100 index, then 25% of the Level 2 share options will vest, rising pro rata to 50% if the company achieves a performance in the upper quartile of the FTSE 100 and, in addition, if the company achieves a median performance in the group of support services companies, then 25% of the Level 2 share options will vest, rising pro rata to 50% if the company achieves a performance in the upper quartile in the group of support services companies.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Weighted average exercise price p per share	Number of share options ooo
Outstanding at 1 January 2008	202.825	24,825
Expired	216.409	12,018
Outstanding at 31 December 2008	190.078	12,807
Expired	189.407	5,565
Outstanding at 31 December 2009	190.593	7,242

No options were exercised during the period.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

	Granted	Exercise period	Exercise price (p)	Number of shares
Executive schemes	2000	2003–2010	156.500	1,439,901
	2001	2004–2011	205.250	1,312,777
	2002	2005–2012	266.750	1,211,438
	2003	2006–2013	204.500	1,221,063
	2004	2007–2014	152.000	2,057,154
				7,242,333

The share options granted in 2005 lapsed on 23 March 2009 following the expiry of the three-year performance period and a further one year re-testing period permitted under the rules of the plan.

Performance Share Plan

The company introduced a new share based Performance Plan in 2006 and granted 9,521,516 shares in May 2006, 10,173,589 at various dates throughout 2007, 10,245,358 at various dates throughout 2008 and 11,703,753 at various dates throughout 2009. The 2006 grants lapsed at the end of 2009 with the performance criteria not being met.

Year of Grant	Vesting Year	Number 31 December 2008	Granted	Lapsed	Number 31 December 2009
2006	2009	8,195,193	–	8,195,193	–
2007	2010	8,423,712	–	2,247,288	6,176,424
2008	2011	10,245,358	–	2,717,869	7,527,489
2009	2012	–	11,703,753	–	11,703,753

The performance conditions for the 2006 and 2007 awards are earnings per share (“EPS”) growth for 50% of an award and total shareholder return (“TSR”) for the remaining 50% of an award. For 75% of the TSR portion of an award, performance is measured by comparing the company’s relative TSR performance to that of constituents of the FTSE 100 (excluding financial services companies). For the remaining 25% of the TSR portion of an award, the company’s TSR performance is measured against the constituents of an international group of support services companies. Participants are entitled to the value of dividends that are paid during the vesting period on the number of shares that ultimately vest, in the form of additional shares transferred at the end of the vesting period. The 2006 grants lapsed at the end of 2009.

The performance conditions for the 2008 awards are share price and the financial performance (“bonus multiplier”) of the group, division or business whichever is applicable to the award holder. The share price condition is based on the highest average share price of Rentokil Initial plc over any 60 consecutive dealing days during the initial three-year period. The performance period for the share price element of the award began on 1 April 2008 and ends 61 dealing days following the announcement of the company’s results for the financial year ending 31 December 2010. The annual bonus multiplier measures the extent to which the annual bonus targets have been achieved in respect of each financial year during the performance period. The 2008 awards in the above table assume an on target share price of 180p per share is reached at the end of the vesting period and that participants achieve their target bonus in each of the three years over the vesting period. No shares will vest if the share price does not reach 120p per share at the end of the vesting period and 200% will vest if the share price reaches 180p per share and all participants attain maximum of their bonus targets. Participants are entitled to the value of dividends that are paid during the vesting period on the number of shares that ultimately vest, in the form of additional shares transferred at the end of the vesting period.

The performance conditions for the 2009 awards are total shareholder return (“TSR”) and the financial performance (“bonus multiplier”) of the group, division or business whichever is applicable to the award holder. The TSR condition is measured relative to the TSR achieved by constituents of a comparator group, made up of the FTSE 350 companies at the date of grant but excluding financial services and basic resources companies. The performance period for the share price element of the award began on 1 April 2009 to 31 March 2012. The TSR performance is measured using a three-month average with the start period average being 1 January 2009 to 31 March 2009 and the end period average being 1 January 2012 to 31 March 2012. The annual bonus multiplier measures the extent to which the annual bonus targets have been achieved in respect of each financial year during the performance period. The 2009 awards in the above table assume a TSR performance in the upper quartile or above is reached at the end of the vesting period and that participants achieve their target bonus in each of the three years over the vesting period. No shares will vest if the share price does not reach median TSR performance at the end of the vesting period and 200% will vest if the TSR performance is above the upper quartile and all participants attain maximum bonus targets. Participants are entitled to the value of dividends that are paid during the vesting period on the number of shares that ultimately vest, in the form of additional shares transferred at the end of the vesting period.

The fair value of the 2009 awards made under the 2006 Performance Share Plan is charged to the income statement over the vesting period based on values derived from a model developed by Deloitte LLP. This is a closed-form solution (similar to a Monte Carlo simulation) which takes account of the correlation between share price performance and the likelihood of a TSR performance condition being met. The significant inputs into the model were a share price of 88.5p, an expected share price volatility of 31.2%, a share price correlation of the companies in the comparator group of 28% and an expected life commensurate with the performance/vesting period. The share price volatility assumption is based on analysis of historical daily share prices. Given the significant volatility of share prices observed over an historic period, an average three-year volatility figure over the three years to the date of grant has been used to determine the historic long-term trend, and this has been taken as a benchmark for the expected share price volatility over the term of the awards. As the awards are nil-cost (i.e. there is no exercise price), the assumed risk-free rate of return has minimal impact on the fair value of the awards. Similarly, as dividend equivalents are paid on the vesting portion of awards, the fair value of these awards is not reduced to reflect dividends paid during the vesting period.

Executive Share Plan

In 2008, the company also introduced a long-term incentive plan for the chairman, chief executive and one other executive director and granted 22,500,000 shares during the year.

Year of Grant	Exercise period	Number 31 December 2008	Granted	Lapsed	Number 31 December 2009
2008	2011-2013	22,500,000	-	-	22,500,000

The performance condition for the award is share price and will only be satisfied if the share price target is achieved over a sustained period, demonstrating realisable value creation for shareholders. This will be measured on the basis of an average share price over any 60 consecutive trading days during the performance measurement period. Until a minimum share price of 120p per share has been met over a sustained period, no shares will be earned. At 120p per share, 20% of the award would be earned, rising on a straight-line basis to full vesting at a share price of 180p per share. For achieving growth in market value between a share price of 180p per share and 280p per share further shares may be earned up to a maximum of a further 50% of the original award. The 2008 awards in the same table assume an on target share price of 180p per share is reached at the end of the vesting period. Up to 1/3 of the award may vest following the end of the third year, another 1/3 following the end of the fourth year and a further 1/3 following the end of the fifth year, based on the extent to which performance targets are achieved. Any unvested portion of the award following the end of the fifth year will lapse. Participants are entitled to the value of dividends that are paid during the vesting period on the number of shares that ultimately vest, in the form of additional shares transferred at the end of the vesting period. See the Remuneration report on pages 32 to 38 for further details.

The fair value of the 2008 awards made under the Rentokil Initial 2008 Share Incentive Plan is charged to the income statement over the vesting period based on values derived from a bespoke Monte Carlo simulation model. The significant inputs into the model were a share price of 102p, an expected share price volatility of 21%, an expected dividend yield of 5% per annum and an expected life commensurate with the performance/vesting period. The share price volatility assumption is based on analysis of historical daily share prices measured until October 2007 (therefore excluding the significant volatility during the last months of 2007, which the company would not expect going forward). As the awards are nil-cost (i.e. there is no exercise price), the assumed risk-free rate of return has minimal impact on the fair value of the awards.

The total net charge for the year relating to equity-settled share-based payment plans was £5.1 million (2008: £2.6 million).

27. Cash generated from operating activities

	2009 £m	2008 £m
Profit for the year	48.9	21.4
Adjustments for:		
• Tax	16.1	6.4
• Share of profit from associates	(3.3)	(2.6)
• Interest income	(67.4)	(91.6)
• Interest expense	125.0	153.5
• Depreciation	210.6	186.6
• Amortisation and impairment of intangible assets*	61.3	65.5
• Amortisation of computer software	5.3	4.2
• LTIP charges	5.1	2.6
• Loss on sale of property, plant and equipment	3.5	0.8
• Loss on disposal/retirement of intangible assets	0.7	2.0
• Loss on disposal of companies and businesses (included within continuing operations)	1.1	–
• Cumulative translation exchange gain recycled on continuing operations	(2.0)	–
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation):		
• Inventories	3.2	(5.3)
• Trade and other receivables	64.4	33.4
• Trade and other payables and provisions	24.1	(24.9)
Cash generated from operating activities before special pension contribution	496.6	352.0
Special pension contribution	–	(33.3)
Cash generated from operating activities	496.6	318.7
<i>* Excluding computer software.</i>		
In the cash flow statement, proceeds from sale of property, plant and equipment comprise:		
Net book amount	13.5	16.6
Loss on sale of property, plant and equipment	(3.5)	(0.8)
Proceeds from sale of property, plant and equipment	10.0	15.8

28. Reconciliation of net increase in cash and bank overdrafts to net debt

	2009 £m	2008 £m
Net increase in cash and bank overdrafts	11.5	79.1
Movement on finance leases	2.6	1.6
Movement on loans	216.0	(228.8)
Decrease/(increase) in debt resulting from cash flows	230.1	(148.1)
Revaluation of net debt	(2.3)	(39.5)
Net debt translation differences	26.3	(227.5)
Movement on net debt in the year	254.1	(415.1)
Opening net debt	(1,362.2)	(947.1)
Closing net debt	(1,108.1)	(1,362.2)
Closing net debt comprises:		
Cash and cash equivalents	101.7	104.1
Bank and other short-term borrowings	(89.7)	(92.2)
Bank and other long-term borrowings	(1,120.1)	(1,374.1)
Total net debt	(1,108.1)	(1,362.2)

29. Free cash flow

	2009 £m	2008 £m
Net cash flows generated from operating activities	418.7	225.3
Add back: special pension contribution	-	33.3
	418.7	258.6
Purchase of property, plant and equipment (PPE)	(176.2)	(222.6)
Purchase of intangible fixed assets	(6.3)	(8.2)
Leased property, plant and equipment	(6.7)	(7.0)
Proceeds from sale of PPE	10.0	15.8
Purchase of available-for-sale investments	(0.8)	-
Dividends received from associates	1.8	1.1
Dividends paid to minority interests	(2.5)	(1.6)
Interest element of finance lease payments	(1.1)	(1.2)
Free cash flow	236.9	34.9

30. Business combinations

The total consideration for all acquisitions during the year was £2.7 million (Pest Control £0.8 million, Asia Pacific £1.7 million and Ambius £0.2 million).

Details of goodwill and the fair value of net assets acquired are as follows:

	2009 £m
Purchase consideration:	
• Cash paid	1.0
• Consideration deferred to future periods	1.7
Total purchase consideration	2.7
Fair value of net assets acquired	(1.4)
Goodwill	1.3

In common with the majority of the previous acquisitions made by the group, goodwill of £1.3 million represents synergies, both in increased revenues and reduced costs, expected to be realised in all current year acquisitions.

Further goodwill is attributable to the workforce in all of the acquired businesses.

The book value of assets and liabilities arising from acquisitions are as follows:

	2009 £m
Non-current assets	
• Property, plant and equipment	0.2
Current assets	0.1
Current liabilities	(0.2)
Minority interest	0.7
Net assets acquired	0.8

The provisional fair value adjustments to the book value of assets and liabilities arising from acquisitions during the year and adjustments made to prior period acquisitions are as follows:

	2009 £m
Non-current assets	
• Intangible assets	0.8
Non-current liabilities	(0.2)
Net assets acquired	0.6

The fair value adjustments above include a reduction of £0.3 million in respect of prior year acquisitions following the finalisation of the acquisition accounting.

The prior year numbers have not been adjusted on the grounds of materiality.

The provisional fair value¹ of assets and liabilities arising from acquisitions are as follows:

	2009 £m
Non-current assets	
• Intangible assets	0.8
• Property, plant and equipment	0.2
Current assets	0.1
Current liabilities	(0.2)
Non-current liabilities	(0.2)
Minority interest	0.7
Net assets acquired	1.4

¹ The provisional fair values will be finalised in the 2010 financial statements. The fair values are provisional since the acquisition accounting has not yet been finalised and as a result of the proximity of many acquisitions to the year end.

	2009 £m
Consideration and cash outflow on current year acquisitions	1.0
Deferred consideration from prior periods paid	10.1
Acquisition costs from prior periods paid	0.1
Cash outflow on current and past acquisitions	11.2

From the dates of acquisition to 31 December 2009 these acquisitions contributed £0.6 million to revenue and £0.1 million to operating profit.

If the acquisitions had occurred on 1 January 2009, these acquisitions would have contributed £0.9 million to revenue and £0.2 million to operating profit.

31. Contingent liabilities

The group has contingent liabilities relating to guarantees in respect of third parties, environmental issues and tax and litigation, none of which are expected to give rise to any significant loss.

32. Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2009 £m	2008 £m
Property, plant and equipment	20.7	11.6
Intangible assets	2.2	2.1
	22.9	13.7

33. Operating leases

The group leases properties, vehicles, plant and equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The lease expenditure charged to the income statement during the year is disclosed in note 2.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2009 £m	2008 restated £m
Not later than one year	58.8	61.4
Later than one year and not later than five years	152.4	150.3
Later than five years	83.2	110.4
	294.4	322.1

34. Related party transactions

The group's strategy and policy are managed by the executive board. Their compensation is shown below:

	2009 £m	2008 £m
Salaries and other short-term employee benefits	5.7	4.5
Post-employment benefits	0.7	1.0
Termination benefits	1.1	3.2
Share-based payments	2.6	2.6
	10.1	11.3

Initial Catering Services Ltd (75%), Rentokil Initial (Pty) Ltd (74.9%), Yu Yu Calmic Co Ltd (50%), Rentokil Enguard Ltd (70%) and Rentokil Initial (B) Sdn Bhd (70%) are non-wholly owned subsidiaries of Rentokil Initial plc. All transactions between these entities and the group were transacted at arm's length during the ordinary course of business and have been eliminated on consolidation.

Nippon Calmic Ltd (49%) was an associate during 2009 and its balances are disclosed in note 13. There are no significant transactions between Nippon Calmic Ltd and other group companies.

The group recharges the Rentokil Initial Pension Scheme with costs of administration and independent pension advice borne by the group. The total amount of recharges in the year ended 31 December 2009 was £2.0 million (2008: £2.0 million).

The group has made a loan to a consortium of private investors which enabled them to purchase a 25.1% stake in the South African business. The group has a receivable from this consortium of £17.9 million (2008: £17.8 million) at the end of the year. The loan is due for repayment in 2014. The repayment of the loan will be dependent upon the future dividends generated by the business.

35. Post-balance sheet events

Since the end of the year the group has announced the closure of the Wednesbury City Link Hub. This is expected to lead to an impairment charge of £10 million in 2010.

There were no other significant post-balance sheet events affecting the group since 31 December 2009.

Principal operating subsidiary and associated undertakings

At 31 December

Subsidiary undertakings

United Kingdom

Dudley Industries Ltd
Initial Building Services Ltd
Initial Catering Services Ltd (75%)
City Link Ltd
Initial Facilities Management Ltd
Initial Hospital Services Ltd
Rentokil Initial Holdings Ltd
Rentokil Initial Services Ltd
Rentokil Initial UK Ltd
Rentokil Initial Facilities Services (UK) Ltd
Rentokil Insurance Ltd
Insitu Cleaning Ltd
Lancaster Office Cleaning Company Ltd
Initial Medical Services Ltd

Australia

Rentokil Initial Pty Ltd

Austria

Rentokil Initial GmbH
Initial Austria GmbH
Initial Hygiene Austria GmbH

Bahamas

Rentokil Initial (Bahamas) Ltd

Barbados

Rentokil Initial (Barbados) Ltd

Belgium

Initial Textiles NV
Rentokil NV
Ambius NV

Brunei

Rentokil Initial (B)
Sdn Bhd (70%)

Canada

Rentokil Pest Control
Canada Ltd
Ambius Inc

Czech Republic

Initial Ecotex sro

Denmark

Rentokil Initial A/S
Initial A/S

Estonia

Rentokil Oü

Fiji

Rentokil Initial Ltd

Finland

Oy Rentokil Ambius AB
Oy Initial AB

France

Initial BTB SA
Rentokil Initial SAS
Ambius SAS
Technivap SAS

Germany

Initial Textile Service GmbH and
Co KG
Rentokil Initial GmbH
Medentex GmbH
Initial Waschraumservice GmbH

Greece

Rentokil Initial Hellas EPE

Guadeloupe

Rentokil Initial Guadeloupe Sarl

Guernsey, C.I.

Felcourt Insurance
Company Ltd

Guyana

Rentokil Initial Guyana Ltd

Hong Kong

Rentokil Initial
Hong Kong Ltd
Po Hong Services Ltd

Hungary

Initial Textil Szolgaltato Kft

India

Rentokil India Pte Ltd

Indonesia

PT Calmic Indonesia
PT Rentokil Indonesia

Italy

Rentokil Italia Srl
Initial Italia Srl

Jamaica

Rentokil Initial (Jamaica) Ltd

Kenya

Rentokil Initial Kenya Ltd

Lithuania

UAB Dezinfa

Luxembourg

Initial Textile Luxembourg Sarl
Rentokil Luxembourg Sarl
R-Control Desinfections SA

Libya

Rentokil Initial UK Ltd – Branch

Malaysia

Rentokil Initial (M) Sdn Bhd

Martinique

Rentokil Initial
Martinique Sarl

Netherlands

Initial Hokatex BV
Rentokil Initial BV
Ambius BV
Holland Herstel Groep Ureco BV

New Zealand

Rentokil Initial Ltd

Norway

Rentokil Initial Norge AS

People's Republic of China

Rentokil Initial
(Shanghai) Ltd
Rentokil Tai Ming China
Co Ltd

Philippines

Rentokil Initial (Philippines) Inc

Poland

Initial Matador Sp z.o.o.

Portugal

Rentokil Portugal –
Serviços de Proteção
Ambiental Lda
Initial Portugal – Serviços
de Proteção Ambiental Lda

Republic of Ireland

Rentokil Initial Ltd
Integrated Pest
Management Ltd
Initial Medical Services (Ireland) Ltd

Singapore

One Stop Habitat-Care Pte Ltd
Initial Hygiene Services Pte Ltd
Rentokil Initial Singapore Pte Ltd

Slovak Republic

Initial Textile Services Sro

South Africa

Rentokil Initial (Pty) Ltd (74.9%)

South Korea

Yu Yu Calmic Co Ltd (50%)
Rentokil Initial Korea Ltd
Rentokil Enguard Ltd (70%)

Spain

Initial Gaviota SAU
Initial Facility Services SAU
Rentokil Initial España SA
Initial Textiles e Higiene SLU

Sweden

Initial Sverige AB
Rentokil AB
Ambius AB

Switzerland

Rentokil Schweiz AG
Initial Schweiz AG

Taiwan

Initial Hygiene Co Ltd
Rentokil Ding Sharn Co Ltd

Thailand

Rentokil Initial (Thailand) Ltd

Trinidad

Rentokil Initial (Trinidad) Ltd

USA

Ambius Inc
Presto-X LLC
J.C. Ehrlich & Co Inc

Vietnam

Initial Services Co Ltd
RI Services Co Ltd

Associated undertakings

Japan

Nippon Calmic Ltd (49%)

The activities of the major subsidiaries are referred to in the business review on pages 8 to 15.

Notes:

1. Rentokil Initial plc owns directly 100% of the shares of Rentokil Initial Holdings Ltd and indirectly 100% of the shares in all subsidiaries except where a lower percentage is shown.
2. Undertakings operate and are incorporated in the country underneath which each is shown.
3. The group's 50% interest in Yu Yu Calmic Co Ltd is consolidated as a subsidiary to reflect the group's control over this company because of its shareholding and its involvement in the management and because the business is conducted under licence from the group.

Five-year summary


	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m
Revenue from continuing operations	2,301.2	2,124.7	2,203.4	2,409.9	2,530.8
Operating profit from continuing operations	243.3	249.1	211.9	82.1	119.3
Profit before income tax from continuing operations	190.1	199.1	142.0	22.8	65.0
Profit for the year from continuing operations	138.6	154.3	111.7	16.4	48.9
Profit for the year from discontinued operations	185.8	92.8	546.8	5.0	–
Profit for the year (including discontinued)	324.4	247.1	658.5	21.4	48.9
Profit attributable to equity holders of the company	321.5	245.1	656.3	18.8	47.6
Profit attributable to minority interest	2.9	2.0	2.2	2.6	1.3
	324.4	247.1	658.5	21.4	48.9
Basic earnings per share:					
Continuing operations	7.52p	8.43p	6.06p	0.76p	2.63p
Continuing and discontinued operations	17.82p	13.57p	36.32p	1.04p	2.63p
Dividends per 1p share	7.38p	7.38p	7.38p	0.65p	–
Gross assets	1,558.0	1,792.0	1,960.3	2,396.9	2,001.0
Gross liabilities	(2,217.6)	(2,325.6)	(1,902.0)	(2,458.8)	(2,151.1)
Net (liabilities)/assets	(659.6)	(533.6)	58.3	(61.9)	(150.1)
Share capital	18.1	18.1	18.1	18.1	18.1
Reserves	(684.7)	(558.1)	32.8	(89.0)	(177.5)
Minority interest	7.0	6.4	7.4	9.0	9.3
Capital employed	(659.6)	(533.6)	58.3	(61.9)	(150.1)

Parent company balance sheet

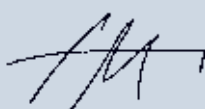
At 31 December

	Notes	2009 £m	2008 £m
Fixed assets			
Investments	4	256.0	2,460.7
Derivative financial instruments (due after more than one year)	6	27.3	28.1
		283.3	2,488.8
Current assets			
Debtors – amounts falling due within one year	5	158.6	156.9
Debtors – amounts falling due after more than one year	5	2,457.9	–
Derivative financial instruments (due within one year)	6	12.7	4.9
Short-term deposits and cash		11.7	99.4
		2,640.9	261.2
Creditors – amounts falling due within one year			
Creditors	7	(752.3)	(532.1)
Bank and other borrowings	8	(340.4)	(153.6)
Derivative financial instruments	6	(13.3)	(52.3)
		(1,106.0)	(738.0)
Net current assets/(liabilities)			
		1,534.9	(476.8)
Creditors – amounts falling due after more than one year			
Bank and other borrowings	8	(1,109.8)	(1,356.8)
Derivative financial instruments	6	(4.4)	(0.7)
		(1,114.2)	(1,357.5)
Net assets			
		704.0	654.5
Equity capital and reserves			
Share capital	9	18.1	18.1
Share premium	10	6.8	6.8
Profit and loss account	11	679.1	629.6
Capital employed			
		704.0	654.5

The financial statements on pages 87 to 93 were approved by the board on 26 March 2010 and were signed on its behalf by:



Alan Brown
Chief Executive



Michael Murray
Chief Financial Officer

Notes to the parent company accounts

1. Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities (including derivatives) and are in accordance with generally accepted accounting principles and standards in the United Kingdom and comply with the Companies Act 2006.

2. Principal accounting policies

Investments

Investments held as fixed assets are stated at cost less provision for any impairment. In the opinion of the directors the value of such investments are not less than shown at the balance sheet date.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost (where hedge accounting is not applied); any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Where fair value hedge accounting is applied, the borrowings are subsequently revalued at each balance sheet date and the difference is offset against the fair value movement of the derivative (the hedging instrument) in the profit and loss account.

Borrowings are classified as current liabilities unless the company has a continuing right to defer settlement of the liability for at least 12 months after the balance sheet date under both its committed bank credit facility and Euro Medium Term Note programme.

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 profits which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold. Neither is deferred tax recognised on overseas profits where there is no commitment to remit those profits to the UK.

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.

Pension commitments

Rentokil Initial plc is the sponsoring company of a multi-employer defined benefit pension scheme, Rentokil Initial Pension Scheme (RIPS).

An actuarial valuation of the defined benefit scheme is carried out every three years. The most recent actuarial valuation was at 31 March 2007. It was carried out using the projected unit credit method and the principal assumptions made by the independent professional actuary are disclosed in the consolidated financial statements of Rentokil Initial plc.

As the company is unable to identify its share of the underlying assets and liabilities in RIPS, it treats the scheme on a defined contribution basis, in accordance with FRS 17, "Retirement Benefits".

Financial instruments and risk management

The company and group's policy in respect of financial instruments and risk management are disclosed in the Accounting Policies section of the consolidated financial statements. Disclosures have been made on financial instruments as required by the Companies Act 2006.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the company purchases the company's equity share capital (Treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

Share-based compensation

The company operates a number of equity-settled, share-based compensation plans. The economic cost of awarding shares and share options to employees is recognised as an expense in the profit and loss account equivalent to the fair value of the benefit awarded. The fair value of options over the company's shares awarded to employees of subsidiary companies is treated as a capital contribution, resulting in an increase in investments. The fair value is determined by reference to option pricing models, principally Monte Carlo and adjusted Black-Scholes models. The charge is recognised in the profit and loss account over the vesting period of the award. At each balance sheet date, the company revises its estimate of the number of options that are expected to become exercisable. Any revision to the original estimates is reflected in the profit and loss account with a corresponding adjustment to equity immediately to the extent it relates to past service and the remainder over the rest of the vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the company's shareholders. Interim dividends are recognised when paid. See note 10 of the consolidated financial statements for details of dividends paid in the year.

3. Company profit and loss account

Under section 408 of the Companies Act 2006, a profit and loss account for the company alone is not presented. The profit attributable to shareholders in the year was £45.2 million (2008: £369.7 million loss) which includes a credit of £69.5 million (2008: £305.5 million debit) in respect of exchange adjustments and £0.4 million (2008: £0.4 million) in respect of audit fees.

4. Investments

	2009 £m	2008 £m
At 1 January	2,460.7	2,459.0
Additions	250.7	–
Disposals	(2,457.9)	–
Share-based payments to employees of subsidiaries	2.5	1.7
At 31 December	256.0	2,460.7

During the year the company sold its investment in Rentokil Initial 1927 plc to another subsidiary company for a consideration of £2,457.9 million.

The company's sole subsidiary undertaking is Rentokil Initial Holdings Ltd. It has no other direct subsidiary undertakings.

5. Debtors

	2009 £m	2008 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	158.0	91.1
Group relief	–	64.9
Other debtors	0.6	0.9
	158.6	156.9
Amounts falling due after more than one year:		
Amounts owed by subsidiary undertakings	2,457.9	–

Amounts owed by subsidiary undertakings due within one year are made up of non-interest bearing loans and amounts owed by subsidiary undertakings due after more than one year are made up of an interest bearing loan with an effective interest rate of 6.45%.

6. Derivative financial instruments

	Fair value assets 2009 £m	Fair value assets 2008 £m	Fair value liabilities 2009 £m	Fair value liabilities 2008 £m
Interest rate swaps:				
• fair value hedge	–	28.1	–	–
• non-hedge	27.3	–	(0.4)	–
• cash flow hedge	–	–	(4.0)	–
Forward rate agreements:				
• non-hedge	–	–	–	(1.8)
• cash flow hedge	–	–	(0.8)	(2.7)
Foreign exchange swaps:				
• non-hedge	12.7	4.9	(10.3)	(48.5)
Foreign exchange forwards:				
• non-hedge	–	–	(2.2)	–
	40.0	33.0	(17.7)	(53.0)
Analysed as follows:				
Due within one year	12.7	4.9	(13.3)	(52.3)
Due after more than one year	27.3	28.1	(4.4)	(0.7)
	40.0	33.0	(17.7)	(53.0)

Fair value and cash flow hedge accounting has been applied to related derivatives (marked as “fair value hedge” and “cash flow hedge”) in accordance with FRS 26, “Financial Instruments: Measurement”. Where no hedge accounting has been applied, related derivatives have been marked as “non-hedge”. Any ineffectiveness on the fair value and cash flow hedges are taken directly to finance costs. The ineffective portion recognised in the profit and loss that arises from fair value hedges amounts to a gain of £3.1 million (2008: loss of £3.4 million). There was no ineffectiveness to be recorded from those derivatives in a cash flow hedge relationship.

The company has £300 million fixed to floating (LIBOR plus spread) interest rate swaps for which fair value hedge accounting was applied and whose critical terms match those of the bonds disclosed in note 8. On 1 April 2009, the company entered into a set of £300 million floating (LIBOR plus spread) to fixed interest rate swaps whose critical terms matched those of the original £300 million fixed to floating interest rate swap. At this date the fair value hedge was revoked and both interest rate swaps are non-hedge accounted. Upon ceasing to hedge account, the fair value of the hedged bond at 1 April 2009 is being amortised on a straight-line basis over the remaining life of the bond.

The company has £75 million and £50 million floating (LIBOR plus spread) to fixed interest rate swaps for which cash flow hedge accounting is applied and whose critical terms match those of the bonds disclosed in note 8. A charge of £3.6 million (2008: £nil) has been recognised in reserves during the year in respect of the interest rate swaps which are cash flow hedge accounted.

The company has outstanding forward rate agreements maturing in between three to six months with nominal values of £200 million (2008: £464.7 million) attracting an average fixed interest rate of 2.05%. These forward rate agreements are cash flow hedge accounted. A charge of £1.4 million (2008: £4.2 million) has been recognised in reserves during the year in respect of the forward rate agreements which are cash flow hedge accounted and a £4.2 million (2008: £nil) charge recognised in reserves in prior periods has been recycled to the profit and loss account in the year.

The effective nominal value of foreign exchange swaps is £516.6 million (2008: £1,009.0 million) and foreign exchange forwards is £30.7 million (2008: £nil).

7. Creditors – amounts falling due within one year

	2009 £m	2008 £m
Amounts due to subsidiary undertakings	752.3	530.7
Other creditors	–	1.4
	752.3	532.1

8. Bank and other borrowings

	2009 £m	2008 £m
Amounts falling due within one year	340.4	153.6
Amounts falling due after one year	1,109.8	1,356.8

Current and non-current loans include £30.0 million (2008: £31.3 million) and £810.0 million (2008: £845.8 million) respectively of notes issued under the company's 2.5 billion Euro Medium Term Note programme.

The various notes held under its 2.5 billion Euro Medium Term Note programme are shown below:

Currency/Amount	FRS 26 hedging	Interest coupon	Maturity date
£300 million	NH (2008:FV)	Fixed rate – 5.75% pa	03/16
£50 million	CFH (2008:NH)	Floating rate – 3 month LIBOR +3.25%	10/13
€500 million		Fixed rate – 4.625% pa	03/14

Key:

FV – Fair value hedge accounting applied

CFH – Cash flow hedge accounting applied

NH – Hedge accounting not applied

A £75 million note is held outside of the 2.5 billion Euro Medium Term Note programme. See note 21 of the consolidated financial statements for the terms of this note.

In June 2009, floating to fixed interest rate swaps were entered into on the £75 million and £50 million floating rate notes. The floating rate matches the rate payable on the notes, while the fixed rate is 7.844% and 7.196% respectively. These interest rate swaps became effective in November and December 2009 respectively.

Other borrowings of £535.0 million (2008: £557.1 million) represent bank loans and overdrafts and are held at amortised cost. Further details are provided in the consolidated financial statements.

9. Share capital

	2009 £m	2008 £m
Authorised		
4,100,000,000 ordinary shares of 1p each	41.0	41.0
Issued and fully paid		
At 1 January and 31 December – 1,814,831,011 shares of 1p each (2008: 1,814,831,011)	18.1	18.1

At 31 December 2009, the following options had been granted and remain outstanding in respect of the company's ordinary shares of 1p each under the company's share option schemes:

	Granted	Exercise period	Exercise price (p)	Number of shares
Executive schemes	2000	2003–2010	156.500	1,439,901
	2001	2004–2011	205.250	1,312,777
	2002	2005–2012	266.750	1,211,438
	2003	2006–2013	204.500	1,221,063
	2004	2007–2014	152.000	2,057,154
				7,242,333

The share options granted in 2005 lapsed on 23 March 2009 following the expiry of the three-year performance period and a further one year re-testing period permitted under the rules of the plan.

Performance Share Plan

The company introduced a new share based Performance Plan in 2006 and granted 9,521,516 shares in May 2006, 10,173,589 at various dates throughout 2007, 10,245,358 at various dates throughout 2008 and 11,703,753 at various dates throughout 2009. The 2006 grants lapsed at the end of 2009 with the performance criteria not being met.

Year of Grant	Vesting Year	Number 31 December 2008	Granted	Lapsed	Number 31 December 2009
2006	2009	8,195,193	–	8,195,193	–
2007	2010	8,423,712	–	2,247,288	6,176,424
2008	2011	10,245,358	–	2,717,869	7,527,489
2009	2012	–	11,703,753	–	11,703,753

Executive Share Plan

In 2008, the company also introduced a long-term incentive plan for the chairman, chief executive and one other executive director and granted 22,500,000 shares during the year.

Year of Grant	Exercise period	Number 31 December 2008	Granted	Lapsed	Number 31 December 2009
2008	2011–2013	22,500,000	–	–	22,500,000

For more information regarding the company's share option schemes, Performance Share Plan and Executive Share Plan see note 26 of the consolidated financial statements.

10. Share premium

	2009 £m	2008 £m
At 1 January and 31 December	6.8	6.8

11. Profit and loss account

	2009 £m	2008 £m
At 1 January	629.6	1,107.6
Profit/(loss) for the financial period (note 3)	45.2	(369.7)
Dividend paid	–	(106.7)
Share-based payments charged to profit and loss	2.6	0.9
Share-based payments debited to investments	2.5	1.7
Movement on cash flow hedge	(0.8)	(4.2)
At 31 December	679.1	629.6

Treasury shares of £11.1 million (2008: £11.1 million) have been netted against retained earnings. Treasury shares represent 7.4 million (2008: 7.4 million) shares held by the Rentokil Initial Employee Share Trust. The market value of these shares at 31 December 2009 was £8.6 million (2008: £3.3 million). Dividend income from, and voting rights on, the shares held by the Trust have been waived.

12. Contingent liabilities

The company has provided guarantees in respect of bank and other borrowings held by its subsidiary undertakings. In addition, there are contingent liabilities in respect of litigation, none of which are expected to give rise to any material loss.

13. Employees

The company has seven employees (2008: seven employees). For information on employee costs, see note 34 of the consolidated financial statements. Services for finance, taxation, treasury, legal, HR and IT are provided by Rentokil Initial 1927 plc and recharged to the company.

14. Pension commitments

At 31 December 2009, the RIPS pension deficit under IAS 19, "Employee Benefits" amounted to £47.9 million (2008: £154.4 million asset). The directors are of the opinion that there is no material difference between an FRS 17, "Retirement Benefits" and an IAS 19 valuation. For more information on pension commitments, see note 24 of the consolidated financial statements.

15. Share-based payments

Share-based payments for the financial period were £5.1 million (2008: £2.6 million) of which £2.6 million (2008: £0.9 million) was charged to the profit and loss account and £2.5 million (2008: £1.7 million) debited to investments. Share options relating to the board are disclosed in the Directors' Remuneration Report and detailed share-based payment disclosures are shown in note 26 of the consolidated financial statements.

16. Related party transactions

The company has not undertaken any transactions with related parties during the year, other than transactions with wholly owned fellow members of Rentokil Initial plc. Such transactions are exempt from disclosure under FRS 8. There were no transactions with non-wholly owned fellow members of Rentokil Initial plc.

17. Post-balance sheet events

There were no significant post-balance sheet events affecting the company since 31 December 2009.

Independent auditors' report to the members of Rentokil Initial plc

We have audited the financial statements of Rentokil Initial plc for the year ended 31 December 2009 set out on pages 39 to 84 and 87 to 93. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements 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 sections 495, 496 and 497 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 auditors' 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 Statement of Directors' Responsibilities set out on page 24, 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 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 website at www.frc.org.uk/apb/scope/UKP.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2009 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

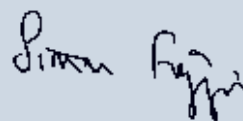
We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited 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.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 30, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.



Simon Figgis (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

8 Salisbury Square
London
EC4Y 8BB
26 March 2010