

## RENTOKIL INITIAL PLC (RTO)

### PRELIMINARY RESULTS FOR YEAR ENDED 31 DECEMBER 2007

#### Group

- Revenue up 20.3% to £2,216.7 million
- Full year adjusted operating profit and adjusted profit before income tax up 8.8% to £280.8 million and 1.1% to £211.4 million
- Profit before income tax from continuing operations of £142.0 million (2006: £165.4 million)
- Full year dividend maintained at 7.38 pence per share
- Performance from Textiles & Washroom, Pest Control, Asia Pacific, Facilities Services and Ambius divisions in line with expectation
- As indicated in December 2007, group held back by poor performance from City Link in Q4

#### City Link

- Detailed analysis undertaken since December 13 trading update has revealed trading downturn not just driven by market-related B to C volumes shortfall
- Foundation for integration not solid enough to cope with degree and scale of changes being implemented; resulting negative impact on account management, service and new business generation
- Actions to improve the situation include:
  - Appointment of new management team
  - Pause in and review of depot integration programme
  - Programme to improve customer service and strengthen account management where required
  - Restructured sales team generating strong new business pipeline
- City Link 2008 profitability currently unclear – may not trade better than break even

#### **Doug Flynn, Chief Executive Officer of Rentokil Initial plc, said:**

“In 2007 our Pest Control, Textiles & Washroom, Facilities Services, Asia Pacific and Ambius businesses made good progress against their plans and we expect this to continue into 2008. Absent City Link, we expect modest growth in adjusted profit before income tax from the rest of the group.

“However, despite the progress delivered by most of the group, the performance from City Link was unacceptable. Actions are in hand to improve the situation but this is a trend business and improvements will take time to come through. This means that 2008 adjusted profit before income tax for the group is expected to be significantly lower than 2007 and will be heavily dependent on the performance from City Link.

“Our focus this year will be on rebuilding the profitability of City Link and progressing the operational improvements made across the rest of the group.”

## Financial Summary

£million	Fourth Quarter			Full Year		
	2007	2006	change	2007	2006	change
<b>Pro forma Continuing Operations<sup>1</sup></b>						
<b>At 2006 constant exchange rates<sup>2</sup></b>						
Revenue	<b>576.0</b>	517.8	11.2%	<b>2,216.7</b>	1,843.2	20.3%
Operating profit before amortisation of intangibles <sup>3</sup>	<b>63.0</b>	57.9	8.8%	<b>252.4</b>	235.6	7.1%
Add back: one-off items	<b>18.1</b>	<u>16.7</u>	8.4%	<b>28.4</b>	<u>22.6</u>	25.7%
Adjusted operating profit <sup>4</sup>	<b>81.1</b>	74.6	8.7%	<b>280.8</b>	258.2	8.8%
Share of profit from associates (net of tax)	<b>0.4</b>	0.4	-	<b>2.2</b>	2.0	10.0%
Interest	<b>(17.8)</b>	<u>(16.4)</u>	(8.5%)	<b>(71.6)</b>	<u>(51.1)</u>	(40.1%)
Adjusted profit before income tax <sup>4</sup>	<b>63.7</b>	<u>58.6</u>	8.7%	<b>211.4</b>	<u>209.1</u>	1.1%
<b>Continuing Operations<sup>1</sup></b>						
<b>At actual exchange rates</b>						
Revenue	<b>579.7</b>	<u>512.4</u>	13.1%	<b>2,203.4</b>	<u>1,843.2</u>	19.5%
Operating profit before amortisation of intangibles <sup>5</sup>	<b>64.0</b>	56.8	12.7%	<b>251.1</b>	235.6	6.6%
Amortisation of intangible assets <sup>6</sup>	<b>(10.8)</b>	<u>(7.5)</u>	(44.0%)	<b>(39.2)</b>	<u>(21.1)</u>	(85.8%)
Operating profit	<b>53.2</b>	49.3	7.9%	<b>211.9</b>	214.5	(1.2%)
Share of profit from associates (net of tax)	<b>0.4</b>	0.4	-	<b>2.0</b>	2.0	-
Net interest payable	<b>(17.9)</b>	<u>(16.5)</u>	(8.5%)	<b>(71.9)</b>	<u>(51.1)</u>	(40.7%)
Profit before income tax	<b>35.7</b>	<u>33.2</u>	7.5%	<b>142.0</b>	<u>165.4</u>	(14.1%)
Free cash flow <sup>7</sup>				<b>102.1</b>	128.6	(20.6%)
Basic earnings per share (continuing operations)				<b>6.06p</b>	7.20p	(15.8%)
Dividend per share (proposed)				<b>5.25p</b>	5.25p	-

<sup>1</sup>All figures are for continuing operations and are unaudited.

<sup>2</sup>Results at constant exchange rates have been translated at the full year average exchange rates for the year ended 31 December 2006. £/\$ average rates: FY 2007 2.0038; FY 2006 1.8469. £/€ average rates: FY 2007 1.4586; FY 2006 1.4659.

<sup>3</sup>Before amortisation of intangible assets (excluding computer software and development costs) of £39.6m (2006: £21.2m) for the full year.

<sup>4</sup>Before amortisation of intangible assets (excluding computer software and development costs) of £39.6m (2006: £21.2m) and items of a one-off nature of £28.4m (2006: £22.6m) for the full year. See appendix 4 for further details.

<sup>5</sup>Before amortisation of intangible assets (excluding computer software and development costs) of £39.2m (2006: £21.1m) for the full year.

<sup>6</sup>Excluding computer software and development costs.

<sup>7</sup>Cash flow before acquisitions, disposals, equity dividend payments and special pension contributions.

### For further information

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A presentation for analysts and shareholders will be held on Thursday 28 February 2008 at 9:15 am. This will be available via a live audio webcast at [www.rentokil-initial.com](http://www.rentokil-initial.com).

*This announcement contains statements that are, or may be, forward-looking regarding the group's financial position and results, business strategy, plans and objectives. Such statements involve risk and uncertainty because they relate to future events and circumstances and there are accordingly a number of factors which might cause actual results and performance to differ materially from those expressed or implied by such statements.*

## REVIEW OF THE YEAR

We are pleased to report that our Textiles & Washroom, Pest Control, Asia Pacific, Facilities Services and Ambius divisions made considerable progress against plan in 2007. Our priorities were to generate growth in revenue and customer retention, improve sales and marketing effectiveness and leverage the power of our brands. Efficiency and productivity improvements were a key focus during the year and all divisions were tasked with driving sales and service improvements, eliminating cost out of the business where appropriate and improving processes.

At the half year we announced that we believed we had reached an inflection point in terms of profit. Having delivered a first half operating and financial performance in line with expectation and with profit expected to move strongly ahead in the second half, we were confident in our ability to deliver ongoing improvements in profit performance. Indeed, profit did move strongly ahead in the second half as a result of continuing good performances from all our businesses except City Link, which delivered a poor financial performance in the fourth quarter, marring the progress made by the rest of the group.

In December we issued a trading statement stating that fourth quarter profits from City Link were likely to be up to £10 million below our expectations as a result of volume decline in the B to C segment in the ten weeks before Christmas and this would have a similar effect on the group as a whole.

Since then we have conducted a detailed analysis into the trends in City Link's revenue base. We have concluded that weaker consumer spending in the business to consumer segment played only a part in a downturn that can essentially be attributed to the fact that the integration programme tried to do too much too quickly without establishing a sound base. This had the effect of impacting service. In addition, some of the actions we undertook, most notably with the former City Link franchises, were in the wrong direction. The move away from local to centralised customer account management, for example, had a detrimental impact on customer relationships resulting in lower volumes going through the business and a modest increase in customer attrition.

A series of complex issues have collectively contributed to the trading downturn and we have taken immediate action to improve the situation going forward. Full details are provided in the City Link review on pages 9 through 10. A new management team has been put in place and, in order to ensure ongoing continuity of service for customers and no further disruption, we have taken the decision to pause and review the depot rationalisation programme. We will however continue with Phase One of the integration: the roll out of new mechanical handling equipment and handheld consignment scanners.

The business tracked budget until the end of the third quarter and regular business reviews and forecasts gave no cause for concern. The underlying issues were masked by increased volumes of business from our continuing customers. When that trend reversed in the fourth quarter this, combined with poor new business generation, caused a sudden and marked effect on revenue and profit. The poor fourth quarter trading was due more to poor management of the business than to City Link's markets.

Textiles and Washroom Services delivered a pleasing performance overall. Following a year of flat revenue in 2006, sales growth was a substantial focus and steady portfolio gains were achieved in continental Europe. Although they remain challenging, there was some easing of the market and economic conditions experienced in 2006. Strong growth was achieved in the higher-margin textiles segments including medical, clean room, mats, high-visibility and safety work wear. New processing facilities in Amstetten (Austria), Lokeren (Belgium) and Brie Comte Robert (France) were opened on time and to budget. During the first half, the French operation, which is the group's largest single business, was removed from the turnaround list and has returned to revenue and profit growth.

The UK washroom business remained the most challenged part of the division, undergoing a major re-engineering programme which included the closure of antiquated processing facilities and subsequent transfer of operations to ideally located, modern plants. Following the closure of its loss making garments activities in 2006 and wipers business in the second half of 2007, the infrastructure of the washroom business has been completely changed. This business enters 2008 positioned for future growth.

Overall, 2007 was a year of strong performance in Pest Control with results accelerating in the last quarter. New sales have driven organic growth across continental Europe. The investment in sales and marketing, especially in building our on-line presence, has delivered good results. New residential propositions were launched in the UK, Belgium, Ireland and Portugal and although current

contributions are still small we believe they will make a useful contribution over the next two to three years. A new operational structure is now in place in the UK and as a result, the business has increased revenue and grown its contract portfolio. Returning this business to profit growth in 2008 is a priority for the Pest Control division.

In the UK, Initial Facilities Services has been an important contributor to the cross-selling of other company services and has provided the infrastructure for much of the new Shared Service Centre in Dudley serving the majority of the group's UK businesses. UK Cleaning continues to perform well and the roll-out of service initiatives is helping differentiate the business within its markets whilst protecting margin. The acquisition of Lancaster has expanded our service offering in the important London office cleaning market. In Catering and Hospital Services, lost revenue resulting from the exit of unprofitable contracts has been offset by new contract wins and profits have improved.

The Asia Pacific division achieved strong double-digit growth in 2007, making considerable progress against its plans. Its pest control operations performed particularly well and the prestigious Hong Kong government contract win (the biggest in the group's portfolio) in the first half has redefined the industry standard in the region. During the year we entered the Chinese residential pest control market with the acquisition of Rentokil Taiming in Beijing and launched a number of service extensions including IT Hygiene, Security and fumigation. We continued to expand our footprint in the world's fastest growing region, entering new markets in Korea, Vietnam, India and Brunei.

During the year the group made acquisitions for a gross consideration of £201 million. Of this, £74.5 million was spent in the Asia Pacific division deepening our market positions predominantly in pest control and extending our geographic footprint into high growth economies including China, Korea, Vietnam and India. Outside Asia Pacific, £42.3 million was spent in strengthening our position in the international pest control market with the purchase of Presto-X in the US and six operations in Spain, including Ambigest, making Rentokil the country's leading pest control operation.

The level of acquisition activity was scaled back during the year with the focus of attention shifting to the integration of acquisitions made previously and ensuring the successful delivery of targeted synergy benefits. Disposal activity, mainly comprised the successful sale of the group's former Electronic Security Division, produced net proceeds of £596.8 million.

Looking forward into 2008, and in view of the unacceptable performance from our City Link business, the level of acquisition activity will be significantly lower than over the past two years, allowing the group to rebuild the profitability and cash contribution of City Link and to progress the operational improvements being made across the rest of the business.

Efficiency and process improvement has remained an important operational theme for 2007. During the year, Asia Pacific and Textiles & Washroom Services both launched new regional structures to provide greater management focus and cross border efficiencies. Asia Pacific launched a new three-region structure while Textiles & Washroom Services launched a seven-region structure (replacing 17 head offices in 19 countries). Shared service centres were introduced to provide across function and divisional customer support benefits. In Pest Control a new technical services centre will open in the first quarter of 2008 to support and co-ordinate technical activities across the global pest control operation.

One of the more visible demonstrations of the company's turnaround has been brand clarity. Today we have a clear use of brand across the entire group. In 2007 the launch of Ambius was a major part of the brand development programme and the response from customers and employees has been exceptional. The Ambius brand was launched in 11 countries and will complete the programme on schedule in North America in the first half of 2008. The Rentokil brand is particularly well known and as part of a brand refresh which was developed in 2007, a new, modern visual identity for vehicles, uniforms, marketing and other branded elements will begin to roll out in 2008.

The online development programme for all group brands continued to make good progress in 2007. 75 web sites in local languages and by brand have been launched. Web enquires and traffic both increased significantly during the year. In the UK a greater number of business enquiries for Rentokil services are delivered through the web than via traditional advertising routes such as business directories.

## Outlook for 2008

While no business is immune to the impact of a possible global economic downturn, we expect our Pest Control, Textiles & Washroom, Facilities Services, Asia Pacific and Ambius divisions to deliver modest growth in 2008.

City Link's trading in the first weeks of the year remains poor and the trends seen in the fourth quarter appear to be continuing. As this is a trend business, improvements will take time to come though and profit for 2008 will therefore depend on the speed with which we can reverse these trends. In January City Link was loss making and its adjusted operating profit was £4 million lower than in January 2007. As a result, it is possible that the business may not trade better than breakeven levels in 2008.

This means that 2008 adjusted profit before income tax for the group is expected to be significantly lower than 2007 and will be heavily dependent on the performance from City Link.

Our focus this year will be on rebuilding the profitability of City Link and progressing the operational improvements made across the rest of the group. We expect the level of acquisition activity will be significantly less than over the last two years.

## OPERATING REVIEW

In all cases, references to operating profit are for continuing businesses before amortisation of intangible assets (other than computer software and development costs). References to adjusted operating profit and adjusted profit before income tax also exclude items of a one-off nature, totalling a net cost of £28.4 million (2006: £22.6 million) that have impacted the results for the period. They relate to the group's restructuring programme and consist of consultancy, redundancy and reorganisation costs net of the profit on sale of certain properties in the UK washroom business. They have been separately identified as they are not considered to be "business as usual" expenses and have a varying impact on different businesses and reporting periods. An analysis of these costs by division is provided in appendix 4. This commentary reflects the management divisional structure and not the statutory segmental information (see note 1c). All comparisons are at constant 2006 full year average exchange rates.

### Fourth Quarter

Revenue for continuing businesses was 11.2% higher than last year at £576.0 million. Organic revenue growth declined by 0.6%, held back by City Link. Excluding City Link, organic growth in the quarter was 2.0%. All businesses reported higher revenue than in 2006 except for the Textiles and Washroom division which posted a 0.5% decline attributable to our exit from German Hospital Services and wipers activity in the UK.

The quarterly portfolio gain of 1.4% or £21.3 million was made up of new business wins of £38.7 million, acquisitions/disposals of £11.5 million and net additions/reductions of £16.0 million, offset by terminations of £44.9 million, implying a customer retention rate of 88.2% (2006: 89.3%).

Adjusted operating profit grew by 8.7% against the same quarter a year ago to £81.1 million with solid growth in Pest Control, Asia Pacific, Facilities Services and Ambius offset by a fall in City Link. Adjusted profit before income tax rose by 8.7% to £63.7 million. Net margin decreased to 11.1% (2006: 11.3%). Statutory profit before income tax was £35.7 million, an increase of 7.5% (2006: £33.2 million).

### Full Year

Full year revenue of £2,216.7 million was 20.3% higher than 2006 with all segments increasing their revenue. Group organic growth was 3.0% with all businesses except City Link reporting positive outcomes for the year. Excluding City Link, group organic growth was 3.8% compared with 2.7% in 2006. The contract portfolio expanded by £119.2 million or 8.4%. New business wins contributed £173.9 million, acquisitions/disposals £72.7 million and net additions/reductions £49.6 million whilst terminations were £177.0 million. The group's overall customer retention rate was 87.5% compared to 88.4% for 2006.

Adjusted operating profit rose by 8.8% over the year to £280.8 million with gains delivered by City Link as a result of acquisitions, Asia Pacific, Facilities Services and Ambius. Full year profits in Pest Control and Textiles and Washroom were flat, held back in each case by the performance of their UK

businesses, which remain the subject of turnaround initiatives. In both cases, however, these businesses improved quarter on quarter.

Adjusted profit before income tax of £211.4 million represented a 1.1% increase on last year as second half profit growth offset the decline in first half profit at this level. Net margin was 9.5% for the year as a whole, compared with 11.3% last year. Although full year margins were lower than 2006, the trend has been improving quarter-by-quarter. Statutory profit before income tax from continuing operations was £142 million (2006: £165.4 million).

## DIVISIONAL PERFORMANCE

### Textiles and Washroom Services

£ million	Fourth Quarter			Full Year		
	2007	2006	change	2007	2006	change
<b>At 2006 constant exchange rates:</b>						
Portfolio – net movement (appendix 1)	1.9	6.6		4.7	9.5	
Revenue	152.3	153.0	(0.5%)	603.0	595.4	1.3%
Operating profit (before amortisation of intangible assets <sup>1</sup> )	28.6	23.7	20.7%	105.9	92.1	15.0%
One-off items	(1.8)	2.9	-	2.1	16.3	(87.1%)
Adjusted operating profit (before one-off items and amortisation of intangible assets <sup>1</sup> )	26.8	26.6	0.8%	108.0	108.4	(0.4%)

<sup>1</sup> Other than computer software and development costs

Although adjusted operating profit was broadly flat compared with 2006, the Textiles and Washroom Services division performed significantly better in 2007. The business was stabilised and returned to year on year profit growth after the first quarter. This represents a considerable improvement on 2006 when the division posted an 18.7% decline in adjusted operating profit on flat revenue. Revenue growth was 1.3% of which, organic growth was 2.3%.

Following a year of flat revenue in 2006 efforts were focused on restoring the division to sales growth in 2007 and the business has achieved some steady portfolio gains throughout the period in continental Europe. 2007 operating profit was down on 2006 in the first half of the year but showed modest growth in the second.

The UK business, which accounts for 12% of divisional revenue, has remained the most challenged part of the division, undergoing a major re-engineering programme during the year. Following the closure of its loss making linen and garment activities in 2006, and wipers business in the second half of 2007, the infrastructure of the washroom business has been completely changed. This was a necessary step in the plan to return this important part of the business to growth.

Although they remain challenging, the market and economic conditions experienced in continental Europe during 2006 eased slightly with customer garment volumes improving modestly. Pricing is competitive and we expect it to remain so in 2008.

During the year we completed a management restructuring of the continental European business, creating a new role of Operations Director and merging the former 19-country national structure into seven regions. This move is improving efficiency and will also help us to develop and manage a number of international accounts.

The biggest turnaround programme during 2007 centred on the UK washroom business which underwent major infrastructure changes. In the fourth quarter we announced the closure of our plants at Bradford and Chorley allowing us to complete the transfer of roller-towel and mats processing to three new modern sites in Reading, Birmingham and Glasgow by the end of January 2008, and exit the wipers business. The development of these three new laundry plants and a significant number of new service centres were major achievements as we exited the year. The physical infrastructure changes to this business are now complete. Despite the reorganisation, the UK business was able to reduce the rate of washroom portfolio attrition during the year. The overall effect has been a deceleration in the rate of decline of performance ending with Q4 profit level with prior year. For the full year, profits were £3.3 million lower than last year, but we enter 2008 with a restructured business positioned for future development.

In France, the industrial sector of the textiles business has seen a steady trend of customer development during the year and as a result the business exited the year with a number of important contract wins. The revised organisational structure put in place during 2006 has restored greater profit and loss accountability within the business, which is the largest contributor to profit in the division. The washroom business has seen consistent portfolio growth throughout the year. This can be attributed to a combination of some creative client solutions and also the impact of the sale of the CWS business to Elis. On the strength of its return to profit and revenue growth (up by £8.0 million and 3.8% respectively over 2006) the business was taken off the turnaround list during the year.

During the period, the Netherlands business returned to profit and revenue growth, posting full year increases of £2.0 million and 2.1% respectively. This is a result of a new management team introduced earlier in the year, a smaller but more effective sales team and an improving contract portfolio position.

In last year's report we announced plans to exit our loss-making hospital services business in Germany. We secured a successful exit from the business in the fourth quarter of the year. This led to a 6.9% decline in revenue compared to the prior year, but has assisted profit which is up £0.8 million in the year.

Revenue increased in the division's business in Belgium by 3.2% over last year but higher costs associated with the settling down of the new plant at Lokeren resulted in a decline in adjusted operating profit in the second half, which held full year profits growth to £0.2 million.

All of the division's smaller continental European businesses recorded higher revenue in 2007 and, in general, higher profits. The change from a country to a regional management structure will help reduce overheads in these businesses in 2008. Some small acquisitions have been undertaken during the year in Poland and Sweden to build scale.

A number of capital investment programmes continued in continental Europe in 2007. The developments in Amstetten in Austria, Lokeren in Belgium and Brie-Comte Robert in France were all completed to budget and on time. A new plant for Prague in the Czech Republic continues in development and is due to open on schedule in the autumn of 2008. The total investment associated with these projects is estimated to be £21.0 million, of which £17.5 million was spent in 2006 and 2007 with the balance to follow in 2008.

Restructuring and other one-off costs in the division were a net £2.1 million (2006: £16.3 million), because costs were offset by the profit on sale of surplus UK washroom property of £10.7 million. Costs were incurred in plant closure in Belgium, the closure of the wipers business in the UK, UK branch closures and management reorganisation and redundancy. The division continues to explore opportunities to improve procurement and supply chain efficiency, but it is not yet clear whether this will result in restructuring or other one-off costs being incurred in 2008.

## Pest Control

£ million	Fourth Quarter			Full Year		
	2007	2006	change	2007	2006	change
<b>At 2006 constant exchange rates:</b>						
Portfolio – net movement (appendix 1)	3.3	1.0		33.4	53.3	
Revenue	80.9	69.9	15.7%	310.4	278.3	11.5%
Operating profit (before amortisation of intangible assets <sup>1</sup> )	17.8	10.8	64.8%	65.4	61.4	6.5%
One-off items	-	4.6	-	0.7	6.8	(89.7%)
Adjusted operating profit (before one-off items and amortisation of intangible assets <sup>1</sup> )	17.8	15.4	15.6%	66.1	68.2	(3.1%)

<sup>1</sup> Other than computer software and development costs

Overall, 2007 was a year of strong performance in Pest Control with results accelerating as anticipated in the last three months of the year. Fourth quarter adjusted operating profit increased by 15.6% on revenue up 15.7% year on year. The major drivers of improvement in Q4 were the tighter management of off-season productivity in North America, contributions from Presto-X in-line with the acquisition business case and strong growth, both organic and acquired, in Europe. Full year revenue increased by 11.5% and adjusted operating profit was down 3.1% on 2006. However, had it not been for the impact of the inclusion of a full first quarter of seasonal losses in the US business acquired on 1 March 2006, profit would have shown an improvement year on year. In addition, comparisons with

2006 reflect the transfer of R&D costs previously borne centrally to the division which took place at the end of 2006 and which amounted to some £3.0 million per annum. Divisional margin performance improved as the year progressed, beginning the year 9.5 percentage points down on Q1 2006 and closing at the same levels as Q4 2006.

The new Rentokil.com website was successfully rolled out to Rentokil branded businesses representing 91% of divisional revenue. By December we were experiencing a fourfold increase in the number of visitors to the site over the previous year and web-based enquiries are now higher than enquiries sourced from the Yellow Pages in both the UK and Spain.

During 2007 we launched new residential propositions in the UK, Belgium, Ireland and Portugal and, whilst outside North America the overall contribution from these customers is still small, we believe we now have the makings of a residential service offering which will make a useful contribution in the medium term.

Divisional spend on acquisitions in the year was £42.3 million. The major acquisitions were Presto-X in North America and a further six in Spain including Ambigest, which together made Rentokil Spain's leading pest control operation.

Continental Europe continued to build on the progress delivered in 2005 and 2006 and demonstrated a strong performance throughout the year. Revenue grew by 10% driving profit growth of £2.9 million. Overall organic growth was 5.7% and was particularly good in the important markets of Spain (10.6%), Italy (7.6%), Ireland (9.3%) and the Netherlands (7.3%). In addition, good progress was made in gaining market share through acquisitions in Spain, Italy, Germany and France. During the year we also took our first step into the Baltic States, entering Estonia through the acquisition of two small businesses.

During the year we completed the extensive reorganisation of our UK pest control business. Its new management team has focused on growing the business by driving sales and improving customer retention through higher quality service delivery. Against 2006, Q4 revenue grew by 5.8% (against a decline of 9.6% in Q1). Retention levels strengthened further during the quarter to an annualised rate of 81.8% and the contract portfolio has now grown by 2.5% since the beginning of 2007. Q4 profit, however, still lagged 2006 by £0.6 million as the business adjusted to its new operating model, but represents a significant improvement on the £1.2 million decline posted in Q1. Returning this business to profit growth in 2008 is a priority for the Pest Control division.

North America recovered from a weak start to finish strongly. The cool weather and a late start to the season adversely impacted profit in the first half, but actions to improve J C Ehrlich's off-season productivity in Q4 have been partly responsible for improving profit by 12.0% on like for like revenue up by 6.2% on 2006. Although still early days since acquisition, Presto-X is delivering to expectations and we are confident that we have acquired a high-quality business that expands our national footprint in the United States into an additional 16 states. This is a continuation of our strategy to build market share through regional anchors delivering both residential and commercial pest control.

Copesan, a US organisation of independent pest control companies has recently taken steps to exclude JC Ehrlich and Presto-X from membership. This matter is under negotiation but represents a small risk to the division's US revenue base in the short-term.

The recent indications of economic slowdown have not yet impacted demand for pest control services and at this stage we anticipate largely unchanged market conditions for 2008. We will continue to focus on growing organically through improved sales and marketing capability, better and more integrated systems and high levels of customer service.



## City Link

£ million	Fourth Quarter			Full Year		
	2007	2006	change	2007	2006	change
<b>At 2006 constant exchange rates:</b>						
Revenue	<b>106.5</b>	86.9	22.6%	<b>417.1</b>	213.3	95.5%
Operating profit (before amortisation of intangible assets <sup>1</sup> )	<b>(13.4)</b>	14.3	-	<b>19.4</b>	34.8	(44.3%)
One-off items	<b>19.7</b>	1.3	-	<b>25.4</b>	1.3	-
Adjusted operating profit (before one-off items and amortisation of intangible assets <sup>1</sup> )	<b>6.3</b>	15.6	(59.6%)	<b>44.8</b>	36.1	24.1%

<sup>1</sup> Other than computer software and development costs

Revenue from City Link increased by 95.5% during 2007 delivering a 24.1% increase in adjusted operating profit before tax, reflecting the impact of the acquisitions of the former City Link franchises and Target Express business. Network turnover grew only by a modest 1.9% during the year, depressed as a result of poor volumes in the fourth quarter when the expected surge of volumes in the approach to Christmas did not occur.

Until October, City Link's performance tracked budget month-by-month and the business exited the third quarter with network growth up 4.7%. However in December we issued a trading statement stating that fourth quarter profits were likely to be up to £10 million below our expectations as a result of a further volume decline in the B to C segment in the ten weeks before Christmas. We attributed this slowdown to weaker consumer spending in a challenging retail environment.

Since then we have conducted a detailed analysis into the trends in City Link's revenue base. We have concluded that although there was an impact from downtrading in the business to consumer segment of the business, this played only a part in a downturn that can essentially be attributed to the fact that the integration programme tried to do too much too quickly without establishing a sound base. This had the effect of impacting service. In addition, some of the actions we undertook, most notably with the former City Link franchises, were in the wrong direction.

The fourth quarter profit shortfall anticipated at the time of the December trading statement can be explained as follows. Revenues during the period fell well short of expectation as a result of down trading by existing customers, a modest increase in customer attrition and the fact that this lost revenue was not replaced by sales generated from new business. In addition, the UK parcels industry has over the years experienced a gradual decline in revenue per consignment (RPC) – our measure of average price. Historically this has not had a detrimental effect on City Link profits because strong volume growth and the benefits from operational leverage on our fixed cost base have offset price erosion. However in 2007, City Link's network RPC fell somewhat further than expected and this combination of lower volumes at cheaper RPC is the principal reason for the Q4 profit shortfall. This was further compounded by the fact that City Link carried excess cost in the fourth quarter in anticipation of the pre-Christmas surge in volumes which failed to materialise.

The business's foundation for integration was not solid enough to cope with the degree of changes being put through the combined networks and the depot integration programme had a temporary negative impact on service levels, most notably around the time of the introduction of cage handling into the Target Express network and the integration pilot in the late summer. As a result we have lost some customers, unsettled others causing them to down trade with us and issued an increased number of service credits as compensation for poor service. These service credits exacerbated the fall in RPC. A hiatus in sales management during the first half of the year also led to an inadequate new business pipeline.

In addition to the mid-year service issues described above, poor account management of the small to mid-size ex-franchise customers may be the principal reason for the lost business highlighted above. The move from a local to more centralised account management system unsettled customers who had formed strong relationships with former franchisees, most of whom left the business post acquisition. In addition, as we moved to integrate depots, relevant management positions were not appointed quickly enough to take effective ownership of their additional new customer base.

The issues outlined above became apparent very suddenly and with no obvious warning and have seriously impacted the financial performance of City Link. The business tracked budget until the beginning of October and was actually forecasting an above-budget full year out-turn until August. Despite regular reviews and updates, nothing untoward came to light or was expected. The underlying issues were masked by increased volumes of business from our continuing customers.

When that trend reversed in the fourth quarter this, combined with poor new business generation, caused a sudden and marked effect on revenue and profit.

We have taken immediate action to address these issues. Peter Cvetkovic, the former CEO of Target Express, replaced Michael Cooke as Managing Director on 18 February 2008 with a clear focus on restoring the profitability of the business. In order to ensure continuity of customer service we have taken the decision to pause the depot rationalisation programme until such time as our systems, processes and account management have been improved. We will however continue with Phase One of the integration, the roll out of mechanical handling equipment and handheld consignment scanners, as they are delivering service and operational benefits within the depots.

Other actions undertaken since December include the roll-out of a new account management structure which aims to build direct relationships between customers and their local depots. The account management team is being further strengthened by new appointments and CRM training programmes for both new and existing managers, are currently underway.

A new senior leadership team is in place within City Link's sales & marketing operation and has created a stronger pipeline of new business prospects than in 2007, converting several into new customers within the last eight weeks. Recruitment for field sales is ongoing.

The mid-year service issues experienced at the time of the depot closure pilot and the change to cage handling in the Target Express network have been resolved. The operation of the hubs, their sort times and last trunk arrivals is on plan. The roll-out of hand-held, real-time proof of delivery equipment is resulting in faster, better and more transparent service information, and improved depot scanners are ensuring end-to-end visibility and control. A project is nearing completion to allow online updating of autogazetteers on customer sites which will help ensure that timed deliveries are not delayed by incorrect labelling and routing.

Although we have made tangible progress in addressing the problems that have been discovered since the trading downturn at the end of last year, it is clear that there is much to do to restore the enlarged City Link business back to its former profitability.

The challenging conditions experienced in the fourth quarter have continued into this year in terms of revenue, RPC and, to an extent, cost. As this is a trend business, improvements will take time to come though and profit for 2008 will therefore depend on the speed with which we can reverse these trends. In January 2008 City Link was loss making and its adjusted operating profit was £4.0 million lower than January 2007. It is possible that the business may not trade better than breakeven levels in 2008.

For the five years up to 2006, City Link and Target Express businesses were the UK's leading and fastest growing overnight parcels delivery businesses, consistently outpacing market growth. Their positioning, service profiles and geographies represented a tight fit and the economies of putting the two businesses together looked compelling. Our problem has been in execution of the plan. Despite the business's unacceptable short-term financial performance, the new management team is highly motivated to achieve its original financial goals and potential. Our priorities for 2008 will be on delivering strong account management for customers, improving customer facing systems and processes and ensuring that our information systems provide greater visibility and control.

City Link has incurred one-off integration costs of £25.4 million in 2007 (2006: £1.3 million). The largest component of this, £16.3 million, is a provision for the costs of exiting the surplus leasehold depots. The remaining non-property integration costs are estimated at around £5.0 million. Our estimate of the eventual synergies from the integration remains unchanged at not less than £15 million per annum. However, the timing of these benefits and integration costs is dependent on the branch integration timetable. This is under review.

## Ambius

£ million	Fourth Quarter			Full Year		
	2007	2006	change	2007	2006	change
<b>At 2006 constant exchange rates:</b>						
Portfolio – net movement (appendix 1)	-	1.9		1.8	3.9	
Revenue	34.1	32.1	6.2%	112.4	105.8	6.2%
Operating profit (before amortisation of intangible assets <sup>1</sup> )	5.1	4.2	21.4%	9.1	7.4	23.0%
One-off items	-	0.3	-	-	0.6	-
Adjusted operating profit (before one-off items and amortisation of intangible assets <sup>1</sup> )	5.1	4.5	13.3%	9.1	8.0	13.8%

<sup>1</sup> Other than computer software and development costs

2007 was a significant year for the business. All 11 European countries in which we operate were re-branded to Ambius and North America will follow in the first quarter of 2008.

Ambius' total revenue of £112.4 million for the full year represented an increase of 6.2% over 2006, generating adjusted operating profit of £9.1 million, an increase of 13.8% over prior year. Operating margin increased from 7.6% in 2006 to 8.1%, despite the £1.0 million of re-branding costs charged against operating costs.

The North American business, the division's largest operation and representing 57% of 2007 revenues, continued to build on the solid progress achieved in 2006. This business is the only player in the market able to offer a national service to large, multi-site organisations. Revenue grew by 6.4% during the period, a result of a 2.0% increase in contract portfolio and a 10% increase in job sales. A combination of strict control on costs and record sales of higher-margin Christmas items generated a growth in profit of 17.3%.

With the exception of the UK, Europe delivered excellent performance growing revenue by 9.9% leading to profit improvement of 68.8%. Revenue and profit in the UK declined 5.6% and 29.2% respectively year on year but the new management team recruited in 2007 is making progress in addressing performance issues in this market. Quarterly revenue trends are now improving, although this has yet to show through to profits.

During the course of 2007, Ambius made a number of acquisitions for a consideration of £3.1 million. In addition, it has expanded its product and service offerings to include ambient scenting, art sales and rentals, fresh fruit baskets delivery and online order and delivery of fresh cut flowers in selected markets.

The business has some exposure to economic downturn in the US which could affect plant sales and customer retention in affected segments (e.g. financial institutions). However, despite weakened consumer confidence towards the end of 2007, Ambius produced record sales in the approach to Christmas. We are seeing less evidence of economic pressure in Europe. Brand extension services across the business will aim to offset any downturn in trading.

## Facilities Services

£ million	Fourth Quarter			Full Year		
	2007	2006	change	2007	2006	change
<b>At 2006 constant exchange rates:</b>						
Portfolio – net movement (appendix 1)	11.1	32.4		47.0	62.9	
Revenue	151.3	138.6	9.2%	585.7	519.2	12.8%
Operating profit (before amortisation of intangible assets <sup>1</sup> )	11.3	5.7	98.2%	38.7	27.4	41.2%
One-off items	0.2	2.4	(91.7%)	0.2	3.8	(94.7%)
Adjusted operating profit (before one-off items and amortisation of intangible assets <sup>1</sup> )	11.5	8.1	42.0%	38.9	31.2	24.7%

<sup>1</sup> Other than computer software and development costs

Initial Facilities Services delivered a good performance in 2007, increasing revenue by 12.8% and adjusted operating profit by 24.7%. The Netherlands cleaning business was sold in the third quarter. Excluding acquisitions and disposals, revenue grew organically by 3.9%. The focus on expanding

group services into existing customers, an activity in which this division takes the lead, is also beginning to show rewards.

In the UK, Cleaning revenue increased by 22.1% to £318.8 million (2006: £261 million), largely as a result of increased contract turnover and portfolio growth coming from the acquisitions of InSitu and Lancaster. Adjusted operating profit from Cleaning was £2.3 million higher than in 2006 due principally to higher volumes and acquisitions. Margins remain under pressure and management remains focused on cost and productivity. We are implementing a number of service initiatives including the "SmartClean" daytime cleaning concept; RAPID customer account management - an industry first in remote management of cleaning contracts; and streamlining our operating structure to offset price pressure. Annualised customer retention rates fell in the second half largely as a result of one major loss and a 25% reduction in contract scope by our largest customer.

During the year, revenues in the catering service business declined to £59.7m following our decision to exit a number of unprofitable schools contracts. Contract wins effective from Q4 will offset much of this revenue loss and at better margins. The catering business is now profitable (it made a loss of £0.8m in 2006) due to both the above factors and the success of procurement initiatives on food purchasing and distribution.

Hospital Services, which provides cleaning, catering and portering services to NHS hospitals in the UK and independent healthcare sector, recorded revenue up 10.5% at £62.8 million and profit up 33.8%. Focus has been on improving efficiency generally and addressing a number of unprofitable contracts.

Our specialist hygiene businesses increased revenues by 26% to £52.0 million and profit by £1.1 million, largely as a result of the acquisition of Technivap in France in January 2007.

Improved profitability in Catering and Hygiene Services offset the continued margin pressure in UK Cleaning to give a divisional margin of 6.6% for 2007, compared with 6.0% for the prior year.

In UK Cleaning, market conditions during 2008 are expected to remain unchanged on 2007 with pressure on margins continuing, particularly in the retail sector. We continue to roll out service initiatives across the business to add value and differentiate ourselves from competitors. Retention and new business will be a key focus for 2008. In Catering the focus for growth is on the business and industry segment but returns on education contracts are improving. In Hospital Services we will continue to focus on growth opportunities outside the NHS.

## Asia Pacific

£ million	Fourth Quarter			Full Year		
	2007	2006	change	2007	2006	change
<b>At 2006 constant exchange rates:</b>						
Portfolio – net movement (appendix 1)	4.7	7.7		30.2	22.0	
Revenue	43.1	30.0	43.7%	158.3	102.1	55.0%
Operating profit (before amortisation of intangible assets <sup>1</sup> )	10.2	5.8	75.9%	31.0	20.2	53.5%
One-off items	-	2.2	-	-	3.4	-
Adjusted operating profit (before one-off items and amortisation of intangible assets <sup>1</sup> )	10.2	8.0	27.5%	31.0	23.6	31.4%

<sup>1</sup> Other than computer software and development costs

Asia Pacific achieved strong double-digit growth in 2007 with revenue up 55% at £158.3 million and adjusted profits up 31.4% at £31 million. Organic revenue growth was 12.0% compared with 5.7% for 2006. The division's contract portfolio grew by 29.3%, 18.2% excluding acquisitions. The strongest revenue and profit growth came from Rentokil Pest Control.

Rentokil Pest Control continued to demonstrate strong performance and achieved triple-digit growth in revenue and profit, boosted by the Hong Kong Government pest control contract and strong organic growth and acquisitions in Australia, New Zealand, Malaysia, Singapore, Thailand and China. The financial and commercial performance of Rentokil Taiming (China) and Rentokil Ding Sharn (Taiwan) have been particularly encouraging. Pest Control revenue was £64.8 million (2006: £31.5 million).

Initial Washroom Services ended the year well ahead of 2006, achieving double-digit growth in revenue and profit in its key markets of Australia, Singapore, Malaysia, Indonesia and Hong Kong. Washroom revenue (excluding our associate in Japan) was £74 million (2006: £61.7 million).

Ambius tropical plants in Australia demonstrated solid progress with both revenue and profit more than double last year as a result of strong organic growth and acquisition activity during the year.

During the year we continued our strategy of building stronger market positions to expand our footprint, investing £74.5 million on acquisitions. The largest transaction was Campbell Brothers, an Australian pest control business. Other notable acquisitions included Taiming Pest Control in China, One-Stop Fumigation and Pesterminator in Singapore.

In 2008 we continue to expect growth ahead of the western economies. Approximately two-thirds of the division's profits are currently sourced in Australia, where we continue to see opportunities to improve the performance of our business. However, growth in North Asia and South East Asia is running well ahead of Australia and over time the balance of the division's businesses will shift towards Asia.

## Other (South Africa)

£ million	Fourth Quarter			Full Year		
	2007	2006	change	2007	2006	change
<b>At 2006 constant exchange rates:</b>						
Portfolio – net movement (appendix 1)	0.3	0.1		2.1	1.3	
Revenue	7.8	7.3	6.8%	29.8	29.1	2.4%
Operating profit (before amortisation of intangible assets <sup>1</sup> )	3.3	3.0	10.0%	11.4	11.8	(3.4%)
One-off items	-	0.4	-	-	(0.4)	-
Adjusted operating profit (before one-off items and amortisation of intangible assets <sup>1</sup> )	3.3	3.4	(2.9%)	11.4	11.4	-

<sup>1</sup> Other than computer software and development costs

Adjusted operating profit in the South African business was unchanged from 2006 although revenue increased by 2.4%. The Pest Control division was the main driver of growth, increasing revenue by 11.2% and adjusted profit by 14.6%. The turnaround of the larger Initial Washroom division has been the main focus of the year where turnover and adjusted profit were flat. However, profit performance against the prior year has been improving during 2007 and we expect further gains in 2008.

## FINANCIAL ITEMS

### Central Costs

£ million	Fourth Quarter			Full Year		
	2007	2006	change	2007	2006	change
<b>At 2006 constant exchange rates:</b>						
Central costs	0.1	(9.6)	-	(28.5)	(19.5)	(46.2%)
One-off items	-	2.6	-	-	(9.2)	-
Central costs before one-off items	0.1	(7.0)	-	(28.5)	(28.7)	(0.7%)

Central costs for the quarter were £7.1 million below the same quarter last year, mainly as a result of the partial reversal of 2006 and 2007 LTIP charges, the reassessment of bonus and similar provisions (reflecting lower-than-expected profits for the year) and the release of certain property provisions due to favourable changes in sub-let income. In the full year, there were a number of non-recurring charges and credits which have not been treated as one-off items as they are not linked to the group's restructuring programme. The largest two items which occurred in the second quarter were an asset retirement, together with associated charges, of £10 million and the £10 million net release of surplus property and environmental provisions. This followed a successful exit from onerous lease liabilities at a large site in Maldon, Essex. A cash payment of £13.2 million was made and the associated provisions were released. In addition, start-up costs of some £3.0 million were incurred in the first half

on setting up the UK Shared Service Centre in Dudley. The run-rate of central costs is expected to be around £9.0 million per quarter in 2008.

## **One-off Items**

Details of the one-off items incurred in the period for which adjustments have been made are set out in Appendix 4. They relate to the group's restructuring programme and consist of consultancy, redundancy and reorganisation costs net of the profit on sale of certain properties in the UK washroom business. They have been separately identified as they are not considered to be "business as usual" expenses and have a varying impact on different businesses and reporting periods.

Across the group, the net cost of these one-off items for the year was £28.4 million, compared with £22.6 million last year. This represents costs of £39.1 million offset by profit of £10.7 million on the disposal of surplus UK washroom properties. Of the costs, £25.4 million related to the integration of City Link and Target Express. Another £12.8 million was incurred in the rationalisation of Textiles and Washroom with a further £0.9 million to complete the UK Pest Control and Facilities Services rationalisation programmes. £18.3 million of the City Link integration costs are provisions for the estimated cost of exiting surplus leasehold depots.

## **Interest**

Net interest payable for the year was £71.9 million, a £20.8 million increase over the prior year. Of the increase, approximately £6.1 million was attributable to higher levels of average debt and £14.7 million to effective interest rates which were, on average, approximately 1.3% higher than in 2006.

The interest charge was reduced by approximately £7.7 million in the third quarter and approximately £8.7 million in the fourth quarter as a result of the receipt of £533 million in early July and £92 million in late December following the sale of the group's Electronic Security division. Approximately £800 million of the group's forecast debt is at fixed rates of interest averaging 5.8%. The balance is exposed to LIBOR.

## **Tax**

The blended headline rate for 2007 was 30.0% (2006: 30.7%). This represents the weighted headline tax rates appropriate to the countries in which the group operates. The income statement tax charge for 2007 for continuing businesses was 21.3% of profit before tax from continuing operations, compared with 20.1% for 2006. The principal factor that caused the effective tax rate to be lower than the blended rate is the release of provisions for prior year items as the positions are now agreed with the relevant tax authorities. The blended headline rate for 2008 is expected to be approximately 29.3%.

## **Discontinued Operations**

Our Electronic Security division was sold during the year at a headline price of £595 million. The sales of the UK, Netherlands and US businesses were completed in early July 2007 and the French business completed in December, following regulatory approval by the French authorities. As a result the activities of the division have been treated as discontinued operations and excluded from the profit before income tax shown on page 2. Revenue from the Electronic Security division for the periods to completion was £181.2 million, generating adjusted operating profit of £25.7 million before amortisation of intangible assets (excluding computer software and development costs). Profit on sale of the division was £524.8 million on which no tax is expected to be paid.

## **Dividends**

The board has recommended an unchanged final dividend of 5.25p per share which, if approved, will be payable on 23 May 2008 to shareholders on the Register on 18 April 2008. The total dividend for the year will be 7.38p, the same as last year. The board's dividend policy remains unchanged and the dividend will not be increased until the group returns to sustainable profitable growth.

## Cash Flow and Debt

Operating cash flow was £188.1 million compared with £211 million in the prior year. Although EBITDA was £36.2 million better than last year (reflecting the non-recurrence of losses incurred in the UK linen and workwear business in 2006 and partially offset by the disposal of Electronic Security in July 2007), the working capital and net capex outflows were £46 million and £13.1 million worse than 2006, leaving operating cash flow £22.9 million below last year. The working capital outflow has three main components: the payment made to exit the onerous property in Essex; the cash payment in 2007 of certain reorganisation costs provided at the end of 2006; and an increase in trade receivables consistent with the increase in fourth quarter revenues.

Free cash flow was £102.1 million (2006: £128.6 million) reflecting lower net tax payments following the receipt of certain refunds in the first half.

Acquisition activity resulted in a cash outflow of £197.4 million for the year with receipts from disposals (mainly Electronic Security) producing an inflow of £596.8 million. Payments of £80 million were made to, or for the benefit of, the UK Pension Scheme during the year.

At 31 December, net debt was £947.1 million. The group currently has £852 million of committed bank finance with available headroom of £775 million at the end of February 2008. This is adequate to deal with the group's foreseeable requirements and also to provide cover for 2008's capital market maturities (€100 million in July 2008 and £250 million in November 2008) in the event that the debt capital markets remain difficult for the remainder of the year.

## ANNUAL CONTRACT PORTFOLIO - CONTINUING BUSINESSES

3 months to 31 December 2007 (unaudited)

<u>£m at constant 2006 exchange rates</u>	<u>1.10.07</u>	<u>New Business</u>	<u>Terminations</u>	<u>Net Additions/ Reductions</u>	<u>Acquisitions / Disposals</u>	<u>31.12.07</u>
Textiles & Washroom Services	574.3	13.7	(17.2)	3.3	2.1	576.2
Pest Control	244.5	8.8	(9.2)	2.2	1.5	247.8
Ambius	90.1	1.9	(3.2)	0.8	0.5	90.1
Facilities Services*	450.3	8.4	(10.5)	7.7	5.5	461.4
Asia Pacific**	128.6	5.0	(3.7)	1.5	1.9	133.3
Other	28.5	0.9	(1.1)	0.5	-	28.8
<b>TOTAL</b>	<b>1,516.3</b>	<b>38.7</b>	<b>(44.9)</b>	<b>16.0</b>	<b>11.5</b>	<b>1,537.6</b>

12 months to 31 December 2007 (unaudited)

<u>£m at constant 2006 exchange rates</u>	<u>1.1.07</u>	<u>New Business</u>	<u>Terminations</u>	<u>Net Additions/ Reductions</u>	<u>Acquisitions / Disposals</u>	<u>31.12.07</u>
Textiles & Washroom Services	571.5	54.6	(57.2)	14.8	(7.5)	576.2
Pest Control	214.4	35.1	(33.2)	9.3	22.2	247.8
Ambius	88.3	7.6	(11.0)	3.5	1.7	90.1
Facilities Services*	414.4	43.7	(57.3)	15.7	44.9	461.4
Asia Pacific	103.1	29.6	(14.4)	3.6	11.4	133.3
Other**	26.7	3.3	(3.9)	2.7	-	28.8
<b>TOTAL</b>	<b>1,418.4</b>	<b>173.9</b>	<b>(177.0)</b>	<b>49.6</b>	<b>72.7</b>	<b>1,537.6</b>

## Notes

**Contract portfolio definition:** Customer contracts are usually either “fixed price”, “as-used” (based on volume) or mixed contracts. Contract portfolio is the measure of the annualised value of these customer contracts.

**Contract portfolio valuation:** The contract portfolio value is typically recorded as the annual value from the customer contract. However, in some cases – especially “as-used” (based on volume) and mixed contracts – estimates are required in order to derive the contract portfolio value. The key points in respect of valuation are:

**“As-used” contracts:** These are more typical in Textiles and Washroom Services, where elements of the contract are often variable and based on usage. Valuation is based on historic data (where available) or forecast values.

**Income annualisation:** In some instances, where for example the underlying contract systems cannot value portfolio or there is a significant “as-used” element, the portfolio valuation is calculated using an invoice annualisation method.

**Inter-company:** The contract portfolio figures include an element of inter-company revenue.

**Job work and extras:** Many of the contracts within the contract portfolio include ad hoc and/or repeat job work and extras. These values are excluded from the contract portfolio.

**Rebates:** The contract portfolio value is gross of customer rebates. These are considered as a normal part of trading and are therefore not removed from the portfolio valuation.

**New business:** Represents new contractual arrangements in the period, which can either be new contracts with an existing customer or with a new customer.

**Terminations:** Represent the cessation of either a specific existing customer contract or the complete cessation of business with a customer in the period.

**Net additions/reductions:** Represents net change to the value of existing customer contracts in the period as a result of changes (either up or down) in volume and/or pricing.

**Acquisitions:** Represents the valuation of customer contracts obtained from acquisitions made in the period.



**Divisional Analysis (at constant exchange rates)**  
(based upon the way businesses are managed)

	3 months to 31 December 2007	3 months to 31 December 2006	Year ended 31 December 2007	Year ended 31 December 2006
(at 2006 constant exchange rates)	£m (unaudited)	£m (unaudited)	£m (unaudited)	£m (audited)
<b>Business Analysis</b>				
<b>Revenue</b>				
Textiles & Washroom Services	152.3	153.0	603.0	595.4
Pest Control	80.9	69.9	310.4	278.3
Ambius	34.1	32.1	112.4	105.8
City Link	106.5	86.9	417.1	213.3
Facilities Services	151.3	138.6	585.7	519.2
Asia Pacific	43.1	30.0	158.3	102.1
Other	7.8	7.3	29.8	29.1
Continuing operations at 2006 constant exchange rates	576.0	517.8	2,216.7	1,843.2
Exchange	3.7	(5.4)	(13.3)	-
<b>Continuing operations at actual exchange rates</b>	<b>579.7</b>	<b>512.4</b>	<b>2,203.4</b>	<b>1,843.2</b>
<b>Operating profit*</b>				
Textiles & Washroom Services	28.6	23.7	105.9	92.1
Pest Control	17.8	10.8	65.4	61.4
Ambius	5.1	4.2	9.1	7.4
City Link	(13.4)	14.3	19.4	34.8
Facilities Services	11.3	5.7	38.7	27.4
Asia Pacific	10.2	5.8	31.0	20.2
Other	3.3	3.0	11.4	11.8
Central costs	0.1	(9.6)	(28.5)	(19.5)
Continuing operations at 2006 constant exchange rates	63.0	57.9	252.4	235.6
Exchange	1.0	(1.1)	(1.3)	-
<b>Continuing operations at actual exchange rates</b>	<b>64.0</b>	<b>56.8</b>	<b>251.1</b>	<b>235.6</b>
<b>Adjusted operating profit**</b>				
Textiles & Washroom Services	26.8	26.6	108.0	108.4
Pest Control	17.8	15.4	66.1	68.2
Ambius	5.1	4.5	9.1	8.0
City Link	6.3	15.6	44.8	36.1
Facilities Services	11.5	8.1	38.9	31.2
Asia Pacific	10.2	8.0	31.0	23.6
Other	3.3	3.4	11.4	11.4
Central costs	0.1	(7.0)	(28.5)	(28.7)
Continuing operations at 2006 constant exchange rates	81.1	74.6	280.8	258.2
Exchange	1.0	(1.1)	(1.3)	-
<b>Continuing operations at actual exchange rates</b>	<b>82.1</b>	<b>73.5</b>	<b>279.5</b>	<b>258.2</b>

\* Before amortisation of intangible assets other than computer software and development costs.

\*\* Before amortisation of intangible assets other than computer software and development costs and items of a one-off nature (see appendix 4 for further details).

**Divisional Analysis (at actual exchange rates)**  
(based upon the way businesses are managed)

	3 months to 31 December 2007	3 months to 31 December 2006	Year ended 31 December 2007	Year ended 31 December 2006
(at actual exchange rates)	£m (unaudited)	£m (unaudited)	£m (unaudited)	£m (audited)
<b>Business Analysis</b>				
<b>Revenue</b>				
Textiles & Washroom Services	157.6	151.2	605.5	595.4
Pest Control	79.8	68.5	302.7	278.3
Ambius	32.6	31.3	107.4	105.8
City Link	106.5	86.9	417.1	213.3
Facilities Services	152.3	138.4	586.2	519.2
Asia Pacific	43.9	29.6	158.0	102.1
Other	7.0	6.5	26.5	29.1
<b>Continuing operations at actual exchange rates</b>	<b>579.7</b>	<b>512.4</b>	<b>2,203.4</b>	<b>1,843.2</b>
<b>Operating profit*</b>				
Textiles & Washroom Services	29.7	23.4	106.4	92.1
Pest Control	18.0	10.5	64.8	61.4
Ambius	4.9	4.1	8.7	7.4
City Link	(13.4)	14.3	19.4	34.8
Facilities Services	11.3	5.7	38.7	27.4
Asia Pacific	10.5	5.7	31.4	20.2
Other	3.0	2.7	10.2	11.8
Central costs	-	(9.6)	(28.5)	(19.5)
<b>Continuing operations at actual exchange rates</b>	<b>64.0</b>	<b>56.8</b>	<b>251.1</b>	<b>235.6</b>
<b>Adjusted operating profit**</b>				
Textiles & Washroom Services	27.9	26.3	108.5	108.4
Pest Control	18.0	15.1	65.5	68.2
Ambius	4.9	4.4	8.7	8.0
City Link	6.3	15.6	44.8	36.1
Facilities Services	11.5	8.1	38.9	31.2
Asia Pacific	10.5	7.9	31.4	23.6
Other	3.0	3.1	10.2	11.4
Central costs	-	(7.0)	(28.5)	(28.7)
<b>Continuing operations at actual exchange rates</b>	<b>82.1</b>	<b>73.5</b>	<b>279.5</b>	<b>258.2</b>

\* Before amortisation of intangible assets other than computer software and development costs.

\*\* Before amortisation of intangible assets other than computer software and development costs and items of a one-off nature (see appendix 4 for further details).

## One-off Items

	3 months to 31 December 2007	3 months to 31 December 2006	Year ended 31 December 2007	Year ended 31 December 2006
	£m (unaudited)	£m (unaudited)	£m (unaudited)	£m (audited)
Textiles & Washroom Services	1.8	(2.9)	(2.1)	(16.3)
Pest Control	-	(4.6)	(0.7)	(6.8)
Ambius	-	(0.3)	-	(0.6)
City Link	(19.7)	(1.3)	(25.4)	(1.3)
Facilities Services	(0.2)	(2.4)	(0.2)	(3.8)
Asia Pacific	-	(2.2)	-	(3.4)
Other	-	(0.4)	-	0.4
Central costs	-	(2.6)	-	9.2
	<b>(18.1)</b>	<b>(16.7)</b>	<b>(28.4)</b>	<b>(22.6)</b>

Note: All numbers are at both actual and constant exchange rates.

# Consolidated Income Statement

For the year ended 31 December

	Notes	2007 £m (unaudited)	2006 £m (audited)
<b>Continuing operations:</b>			
Revenue	1	2,203.4	1,843.2
Operating expenses		(1,991.5)	(1,628.7)
<b>Operating profit</b>		<b>211.9</b>	<b>214.5</b>
<b>Analysed as:</b>			
Operating profit before amortisation of intangible assets*		251.1	235.6
Amortisation of intangible assets*		(39.2)	(21.1)
<b>Operating profit</b>		<b>211.9</b>	<b>214.5</b>
Interest payable and similar charges	2	(140.4)	(112.3)
Interest receivable	3	68.5	61.2
Share of profit from associates (net of tax)		2.0	2.0
<b>Profit before income tax</b>		<b>142.0</b>	<b>165.4</b>
Income tax expense	4	(30.3)	(33.3)
<b>Profit for the year from continuing operations</b>		<b>111.7</b>	<b>132.1</b>
<b>Discontinued operations:</b>			
Profit for the year from discontinued operations	5	546.8	115.0
<b>Profit for the year (including discontinued operations)</b>		<b>658.5</b>	<b>247.1</b>
<b>Attributable to:</b>			
Minority interest		2.2	2.0
Equity holders of the company		656.3	245.1
		<b>658.5</b>	<b>247.1</b>
<b>Basic earnings per share</b>			
- Continuing operations	6	6.06p	7.20p
- Discontinued operations	6	30.26p	6.37p
- Continuing and discontinued operations	6	36.32p	13.57p
<b>Diluted earnings per share</b>			
- Continuing operations	6	6.06p	7.20p
- Discontinued operations	6	30.26p	6.37p
- Continuing and discontinued operations	6	36.32p	13.57p

\* Excluding computer software and development costs.

An interim dividend of 2.13p per share was paid on 19 October 2007 (total £38.5m) and the board is recommending the declaration of a final dividend of 5.25p per share, bringing the full year dividend to 7.38p per share (total £133.4m). See note 7.

## Consolidated Statement of Recognised Income and Expense

For the year ended 31 December

	2007 £m (unaudited)	2006 £m (audited)
Profit for the year (including discontinued operations)	658.5	247.1
Net exchange adjustments offset in reserves	3.2	(10.1)
Actuarial gain on defined benefit pension plans	88.8	44.6
Revaluation of available-for-sale investments	1.3	0.1
Tax on items taken directly to reserves	(24.1)	(13.1)
Net profit not recognised in income statement	69.2	21.5
<b>Total recognised income for the year</b>	<b>727.7</b>	<b>268.6</b>
<b>Attributable to:</b>		
Minority interest	2.2	2.0
Equity holders of the company	725.5	266.6
	<b>727.7</b>	<b>268.6</b>

# Consolidated Balance Sheet

At 31 December

	Notes	2007 £m (unaudited)	2006 £m (audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	8	683.0	559.1
Property, plant and equipment	9	561.2	513.1
Investments in associated undertakings		5.7	8.6
Other investments		3.1	6.8
Deferred tax assets		7.9	7.1
Retirement benefits	12	63.9	-
Trade and other receivables		24.2	24.7
		<b>1,349.0</b>	<b>1,119.4</b>
<b>Current assets</b>			
Inventory		38.4	46.9
Trade and other receivables		476.4	482.6
Derivative financial instruments		0.8	8.0
Cash and cash equivalents	10	95.7	135.1
		<b>611.3</b>	<b>672.6</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		(485.3)	(553.2)
Current tax liabilities		(103.1)	(103.6)
Provisions for other liabilities and charges	13	(50.7)	(22.3)
Bank and other short-term borrowings	11	(380.4)	(446.0)
Derivative financial instruments		(14.4)	(4.6)
		<b>(1,033.9)</b>	<b>(1,129.7)</b>
<b>Net current liabilities</b>			
		<b>(422.6)</b>	<b>(457.1)</b>
<b>Non-current liabilities</b>			
Trade and other payables		(17.7)	(15.8)
Bank and other long-term borrowings	11	(662.4)	(877.3)
Deferred tax liabilities		(98.5)	(45.0)
Retirement benefits	12	(13.9)	(118.8)
Provisions for other liabilities and charges	13	(73.8)	(128.6)
Derivative financial instruments		(1.8)	(10.4)
		<b>(868.1)</b>	<b>(1,195.9)</b>
<b>Net assets / (liabilities)</b>			
		<b>58.3</b>	<b>(533.6)</b>
<b>Equity</b>			
<b>Capital and reserves attributable to the company's equity holders</b>			
Called up share capital	14	18.1	18.1
Share premium account	14	6.8	6.2
Other reserves	14	(1,727.9)	(1,728.6)
Retained profits	14	1,753.9	1,164.3
		<b>50.9</b>	<b>(540.0)</b>
<b>Minority interest</b>	14	<b>7.4</b>	<b>6.4</b>
<b>Total equity</b>		<b>58.3</b>	<b>(533.6)</b>

## Consolidated Cash Flow Statement

For the year ended 31 December

	Notes	2007 £m (unaudited)	2006 £m (audited)
<b>Cash flows from operating activities</b>			
Cash generated from operating activities before special pension contribution	15	351.9	369.5
Special pension contribution		(80.0)	-
Cash generated from operating activities		271.9	369.5
Interest received		17.0	13.1
Interest paid		(73.9)	(54.7)
Income tax paid		(27.1)	(38.5)
Net cash generated from operating activities		187.9	289.4
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment (PPE)		(206.6)	(176.3)
Purchase of intangible fixed assets		(12.7)	(6.3)
Proceeds from sale of PPE and intangible assets		57.9	42.5
Acquisition of companies and businesses, net of cash acquired	18	(193.0)	(406.5)
Proceeds from disposal of companies and businesses	5	587.7	134.9
Disposal of available-for-sale investments		3.4	-
Dividends received from associates		5.6	1.0
Net cash flows from investing activities		242.3	(410.7)
<b>Cash flows from financing activities</b>			
Issue of ordinary share capital		0.6	0.9
Treasury shares purchased		-	(1.9)
Dividends paid to equity shareholders	7	(133.4)	(133.3)
Dividends paid to minority interests		(2.0)	(1.8)
Interest element on finance lease payments		(2.0)	(2.3)
Capital element of finance lease payments		(21.3)	(19.5)
New (repayments)/loans		(304.7)	221.0
Net cash flows from financing activities		(462.8)	63.1
Net decrease in cash and bank overdrafts	16	(32.6)	(58.2)
Cash and bank overdrafts at beginning of year		118.8	170.7
Exchange gains on cash and bank overdrafts		0.3	6.3
<b>Cash and bank overdrafts at end of the financial year</b>	10	<b>86.5</b>	<b>118.8</b>

## Notes to the accounts

### 1. Segmental information

#### (a) Primary reporting format – business segments

	Revenue 2007	Revenue 2006	Operating profit 2007	Operating profit 2006
	£m (unaudited)	£m (audited)	£m (unaudited)	£m (audited)
<b>Continuing operations</b>				
Textiles & Washroom Services	693.2	671.4	124.0	106.8
Pest Control	377.2	319.3	66.9	61.9
Ambius	120.6	116.5	7.1	6.6
City Link	417.1	213.3	8.4	32.6
Facilities Services	595.3	522.7	38.0	28.7
Central items	-	-	(32.5)	(22.1)
	<b>2,203.4</b>	<b>1,843.2</b>	<b>211.9</b>	<b>214.5</b>
Interest payable and similar charges	-	-	(140.4)	(112.3)
Interest receivable	-	-	68.5	61.2
Share of profit from associates (net of tax)				
- Textiles and Washroom Services	-	-	2.0	2.0
Profit before income tax	-	-	142.0	165.4
Income tax expense	-	-	(30.3)	(33.3)
<b>Total for the year from continuing operations</b>	<b>2,203.4</b>	<b>1,843.2</b>	<b>111.7</b>	<b>132.1</b>
<b>Discontinued operations (after income tax)</b>				
Textiles & Washroom Services	-	13.6	-	3.0
Facilities Services <sup>1</sup>	-	121.9	-	88.3
Electronic Security <sup>2</sup>	180.8	281.5	546.8	22.2
Discontinued business segments	-	-	-	1.5
<b>Total for the year from discontinued operations</b>	<b>180.8</b>	<b>417.0</b>	<b>546.8</b>	<b>115.0</b>
<b>Total for the year (including discontinued operations)</b>	<b>2,384.2</b>	<b>2,260.2</b>	<b>658.5</b>	<b>247.1</b>

<sup>1</sup>Profit from the Facilities Services segment for the year to 31 December 2006 includes profit on disposal (after tax) of £95.9m.

<sup>2</sup>Profit from Electronic Security for the year to 31 December 2007 includes profit on disposal (after tax) of £528.6m.



## Notes to the accounts (continued)

### 1. Segmental information (continued)

#### (b) Secondary reporting format – geographical segments

	Revenue 2007 £m (unaudited)	Revenue 2006 £m (audited)
<b>Continuing operations</b>		
United Kingdom	1,085.0	834.1
Continental Europe	769.3	725.4
North America	162.3	149.8
Asia Pacific	158.0	102.1
Africa	28.8	31.8
<b>Total from continuing operations</b>	<b>2,203.4</b>	<b>1,843.2</b>
<b>Discontinued operations</b>		
United Kingdom	84.7	196.4
Continental Europe	86.8	122.1
North America	9.3	98.5
<b>Total from discontinued operations</b>	<b>180.8</b>	<b>417.0</b>
<b>Total (including discontinued operations)</b>	<b>2,384.2</b>	<b>2,260.2</b>

#### (c) Reconciliation of statutory segmental analysis to management divisional analysis

The commentary in the Operating Review reflects the management divisional structure and not the segmental information presented above. For statutory purposes, the businesses within the geographic divisions of Asia Pacific and South Africa (Other) have been reallocated back to the relevant business segment in line with the requirements of IAS 14, "Segmental Reporting". In addition, the commentary in the Operating Review is presented at constant exchange rates and before the amortisation of intangible assets\*. The tables that follow reconcile the segmental information presented above to the divisional performance referred to in the Operating Review.

	Statutory basis 2007 £m (unaudited)	Asia Pacific and Other 2007 £m (unaudited)	Foreign exchange 2007 £m (unaudited)	Management basis 2007 £m (unaudited)	Management basis 2006 £m (audited)
<b>Revenue from continuing operations</b>					
Textiles & Washroom Services	693.2	(87.7)	(2.5)	603.0	595.4
Pest Control	377.2	(74.5)	7.7	310.4	278.3
Ambius	120.6	(13.2)	5.0	112.4	105.8
City Link	417.1	-	-	417.1	213.3
Facilities Services	595.3	(9.1)	(0.5)	585.7	519.2
Asia Pacific	-	158.0	0.3	158.3	102.1
Other	-	26.5	3.3	29.8	29.1
	<b>2,203.4</b>	<b>-</b>	<b>13.3</b>	<b>2,216.7</b>	<b>1,843.2</b>

	Statutory basis 2007 £m (unaudited)	Asia Pacific and Other 2007 £m (unaudited)	Amortis- ation of intangible assets* 2007 £m (unaudited)	Foreign exchange 2007 £m (unaudited)	Management basis 2007 £m (unaudited)	Management basis 2006 £m (audited)
<b>Operating profit from continuing operations</b>						
Textiles & Washroom Services	124.0	(26.9)	9.3	(0.5)	105.9	92.1
Pest Control	66.9	(14.9)	12.8	0.6	65.4	61.4
Ambius	7.1	(1.4)	3.0	0.4	9.1	7.4
City Link	8.4	-	11.0	-	19.4	34.8
Facilities Services	38.0	(2.1)	2.8	-	38.7	27.4
Asia Pacific	-	31.4	-	(0.4)	31.0	20.2
Other	-	10.2	-	1.2	11.4	11.8
Central items	(32.5)	3.7	0.3	-	(28.5)	(19.5)
	<b>211.9</b>	<b>-</b>	<b>39.2</b>	<b>1.3</b>	<b>252.4</b>	<b>235.6</b>

\*Excluding computer software and development costs.

## Notes to the accounts (continued)

### 2. Interest payable and similar charges

	2007 £m (unaudited)	2006 £m (audited)
Interest payable on bank loans and overdrafts	26.2	18.4
Interest payable on medium term notes issued	55.3	49.6
Net interest payable/(receivable) on fair value hedges	3.8	(6.7)
Interest on defined benefit plan liabilities	51.5	48.4
Interest payable on finance leases	1.7	1.8
Foreign exchange gain on translation of foreign denominated loans	(0.7)	(0.3)
Amortisation of discount on provisions	1.5	2.0
Net ineffectiveness of fair value hedges	1.1	(0.1)
Fair value gain on derivatives not designated in a hedge relationship <sup>1</sup>	-	(0.8)
<b>Total interest payable and similar charges (continuing operations)</b>	<b>140.4</b>	<b>112.3</b>

<sup>1</sup>The fair value gain on derivatives not designated in a hedge relationship includes fair value gains relating to forward rate agreements of £nil (2006: £2.0m).

### 3. Interest receivable

	2007 £m (unaudited)	2006 £m (audited)
Bank interest	16.2	13.8
Return on defined benefit plan assets	52.3	47.4
<b>Total interest receivable (continuing operations)</b>	<b>68.5</b>	<b>61.2</b>

### 4. Income tax expense

	2007 £m (unaudited)	2006 £m (audited)
<b>Analysis of charge in the period</b>		
UK corporation tax at 30% (2006: 30%)	8.5	15.3
Double tax relief	(13.0)	(17.6)
	(4.5)	(2.3)
Overseas taxation	31.6	35.3
Adjustment in respect of previous periods	(6.2)	(17.1)
Total current tax	20.9	15.9
Deferred tax	9.4	17.4
<b>Total income tax expense (continuing operations)</b>	<b>30.3</b>	<b>33.3</b>

## Notes to the accounts (continued)

### 5. Discontinued operations and disposals

Included within discontinued operations is the Electronic Security segment. The group disposed of the UK, the Netherlands and the US businesses on 2 July 2007 for gross proceeds of £533.4m and the remaining French business was disposed on 26 December 2007 for gross proceeds of £91.6m. Net consideration was £614.3m after costs paid of £10.7m.

The group also disposed of two smaller businesses for gross proceeds of £6.2m, the results of which are included within continuing operations.

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

	Discontinued operations 2007 £m (unaudited)	Other disposals 2007 £m (unaudited)	2007 £m (unaudited)
Non-current assets			
- Intangible assets	70.9	0.4	71.3
- Other investments	0.1	-	0.1
- Property, plant and equipment	23.8	4.2	28.0
Current assets	109.3	3.5	112.8
Current liabilities	(103.4)	(8.3)	(111.7)
Non-current liabilities	(11.2)	-	(11.2)
Net assets disposed	89.5	(0.2)	89.3
Profit on disposal	524.8	0.3	525.1
Consideration	614.3	0.1	614.4
Consideration deferred to future periods	-	(1.0)	(1.0)
Consideration deferred from prior periods	-	1.7	1.7
Costs deferred to future periods	2.5	-	2.5
Costs deferred from prior periods	-	(0.5)	(0.5)
Cash disposed	(27.3)	(2.1)	(29.4)
Cash inflow from disposal of companies and businesses	589.5	(1.8)	587.7

The profit on disposal above of £524.8m excludes translation exchange gains of £3.8m, which are recycled to the income statement and taxation of £nil, giving a total post-tax profit on disposal of subsidiary net assets of £528.6m.

### Financial performance of discontinued operations

	2007 £m (unaudited)	2006 £m (audited)
Revenue	180.8	417.0
Operating expenses	(156.7)	(391.9)
Operating profit	24.1	25.1
Finance costs – net	(0.2)	(1.0)
Profit before income tax	23.9	24.1
Taxation	(5.7)	(5.0)
<b>Profit after income tax from discontinued operations</b>	<b>18.2</b>	<b>19.1</b>
Profit on disposal of subsidiary net assets	524.8	98.5
Taxation	-	(8.5)
Cumulative translation exchange gain <sup>1</sup>	3.8	5.9
<b>Total profit after income tax on disposal of subsidiary net assets</b>	<b>528.6</b>	<b>95.9</b>
<b>Profit on disposal of discontinued operations</b>	<b>546.8</b>	<b>115.0</b>

<sup>1</sup>The cumulative translation exchange gain of £3.8m (2006: £5.9m) relating to discontinued operations has been recycled out of exchange reserves to the consolidated income statement.

## Notes to the accounts (continued)

### 6. 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 which are treated as cancelled.

	2007 £m (unaudited)	2006 £m (audited)
Profit from continuing operations attributable to equity holders of the company	<b>109.5</b>	130.1
Profit from discontinued operations attributable to equity holders of the company	<b>546.8</b>	115.0
Weighted average number of ordinary shares in issue	<b>1,807.2</b>	1,806.5
Basic earnings per share from continuing operations	<b>6.06p</b>	7.20p
Basic earnings per share from discontinued operations	<b>30.26p</b>	6.37p
Basic earnings per share from continuing and discontinued operations	<b>36.32p</b>	13.57p

#### 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 deferred shares granted to senior executives that will vest in the future.

	2007 £m (unaudited)	2006 £m (audited)
Profit from continuing operations attributable to equity holders of the company	<b>109.5</b>	130.1
Profit from discontinued operations attributable to equity holders of the company	<b>546.8</b>	115.0
Weighted average number of ordinary shares in issue	<b>1,807.2</b>	1,806.5
Adjustment for share options and deferred shares	-	-
Weighted average number of ordinary shares for diluted earnings per share	<b>1,807.2</b>	1,806.5
Diluted earnings per share from continuing operations	<b>6.06p</b>	7.20p
Diluted earnings per share from discontinued operations	<b>30.26p</b>	6.37p
Diluted earnings per share from continuing and discontinued operations	<b>36.32p</b>	13.57p

### 7. Dividends

	2007 £m (unaudited)	2006 £m (audited)
2005 final dividend paid – 5.25p per share	-	94.8
2006 final dividend paid – 5.25p per share	<b>94.9</b>	-
2006 interim dividend paid – 2.13p per share	-	38.5
2007 interim dividend paid – 2.13p per share	<b>38.5</b>	-
	<b>133.4</b>	133.3

A dividend in respect of 2007 of 5.25p (2006: 5.25p) per 1p share amounting to £94.9m (2006: £94.9m) is to be proposed at the Annual General Meeting on 14 May 2008. The final dividend will be paid on 23 May 2008 to shareholders on the register on 18 April 2008. These financial statements do not reflect this dividend payable.

## Notes to the accounts (continued)

### 8. Intangible assets

	Goodwill £m	Customer lists £m	Brands, patents and reacquired franchise rights £m	Computer software £m	Development costs £m	Total £m
<b>Cost</b>						
At 1 January 2006 (audited)	80.8	221.6	0.3	35.1	3.2	341.0
Exchange differences	(10.1)	(10.4)	(0.8)	(0.5)	-	(21.8)
Additions	-	-	-	6.0	0.4	6.4
Disposals	-	-	-	(2.0)	-	(2.0)
Acquisition of companies and businesses	269.6	135.6	29.9	0.1	-	435.2
Disposal of companies and businesses	(3.9)	(24.2)	-	(3.8)	(2.7)	(34.6)
Reclassification	-	-	-	0.1	(0.1)	-
At 31 December 2006 (audited)	336.4	322.6	29.4	35.0	0.8	724.2
At 1 January 2007 (audited)	336.4	322.6	29.4	35.0	0.8	724.2
Exchange differences	9.9	16.6	0.2	1.5	-	28.2
Additions	-	-	-	12.6	0.1	12.7
Disposals/retirements	-	-	-	(15.2)	-	(15.2)
Acquisition of companies and businesses	105.8	96.3	16.0	0.1	-	218.2
Disposal of companies and businesses	(22.4)	(59.3)	-	(8.3)	(0.8)	(90.8)
Reclassification	1.1	-	(1.0)	-	(0.1)	-
At 31 December 2007 (unaudited)	430.8	376.2	44.6	25.7	-	877.3
<b>Accumulated amortisation and impairment</b>						
At 1 January 2006 (audited)	-	(137.9)	-	(20.9)	(1.9)	(160.7)
Exchange differences	-	5.7	(0.1)	0.4	-	6.0
Disposals	-	-	-	0.8	-	0.8
Disposal of companies and businesses	-	15.7	-	2.6	2.7	21.0
Amortisation charge	-	(25.2)	(2.3)	(3.7)	(1.0)	(32.2)
At 31 December 2006 (audited)	-	(141.7)	(2.4)	(20.8)	(0.2)	(165.1)
At 1 January 2007 (audited)	-	(141.7)	(2.4)	(20.8)	(0.2)	(165.1)
Exchange differences	-	(9.8)	-	(1.0)	-	(10.8)
Disposals	-	-	-	5.6	-	5.6
Disposal of companies and businesses	-	14.6	-	4.7	0.2	19.5
Amortisation charge	-	(32.2)	(8.4)	(2.9)	-	(43.5)
At 31 December 2007 (unaudited)	-	(169.1)	(10.8)	(14.4)	-	(194.3)
<b>Net book value</b>						
1 January 2006 (audited)	80.8	83.7	0.3	14.2	1.3	180.3
31 December 2006 (audited)	336.4	180.9	27.0	14.2	0.6	559.1
31 December 2007 (unaudited)	430.8	207.1	33.8	11.3	-	683.0

## Notes to the accounts (continued)

### 9. Property, plant and equipment

	Land & buildings £m	Equipment for rental £m	Other plant and equipment £m	Vehicles & office equipment £m	Total £m
<b>Cost</b>					
At 1 January 2006 (audited)	166.3	473.7	265.5	263.9	1,169.4
Exchange differences	(3.4)	(13.5)	(4.1)	(8.2)	(29.2)
Additions	12.8	98.6	24.6	56.1	192.1
Disposals	(12.2)	(172.9)	(28.9)	(47.6)	(261.6)
Acquisition of companies and businesses	7.7	2.8	2.3	13.0	25.8
Disposal of companies and businesses	(3.2)	(2.5)	(6.5)	(12.9)	(25.1)
At 31 December 2006 (audited)	168.0	386.2	252.9	264.3	1,071.4
At 1 January 2007 (audited)	168.0	386.2	252.9	264.3	1,071.4
Exchange differences	10.6	33.4	16.2	11.3	71.5
Additions	28.0	112.5	30.5	44.5	215.5
Disposals	(19.8)	(67.1)	(21.6)	(73.7)	(182.2)
Acquisition of companies and businesses	2.7	1.4	2.5	6.9	13.5
Disposal of companies and businesses	(7.0)	(3.4)	(14.3)	(41.1)	(65.8)
At 31 December 2007 (unaudited)	182.5	463.0	266.2	212.2	1,123.9
<b>Accumulated depreciation and impairment</b>					
At 1 January 2006 (audited)	(44.2)	(296.8)	(182.1)	(148.8)	(671.9)
Exchange differences	1.1	7.4	2.8	4.2	15.5
Disposals	1.9	171.2	28.3	38.7	240.1
Disposal of companies and businesses	1.5	1.5	5.5	7.9	16.4
Impairment charge	-	(1.0)	-	-	(1.0)
Depreciation charge	(3.6)	(89.8)	(20.0)	(44.0)	(157.4)
At 31 December 2006 (audited)	(43.3)	(207.5)	(165.5)	(142.0)	(558.3)
At 1 January 2007 (audited)	(43.3)	(207.5)	(165.5)	(142.0)	(558.3)
Exchange differences	(3.0)	(18.5)	(9.9)	(6.1)	(37.5)
Disposals	11.7	65.4	18.7	54.5	150.3
Disposal of companies and businesses	3.4	3.2	9.2	22.0	37.8
Depreciation charge	(4.3)	(94.0)	(19.3)	(37.4)	(155.0)
At 31 December 2007 (unaudited)	(35.5)	(251.4)	(166.8)	(109.0)	(562.7)
<b>Net book value</b>					
At 1 January 2006 (audited)	122.1	176.9	83.4	115.1	497.5
At 31 December 2006 (audited)	124.7	178.7	87.4	122.3	513.1
At 31 December 2007 (unaudited)	147.0	211.6	99.4	103.2	561.2

### 10. Cash and cash equivalents

	2007 £m (unaudited)	2006 £m (audited)
Cash at bank and in hand	95.7	90.2
Short-term bank deposits	-	44.9
	95.7	135.1
Cash and bank overdrafts include the following for the purposes of the cash flow statement:		
Cash and cash equivalents	95.7	135.1
Bank overdrafts (note 11)	(9.2)	(16.3)
	86.5	118.8

## Notes to the accounts (continued)

### 11. Bank and other borrowings

	2007 £m (unaudited)	2006 £m (audited)
<b>Non-current</b>		
Bank borrowings	1.6	254.1
Other loans	651.3	603.1
Finance lease liabilities	9.5	20.1
	<b>662.4</b>	<b>877.3</b>
<b>Current</b>		
Bank overdrafts	9.2	16.3
Bank borrowings	11.7	30.5
Other loans	351.4	383.3
Finance lease liabilities	8.1	15.9
	<b>380.4</b>	<b>446.0</b>
<b>Total bank and other borrowings</b>	<b>1,042.8</b>	<b>1,323.3</b>

The group operated the following medium term notes under its €2.5bn Euro Medium Term Note programme for the years ended 31 December 2007 and 31 December 2006:

Currency/Amount	IAS 39 hedging	Interest Coupon	Maturity date
¥3,000m	FV	Fixed rate - 0.60% pa	Matured
\$10m	NH	Floating rate - 3 month USD LIBOR +0.35%	Matured
€500m	FV, NIH	Fixed rate - 5.75% pa	Matured
£250m	FV	Fixed rate - 6.125% pa	19.11.08
£300m	FV	Fixed rate - 5.75% pa	31.03.16
€100m	NH	Floating rate - 3 month EURIBOR +0.28%	03.07.08
€500m	NIH	Fixed rate - 4.625% pa	27.03.14

Key: FV - Fair value hedge accounting applied  
 NH - Hedge accounting not applied  
 NIH - Designated for Net Investment Hedging

### 12. 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 Initial No2 Section accounting for less than 0.5% of the total scheme liabilities, which remains open). On 19 December 2005, a detailed consultation began between the company and the members of the RIPS on the freezing of the future accrual of benefits for active members. Following this consultation, future accrual ceased as from 31 August 2006 and defined benefit members moved into new defined contribution arrangements. Actuarial valuations of the UK scheme are carried out typically every three years. The most recent finalised valuation was at 31 March 2005. The valuation otherwise due as at 31 March 2008 has been brought forward to 31 March 2007, but has not yet been finalised.

These defined benefit schemes are re-appraised 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.

	2007 £m (unaudited)	2006 £m (audited)
<b>Weighted average %</b>		
Discount rate	6.0%	5.1%
Expected return on plan assets	6.1%	5.5%
Future salary increases	4.1%	3.8%
Future pension increases	3.4%	3.1%

The amounts recognised in the balance sheet for the total of the UK RIPS and other<sup>1</sup> schemes are determined as follows:

Present value of funded obligations	(931.9)	(1,033.8)
Fair value of plan assets	992.9	921.1
	61.0	(112.7)
Present value of unfunded obligations	(11.0)	(6.1)
	50.0	(118.8)
Represented on the balance sheet as follows:		
Retirement benefits asset	63.9	-
Retirement benefits liability	(13.9)	(118.8)
Net retirement benefits asset/(liability)	50.0	(118.8)

## Notes to the accounts (continued)

### 12. Retirement benefit obligations (continued)

The fair value of plan assets at the balance sheet date for the total of the UK RIPS and other<sup>1</sup> schemes is analysed as follows:

	2007	2006
	£m (unaudited)	£m (audited)
Equity instruments	181.7	186.2
Debt instruments	714.2	707.3
Property	0.8	0.8
Other	56.2	0.9
Swaps	40.0	25.9
	<b>992.9</b>	<b>921.1</b>

The amounts recognised in the income statement for the total of the UK RIPS and other<sup>1</sup> schemes are as follows:

Current service cost <sup>2</sup>	2.0	8.9
Prior service cost	-	(3.0)
Curtailment	-	(16.2)
Interest cost <sup>2</sup>	51.5	48.4
Amount charged to pension liability	53.5	38.1
Expected return on plan assets <sup>2</sup>	(52.3)	(47.4)
Total pension cost	1.2	(9.3)

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

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

### 13. Provisions for other liabilities and charges

	Vacant properties £m	Environmental £m	Self insurance £m	Other £m	Total £m
At 1 January 2006 (audited)	46.3	35.8	51.1	14.8	148.0
Exchange differences	-	(1.4)	(2.3)	(0.2)	(3.9)
Additional provisions	5.1	3.6	13.4	19.3	41.4
Acquisition of companies and businesses	2.8	-	-	2.2	5.0
Unused amounts reversed	(2.5)	(0.6)	(2.8)	(2.5)	(8.4)
Unwinding of discount on provisions	1.1	0.9	-	-	2.0
Used during the year	(16.5)	(2.4)	(13.4)	(0.9)	(33.2)
At 31 December 2006 (audited)	<b>36.3</b>	<b>35.9</b>	<b>46.0</b>	<b>32.7</b>	<b>150.9</b>
At 1 January 2007 (audited)	<b>36.3</b>	<b>35.9</b>	<b>46.0</b>	<b>32.7</b>	<b>150.9</b>
Exchange differences	-	(0.1)	(0.2)	0.3	-
Additional provisions	21.4	4.0	13.2	5.5	44.1
Reclassification	0.5	-	1.8	(2.3)	-
Acquisition of companies and businesses	0.7	1.0	-	0.9	2.6
Unused amounts reversed	(6.5)	(13.0)	(4.9)	-	(24.4)
Unwinding of discount on provisions	0.6	0.9	-	-	1.5
Used during the year	(17.9)	(2.6)	(12.9)	(16.8)	(50.2)
At 31 December 2007 (unaudited)	<b>35.1</b>	<b>26.1</b>	<b>43.0</b>	<b>20.3</b>	<b>124.5</b>

Provisions analysed as follows:

	At 31 December 2007 £m (unaudited)	At 31 December 2006 £m (audited)
Non-current	<b>73.8</b>	128.6
Current	<b>50.7</b>	22.3
	<b>124.5</b>	150.9

#### 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.

#### Self insurance

The group purchases external insurance from a portfolio of international insurers for its key insurable risks in order to limit the maximum potential loss that could be suffered in any one year. 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.



## Notes to the accounts (continued)

### 13. Provisions for other liabilities and charges (continued)

#### 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.

### 14. Statement of changes in equity

	Called up share capital	Share premium account	Other reserves	Retained earnings	Minority interest	Total equity
	£m	£m	£m	£m	£m	£m
<b>At 1 January 2006 (audited)</b>	18.1	5.3	(1,714.1)	1,024.1	7.0	(659.6)
Total recognised income for the year	-	-	(10.0)	278.6	-	268.6
Dividends paid to ordinary shareholders	-	-	-	(133.3)	-	(133.3)
New share capital issued	-	0.9	-	-	-	0.9
Cost of share options and long term incentive plan	-	-	-	(1.9)	-	(1.9)
Transfer to other reserves	-	-	1.2	(1.2)	-	-
Minority interest share of profit	-	-	-	(2.0)	2.0	-
Cumulative exchange recycled to income statement on disposal of foreign subsidiary	-	-	(5.7)	-	-	(5.7)
Currency translation difference on minority interest	-	-	-	-	(0.8)	(0.8)
Dividends paid to minority interests	-	-	-	-	(1.8)	(1.8)
<b>At 31 December 2006 (audited)</b>	18.1	6.2	(1,728.6)	1,164.3	6.4	(533.6)
<b>At 1 January 2007 (audited)</b>	18.1	6.2	(1,728.6)	1,164.3	6.4	(533.6)
Total recognised income for the period	-	-	4.5	723.2	-	727.7
Dividends paid to ordinary shareholders	-	-	-	(133.4)	-	(133.4)
New share capital issued	-	0.6	-	-	-	0.6
Cost of share options and long term incentive plan	-	-	-	2.0	-	2.0
Minority interest share of profit	-	-	-	(2.2)	2.2	-
Minority interest acquired	-	-	-	-	0.7	0.7
Cumulative exchange recycled to income statement on disposal of foreign subsidiary	-	-	(3.8)	-	-	(3.8)
Currency translation difference on minority interest	-	-	-	-	0.1	0.1
Dividends paid to minority interests	-	-	-	-	(2.0)	(2.0)
<b>At 31 December 2007 (unaudited)</b>	18.1	6.8	(1,727.9)	1,753.9	7.4	58.3

Treasury shares of £11.1m (2006: £11.1m) have been netted against retained earnings

	Other reserves				Total £m
	Capital reduction reserve £m	Legal £m	Translation reserve £m	Available- for-sale £m	
<b>At 1 January 2006 (audited)</b>	(1,722.7)	9.2	0.2	(0.8)	(1,714.1)
Net exchange adjustments offset in reserves	-	-	(10.1)	-	(10.1)
Available-for-sale investments marked to market	-	-	-	0.1	0.1
Total recognised expense for the year	-	-	(10.1)	0.1	(10.0)
Cumulative exchange recycled on disposal of foreign subsidiary	-	-	(5.7)	-	(5.7)
Transfer from retained earnings	-	1.2	-	-	1.2
<b>At 31 December 2006 (audited)</b>	(1,722.7)	10.4	(15.6)	(0.7)	(1,728.6)
<b>At 1 January 2007 (audited)</b>	(1,722.7)	10.4	(15.6)	(0.7)	(1,728.6)
Net exchange adjustments offset in reserves	-	-	3.2	-	3.2
Available-for-sale investments marked to market	-	-	-	1.3	1.3
Total recognised income for the year	-	-	3.2	1.3	4.5
Cumulative exchange recycled on disposal of foreign subsidiary	-	-	(3.8)	-	(3.8)
<b>At 31 December 2007 (unaudited)</b>	(1,722.7)	10.4	(16.2)	0.6	(1,727.9)

## Notes to the accounts (continued)

### 15. Cash generated from operating activities

	2007 £m (unaudited)	2006 £m (audited)
Profit for the year	658.5	247.1
Adjustments for:		
- Profit on sale of discontinued operations	(524.8)	(98.5)
- Taxation on profit on sale of discontinued operations	-	8.5
- Cumulative translation exchange gain recycled on discontinued operations	(3.8)	(5.9)
- (Profit)/loss on sale of continuing operations	(0.3)	0.5
- Cumulative translation exchange loss recycled on continuing operations	-	0.2
- Discontinued operations tax and interest	5.9	6.0
- Tax	30.3	33.3
- Share of profit from associates	(2.0)	(2.0)
- Interest income	(68.5)	(61.2)
- Interest expense	140.4	112.3
- Depreciation	155.0	157.4
- Amortisation of intangible assets*	40.6	27.5
- Amortisation of computer software and development costs	2.9	4.7
- Pension curtailment and past pension credits	-	(19.2)
- Other major non-cash items	2.2	1.0
- Profit on sale of property, plant and equipment	(26.0)	(21.3)
- Loss on disposal of intangible assets	9.6	1.2
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation):		
- Inventories	0.8	(2.8)
- Trade and other receivables	(27.5)	(47.6)
- Trade and other payables and provisions	(41.4)	28.3
Cash generated from operating activities before special pension contribution	351.9	369.5
Special pension contribution	(80.0)	-
Cash generated from operating activities	271.9	369.5

\* Excluding computer software and development costs.

#### Non-cash transactions

Major non-cash items relate to share option and long term incentive plan charges of £2.2m (2006: £1.0m).

## Notes to the accounts (continued)

### 16. Reconciliation of net decrease in cash and bank overdrafts to net debt

	2007 £m (unaudited)	2006 £m (audited)
Net decrease in cash and bank overdrafts	(32.6)	(58.2)
Movement on finance leases	11.9	1.9
<b>Movement on loans</b>	<b>304.7</b>	<b>(221.0)</b>
Increase/(decrease) in debt resulting from cash flows	284.0	(277.3)
Acquisition of companies and businesses	(4.4)	(11.3)
Disposal of companies and businesses	9.1	9.3
Revaluation of net debt	(5.5)	11.3
Net debt translation differences	(42.1)	20.1
Movement on net debt in the year	241.1	(247.9)
Opening net debt	(1,188.2)	(940.3)
<b>Closing net debt</b>	<b>(947.1)</b>	<b>(1,188.2)</b>
Closing net debt comprises:		
Cash and cash equivalents	95.7	135.1
Bank and other short-term borrowings	(380.4)	(446.0)
Bank and other long-term borrowings	(662.4)	(877.3)
<b>Total net debt</b>	<b>(947.1)</b>	<b>(1,188.2)</b>

### 17. Free cash flow

	2007 £m (unaudited)	2006 £m (audited)
Net cash generated from operating activities	187.9	289.4
Add back: special pension contribution	80.0	-
	267.9	289.4
Purchase of property, plant and equipment (PPE)	(206.6)	(176.3)
Purchase of intangible fixed assets	(12.7)	(6.3)
Leased property, plant and equipment	(9.4)	(17.6)
Proceeds from sale of PPE and intangible assets	57.9	42.5
Proceeds from sale of available-for-sale investments	3.4	-
Dividends received from associates	5.6	1.0
Dividends paid to minority interests	(2.0)	(1.8)
Interest element on finance lease payments	(2.0)	(2.3)
Free cash flow	102.1	128.6

### 18. Business combinations

The group purchased 100% of the share capital of Technivap, a French hygiene company, on 31 January 2007 and Lancaster, a facilities services company in the UK, on 9 July 2007. The group made asset purchases of Campbell Bros, a pest control company in Australia, on 2 January 2007 and Presto-X, a pest control company in the USA, on 1 September 2007. The group also purchased 100% of the share capital or the trade and assets of a number of smaller companies and businesses. The total consideration for all acquisitions during the year was £201.0m and the cash outflow from current year acquisitions, net of cash acquired, was £175.9m.

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

	Technivap £m (unaudited)	Campbell Bros £m (unaudited)	Lancaster £m (unaudited)	Presto-x £m (unaudited)	Other £m (unaudited)	2007 £m (unaudited)
Purchase consideration:						
- Cash paid	17.4	19.0	19.0	18.3	98.3	172.0
- Direct costs relating to the acquisition	1.2	0.7	0.5	0.6	4.5	7.5
- Consideration deferred to future periods	-	1.1	-	-	19.8	20.9
- Direct costs deferred to future periods	-	-	-	-	0.6	0.6
Total purchase consideration	18.6	20.8	19.5	18.9	123.2	201.0
Fair value of net assets acquired	8.4	9.2	7.6	9.8	60.9	95.9
Minority interest	-	-	-	-	(0.7)	(0.7)
Goodwill	10.2	11.6	11.9	9.1	63.0	105.8

Goodwill represents the synergies, workforce and other benefits expected as a result of combining the respective businesses.

Acquisition consideration by management division

	2007 £m (unaudited)
Textiles and Washroom Services	21.9
Pest Control	42.3
Ambius	3.1
City Link	17.4
Facilities Services	38.9
Asia	74.5
Other	-
Discontinued	2.9
	<b>201.0</b>

## Notes to the accounts (continued)

### 18. Business combinations (continued)

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

	Technivap	Campbell Bros	Lancaster	Presto-x	Other	2007
	£m (unaudited)	£m (unaudited)	£m (unaudited)	£m (unaudited)	£m (unaudited)	£m (unaudited)
Non-current assets						
- Intangible assets <sup>1</sup>	-	-	-	-	-	-
- Computer software	-	0.1	-	-	-	0.1
- Property, plant and equipment	0.2	1.6	0.8	1.5	9.4	13.5
- Other investments	-	-	-	-	0.1	0.1
Current assets	6.4	2.0	9.6	2.4	14.4	34.8
Current liabilities	(2.7)	(1.9)	(8.4)	(1.7)	(19.8)	(34.5)
Non-current liabilities	(0.2)	-	(0.5)	-	(3.8)	(4.5)
Book value of net assets acquired	3.7	1.8	1.5	2.2	0.3	9.5

The provisional fair value adjustments to the book value of assets and liabilities arising from acquisitions are as follows:

	Technivap	Campbell Bros	Lancaster	Presto-x	Other	2007
	£m (unaudited)	£m (unaudited)	£m (unaudited)	£m (unaudited)	£m (unaudited)	£m (unaudited)
Non-current assets						
- Intangible assets <sup>1</sup>	6.7	10.2	8.9	7.6	78.9	112.3
- Computer software	-	-	-	-	-	-
- Property, plant and equipment	-	-	-	-	-	-
- Other investments	-	-	-	-	-	-
Current assets	-	-	-	-	-	-
Current liabilities	-	-	-	-	-	-
Non-current liabilities	(2.0)	(2.8)	(2.8)	-	(18.3)	(25.9)
Fair value adjustments to net assets acquired	4.7	7.4	6.1	7.6	60.6	86.4

The provisional fair value<sup>2</sup> of assets and liabilities arising from acquisitions are as follows:

	Technivap	Campbell Bros	Lancaster	Presto-x	Other	2007
	£m (unaudited)	£m (unaudited)	£m (unaudited)	£m (unaudited)	£m (unaudited)	£m (unaudited)
Non-current assets						
- Intangible assets <sup>1</sup>	6.7	10.2	8.9	7.6	78.9	112.3
- Computer software	-	0.1	-	-	-	0.1
- Property, plant and equipment	0.2	1.6	0.8	1.5	9.4	13.5
- Other investments	-	-	-	-	0.1	0.1
Current assets	6.4	2.0	9.6	2.4	14.4	34.8
Current liabilities	(2.7)	(1.9)	(8.4)	(1.7)	(19.8)	(34.5)
Non-current liabilities	(2.2)	(2.8)	(3.3)	-	(22.1)	(30.4)
Provisional fair value of net assets acquired	8.4	9.2	7.6	9.8	60.9	95.9

<sup>1</sup>Excluding computer software and development costs.

<sup>2</sup>The provisional fair values will be finalised in the 2008 financial statements.

	Technivap	Campbell Bros	Lancaster	Presto-x	Other	2007
	£m (unaudited)	£m (unaudited)	£m (unaudited)	£m (unaudited)	£m (unaudited)	£m (unaudited)
Total purchase consideration	18.6	20.8	19.5	18.9	123.2	201.0
Consideration payable in future periods	-	(1.1)	-	-	(19.8)	(20.9)
Direct costs deferred to future periods	-	-	-	-	(0.6)	(0.6)
Purchase consideration (paid in cash)	18.6	19.7	19.5	18.9	102.8	179.5
Cash and cash equivalents in acquired companies and businesses	(3.1)	0.1	(1.1)	-	0.5	(3.6)
Cash outflow on current year acquisitions	15.5	19.8	18.4	18.9	103.3	175.9
Deferred consideration from prior periods paid	-	-	-	-	17.1	17.1
Cash outflow on current and past acquisitions	15.5	19.8	18.4	18.9	120.4	193.0

## **19. Post balance sheet events**

Since the end of the year the group has made further acquisitions for a gross consideration of £11.7m.

## **20. Legal statements**

The financial information in this statement is not audited and does not constitute statutory accounts within the meaning of s.240 of the Companies Act 1985 (as amended). Full accounts for Rentokil Initial plc for the year ended 31 December 2006 have been delivered to the Registrar of Companies. The auditors' report on these accounts was unqualified and did not contain a statement under Section 237(2) or Section 237(3) of the UK Companies Act 1985.

The financial information in this statement contains extracts from the 2007 Annual Report, which will be issued in April 2008 and prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union. The accounting policies (that comply with IFRS) used by Rentokil Initial plc (the "group") are consistent with those set out in the 2006 Annual Report except that IFRS 7, "Financial Instruments: Disclosures" and IFRIC 14, "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" have been implemented in 2007. The group has not early adopted IFRS 8, "Operating Segments" in 2007. A full list of policies will be presented in the 2007 Annual Report.

In accordance with IFRS 5, the restated consolidated income statements previously disclosed have been updated to reflect the impact of current period discontinued operations on the comparatives.

## **21. 2007 Annual Report**

Copies of the 2007 Annual Report will be despatched to shareholders who have elected to receive hard copies and will also be available from the company's registered office at Portland House, Bressenden Place, London, SW1E 5BH and at the company's website, [www.rentokil-initial.com](http://www.rentokil-initial.com) in HTML and PDF formats.

## **22. Financial calendar**

Final dividend to be paid on 23 May 2008 to shareholders on the register on 18 April 2008.

For those shareholders who have elected to receive a printed copy, the Annual Report for 2007 will be mailed on 12 April 2008.

The Annual General Meeting will be held at 4 Hamilton Place, London W1J 7BQ on 14 May 2008 at 11.00am.