

**RENTOKIL INITIAL PLC (RTO)
PRELIMINARY RESULTS (unaudited) FOR YEAR ENDED 31 DECEMBER 2010**

| Results | Q4 2010 AER | Growth | | FY 2010 AER | Growth | |
|---|----------------|---------|---------|----------------|---------|---------|
| | | AER | CER | | AER | CER |
| Revenue | 642.4 | (0.8%) | (0.5%) | 2,496.5 | (1.4%) | (1.2%) |
| Adjusted operating profit ¹ | 67.2 | (6.7%) | (6.6%) | 239.3 | 8.4% | 8.3% |
| Adjusted profit before tax ¹ | 58.5 | (5.3%) | (5.7%) | 192.3 | 15.5% | 15.1% |
| (Loss)/profit before tax | (55.7) | N/A | N/A | 14.5 | (77.7%) | (76.5%) |
| Operating cash flow ² | 85.5 | (10.8%) | (10.0%) | 220.1 | (30.5%) | (30.7%) |
| Adjusted EPS ³ | | | | 7.81p | 18.2% | |

2010 Full Year Highlights*

- 15% growth in adjusted profit before tax at £192.3m despite poor performance in City Link & Benelux:
 - Strong profit growth in Pest Control (+9.9%), Facilities Services (+21.6%), Asia Pacific (+40.3%) reflecting impact of new management, robust cost control and restructuring programmes
 - City Link structural issues largely resolved but poor operational performance exacerbated by exceptionally challenging weather conditions during peak Christmas trading period
 - Textiles & Hygiene Benelux impacted by weak operational control and severe price competition
- 18% growth in adjusted EPS to 7.81p
- Revenue down 1.4% though trend improving
- Cost savings of £60m in year, 2011 target £60m
- Continued excellent cash generation at 114% conversion⁴ from profit
- Net debt now below £1bn, in-year reduction of £154m to £954m
- Resumption of dividend remains under review pending turnaround of City Link and Textiles & Hygiene Benelux

* at AER

Alan Brown, Chief Executive Officer of Rentokil Initial plc, said:

"A little over half way in to our five-year turnaround plan the group has undergone considerable and, in most cases, successful structural change. Good progress has been made in customer service evidenced by continued improvement in customer retention on our contract business. Cash delivery has also been excellent. Nevertheless, much remains to be done on customer care and on capability development.

"In the coming year we anticipate continued good progress in Pest Control, Facilities Services, Asia Pacific and Ambius. City Link's operational inefficiencies are expected to be addressed by October 2011 but financial delivery will be weak until then. Textiles & Hygiene Benelux controls have improved and pricing pressures have reduced but the recovery plan is at an early stage of development.

"Programme Olympic is performing well, driving capability in growth, customer care and administration. We expect these initiatives to deliver organic revenue growth in our contract businesses during the second half of 2011."

AER – actual exchange rates; CER – constant 2009 exchange rates

¹ before amortisation and impairment of intangibles (excluding computer software) and one-off items

² cash flow before interest, tax, acquisitions, disposals and foreign exchange adjustments

³ earnings per share before the after tax effects of one-off items and amortisation and impairment of intangibles (excluding computer software)

⁴ after adjusting for one-off cash flows of £52.8m

Financial Summary

| £million | Fourth Quarter | | | Full Year | | |
|---|----------------|--------|----------|----------------|---------|----------|
| | 2010 | 2009 | change | 2010 | 2009 | change |
| Continuing Operations¹ | | | | | | |
| At 2009 constant exchange rates² | | | | | | |
| Revenue | 642.2 | 645.4 | (0.5%) | 2,499.7 | 2,530.8 | (1.2%) |
| Adjusted operating profit ³ | 66.7 | 71.4 | (6.6%) | 239.2 | 220.8 | 8.3% |
| One-off items ⁴ | (3.0) | (20.3) | 85.2% | (25.9) | (40.2) | 35.6% |
| Amortisation and impairment of intangible assets ⁵ | (110.5) | (14.5) | (662.1%) | (150.5) | (61.3) | (145.5%) |
| Operating (loss)/profit | (46.8) | 36.6 | N/A | 62.8 | 119.3 | (47.4%) |
| Share of profit from associates (net of tax) | 0.9 | 0.6 | 50.0% | 3.8 | 3.3 | 15.2% |
| Net interest payable | (9.8) | (10.7) | 8.4% | (51.3) | (57.6) | 10.9% |
| (Loss)/profit before tax | (55.7) | 26.5 | N/A | 15.3 | 65.0 | (76.5%) |
| Adjusted profit before tax ³ | 57.8 | 61.3 | (5.7%) | 191.7 | 166.5 | 15.1% |
| Operating cash flow ⁶ | 85.4 | 94.9 | (10.0%) | 219.6 | 316.7 | (30.7%) |
| Continuing Operations¹ | | | | | | |
| At actual exchange rates | | | | | | |
| Revenue | 642.4 | 647.6 | (0.8%) | 2,496.5 | 2,530.8 | (1.4%) |
| Adjusted operating profit ³ | 67.2 | 72.0 | (6.7%) | 239.3 | 220.8 | 8.4% |
| One-off items ⁴ | (2.7) | (20.4) | 86.8% | (25.1) | (40.2) | 37.6% |
| Amortisation and impairment of intangible assets ⁵ | (111.5) | (14.6) | (663.7%) | (152.7) | (61.3) | (149.1%) |
| Operating (loss)/profit | (47.0) | 37.0 | N/A | 61.5 | 119.3 | (48.4%) |
| Share of profit from associates (net of tax) | 1.1 | 0.6 | 83.3% | 4.1 | 3.3 | 24.2% |
| Net interest payable | (9.8) | (10.8) | 9.3% | (51.1) | (57.6) | 11.3% |
| (Loss)/profit before tax | (55.7) | 26.8 | N/A | 14.5 | 65.0 | (77.7%) |
| Tax | | | | (34.8) | (16.1) | (116.1%) |
| (Loss)/profit after tax | | | | (20.3) | 48.9 | N/A |
| Adjusted profit before tax ³ | 58.5 | 61.8 | (5.3%) | 192.3 | 166.5 | 15.5% |
| Operating cash flow ⁶ | 85.5 | 95.8 | (10.8%) | 220.1 | 316.7 | (30.5%) |
| Basic EPS | | | | (1.29p) | 2.63p | N/A |
| Adjusted EPS ⁷ | | | | 7.81p | 6.61p | 18.2% |

¹ all figures are for continuing operations and are unaudited

² results at constant exchange rates have been translated at the full year average exchange rates for the year ended

31 December 2009. £/\$ average rates: FY 2010 1.5486; FY 2009 1.5620, £/€ average rates: FY 2010 1.1659; FY 2009 1.1196

³ before amortisation and impairment of intangibles (excluding computer software) and one-off items

⁴ see Appendix 4 for further details

⁵ including impairment of goodwill of £97.5m at constant rates of exchange (£97.8m at actual rates of exchange) – excluding computer software

⁶ cash flow before interest, tax, acquisitions, disposals and foreign exchange adjustments

⁷ earnings per share before the after tax effects of one-off items and amortisation and impairment of intangibles (excluding computer software)

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. Forward-looking statements speak only as of the date they are made and no representation or warranty, whether expressed or implied, is given in relation to them, including as to their completeness or accuracy or the basis on which they were prepared. Other than in accordance with the Company's legal or regulatory obligations (including under the Listing Rules and the Disclosure and Transparency Rules), the Company does not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise. Information contained in this announcement relating to the Company or its share price, or the yield on its shares, should not be relied upon as an indicator of future performance. Nothing in this announcement should be construed as a profit forecast.

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A presentation for analysts and shareholders will be held on Friday 18 February 2011 at 9:15am at the offices of UBS, 1 Finsbury Avenue, London EC2. This will be available via a live audio web cast at www.rentokil-initial.com.

Basis of preparation

Segmental information has been presented in accordance with IFRS 8 “Operating Segments” which the group has implemented with effect from 1 January 2009. This statement reflects internal organisation changes made on 1 January 2010 resulting in UK Washrooms and Ireland Healthcare businesses moving from Facilities Services to Textiles & Hygiene and also the changes made on 1 July 2010 resulted in these same businesses moving from Textiles & Hygiene to Pest Control and the transfer of the UK Shared Service Centre from Facilities Services to Central costs on 1 November 2010. Prior year comparisons have been restated. In all cases references to operating profit are for continuing businesses before amortisation and impairment of intangible assets (excluding computer software). References to adjusted operating profit and adjusted profit before tax also exclude items of a one-off nature, totalling a net cost of £25.9m (2009: £40.2m) that have had a significant impact on the results of the group. £28.0m of these relate directly to the group's major reorganisation program and consists mainly of redundancy costs, consultancy and plant and office closure costs net of the profit on sale of certain properties. One-off items also include the profit or loss on the disposal of businesses, which totalled £3.7m in 2010. In 2010, a credit of £35.0m in respect of a change in pension liabilities as a result of using CPI rather than RPI for calculating certain future pensions increases and a £29.2m charge in respect of a claim under a lease guarantee made by a subsidiary following the disposal of a business some 20 years ago are also included in one-off items. These costs 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. Details of one-off items incurred in the period, for which adjustments have been made, are set out in Appendix 4. All comparisons are at constant 2009 full year average exchange rates.

The financial information in this statement is unaudited and does not constitute the company's statutory accounts for the years ended 31 December 2010 or 2009. The financial information for 2009 is derived from the statutory accounts for 2009 which have been delivered to the registrar of companies. The auditors have reported on the 2009 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The statutory accounts for 2010 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the registrar of companies and issued to shareholders in April 2011.

2010 FINANCIAL OVERVIEW

Full year revenue of £2,499.7m (at constant exchange rates) declined by 1.2% on 2009 (a decline of 1.4% at actual exchange rates). Revenue performance showed an improving trend during the year but was held back principally by Textiles & Hygiene in the Benelux and City Link, both of which suffered from a combination of difficult market conditions and issues arising from weak management. Facilities Services recorded revenue growth largely due to the contributions from Knightsbridge Guarding (acquired in June) and a new Transport for London cleaning contract. Pest Control revenue was broadly flat year on year, held back by a decline in the UK Hygiene business, but nevertheless reported good levels of growth in its UK, North American, Northern European and East Africa & Caribbean Pest Control businesses. While Ambius revenue declined 3.6% this represents a significant improvement on 2009's decline of 10.5% and reflects an easing of market conditions and improving retention. The division moved into positive revenue growth in Q4 2010, the first time since Q4 2008. Asia Pacific revenue declined by 4.9%, impacted by the exit in 2009 of the low-margin Hong Kong Government contract. However, underlying revenue growth was broadly flat year on year, with Asia growing by 1.4% and the Pacific declining by 1.1%.

The contract portfolio grew by 1.8% year on year reflecting an improvement in customer terminations from better customer service and acquisitions. Group retention improved from 80.8% in 2009 to 83.9%.

Adjusted operating profit (before amortisation and impairment of intangible assets and one-off items) amounted to £239.2m, an increase of 8.3% on the prior year. Adjusted profit before tax (before amortisation and impairment of intangible assets and one-off items) grew by 15.1% to £191.7m and adjusted earnings per share (at AER) grew by 18.2% to 7.81p. Strong divisional profit performances were recorded in Pest Control, Facilities Services and Asia Pacific. The statutory after tax loss for the year was £20.3m, primarily due to the recognition of a £95m impairment of goodwill in City Link.

STRATEGY UPDATE

The company's strategy is focused on five key strategic thrusts. We outline our 2010 progress below.

1. Delivering outstanding customer service

State of service at the end of December was 97% versus our 2010 target of 95%. Service levels in the Pest Control, Asia Pacific and Ambius divisions were high in 2010 with improved customer satisfaction scores across the businesses. Textiles & Hygiene showed major improvements in service, aided in part by the implementation across all countries of a standard operating framework. Apart from periods of heavy snow when service levels were severely impacted, City Link services levels were at 98.5%.

Customer retention improved from 80.8% to 83.9% during the year despite some volatility in Textiles & Hygiene and Facilities Services due to the scale of certain contract wins and losses.

Progress has been made in ensuring personal accountability for Customer Contact Management (CCM) across all businesses, particularly with our large Tier 1 customers, with further work required on our smaller Tier 2 and 3 customers. Asia Pacific recorded a 42% reduction in terminations following introduction of CCM programmes across the region.

Customer care improvement is a key objective for 2011. Our aim is to deliver *immediate, effective and even surprising* customer care for all our customers through their entire life cycle through reward and recognition of our front line colleagues, CCM programmes roll out and systems and route optimisation. Good progress has already been made in the UK Pest Control business in driving front line incentives and recognition, with further roll-out across the group planned for 2011. We will select and implement a CCM system to allow account managers to track dialogue with customers across a broad range of media and across multiple sites, thereby generating a single, real time, view of customer contact. Systems improvements will include investment in telephony to facilitate call sharing and call handling across multiple sites. The initial focus will be City Link in 2011, followed by Pest Control, Textiles & Hygiene and Facilities Services during 2012.

2. Developing the capability of our organisation and people

Since 2008 we have made considerable progress in improving the capability of our organisation and people. However, operational control weakness in a small number of operations was exposed during 2010, most notably in the Benelux operations of Textiles & Hygiene and in City Link.

Functional expertise

During the year management was strengthened further and the majority of key positions are now filled. We were delighted to welcome in August Jeremy Townsend, formerly FD at Mitchells & Butlers plc, as Chief Financial Officer. After a long and successful career with Rentokil Initial Peter Lloyd, Divisional MD of Facilities Services, retired in September 2010. He was succeeded by Mike Brown, formerly Group Director of Operations for Serco. Prior to that, Mike was CEO of Integrated Services at Serco, a £400m facilities services business in the UK, continental Europe and the Middle East.

In Q4 we announced the resignation of City Link's Managing Director, Stuart Godman. Alan Brown, the group's Chief Executive, has taken responsibility for running City Link until a new Managing Director is appointed. The senior management team in the Benelux operations of Textiles & Hygiene was replaced during 2010 with a new managing director joining the business at the start of 2011.

During H1 we coordinated the **Marketing & Sales** agendas across the group. As a result the Marketing Director of the Pest Division and the Sales Director of Textiles & Hygiene have been given responsibility for coordinating the global Marketing & Sales agendas.

During 2010 we saw improvements in productivity, processes and capability of **sales** teams notably in Pest Control and Ambius. During the year Pest Control implemented a Sales Performance Assessment programme for sales colleagues. This follows the global roll out in 2010 of Service Performance Assessment programmes for technicians. Modules for developing the capability of Supervisors and Managers will be implemented in 2011. While running slightly behind, traction is also being gained in this area in Textiles & Hygiene. Asia Pacific also improved its sales and marketing capability in 2010, although this remains weak in some areas. The Pacific region has now begun to pilot segmented marketing and tailored customer propositions.

Good progress was made during the year in Textiles & Hygiene and Pest Control in **service** improvements through technical training, work scheduling, route optimisation, customer care (as outlined above), lead generation and notifying customers of estimated times of arrival (ETAs).

Common systems and processes

Development of our capabilities and IT systems continue at pace across all our divisions and functions. A number of strategic initiatives, such as Programme Olympic, are placing further emphasis on the need to implement common systems for our business processes, in addition to the current roll-out plans for our branch and depot solutions. New programmes are being launched to further enhance customer experience and service performance. The group wide roll out of Google Apps was completed in 2010 to improve cohesion and collaboration across the group. Major projects in key data centre and network infrastructure have been delivered and form a solid platform for future developments.

Programmes are also underway to consolidate and standardize HR, Finance and Accounting systems across the group. In addition to key business systems, we continue to innovate in a number of other areas, such as route optimisation, geo-spatial analysis, time and attendance biometric systems and systems to support sales and service productivity.

Procurement

Excellent progress was made in 2010 in developing our capability in **procurement**. Procurement activity has now been restructured as a group function to facilitate leverage across the group, supported by a strong team of dedicated specialist category management resources covering direct & key indirect categories. Key developments during the year include the establishment of an Asian sourcing hub in Singapore to enable efficient low cost country sourcing of products. Significant progress has also been made in rationalising the Hygiene product range with further programmes launched in the Pest Control and Facilities Services divisions.

During the year the company selected Ariba software (which allows companies to automate, monitor, and control the complete purchasing life cycle from requisition to payment) as the common transactional platform for Procure 2 Pay, to drive compliance and reduce administration costs. This system will go live in Pest Control in April 2011 and City Link by mid 2011.

3. Delivering operational excellence

Though good progress was made during 2010 in improving City Link's hub and depot structure and IT capability, overall performance was particularly disappointing. While severe weather at the beginning and the end of the year was a contributing factor, the operational management of the business was poor, evidenced by high usage of subcontractors, inadequate contingency planning to deal with extreme conditions and poor engagement of front line colleagues. Significant management change has taken place and a detailed operating plan is now being implemented which should deliver substantial operational improvement prior to the Christmas seasonal peak. Further details can be found on page 6 of this report.

Performance from our Textiles & Hygiene operations in the Benelux also proved disappointing during the year, impacted by higher processing and distribution costs associated with the Belgium restructuring and significant pricing pressure, particularly in the Netherlands. In addition, the business has suffered from weak operational control over several years. Although controls have improved since the appointment of new management in December and pricing pressures have eased, the recovery plan remains at an early stage of development.

Increasing the scale of our country operations to drive efficiency

Increasing the scale of certain of our country operations creates efficiencies through reduced back office costs and improved service productivity as well as increasing cross-selling opportunities. Pest & Hygiene UK & Ireland were merged with effect from 1 July 2010. The combined business now reports to Andy Ransom, Divisional MD of Pest Control. On 1 January 2011, the Textiles & Hygiene businesses in Denmark, Finland, Norway, Sweden (excluding the Medical business), Poland, Portugal, and Spanish Textiles also merged with Pest Control, allowing the Textiles & Hygiene Division to focus primarily on its major businesses in France, the Benelux, Germany, Austria and Italy.

4. Operating at lowest possible cost consistent with our service objectives and delivering maximum cash

Cost savings of £60m were achieved during 2010. Of this year's reductions, £17m came from indirect procurement savings and the remainder from further divisional and central cost saving programmes. However, delays in delivering savings arising from the use of sub-contractors in the City Link business resulted in a savings shortfall of over £10m.

In Textiles & Hygiene the reorganisation programme in France, and its associated benefits, was completed during the year, ahead of plan and at a lower cost than initially anticipated. The plant rationalisation programme in Belgium was also completed but implementation and initial plant running costs were higher than anticipated. A significant number of smaller restructuring projects across the Division have delivered expected benefits.

Further cost savings of £60m are targeted in 2011 driven through further improvements in service productivity, procurement and reduction in overheads. In-year savings of £20m are targeted in City Link through a reduction in the use of sub contractors, route optimisation and depot/hub rationalisation. Procurement savings are anticipated through a rationalisation of the Textiles & Hygiene ranges as well as continued savings in indirect costs driven by the group procurement team. Overhead savings will be delivered through continued back office rationalisation and the re-platforming of systems and processes through the relevant Project Olympic work streams.

The group generated operating cash flow of £220.1m (2009: £316.7m) representing 114% conversion from profit (after adjusting for one-off cash flows of £52.8m). We achieved our target of 47 Days Sales Outstanding and we are targeting further improvement to 45 Days by the end of 2011. Capital expenditure was again well controlled at 87% of depreciation (2009: 83%).

5. Delivering profitable growth

In 2010 we focused particularly on improving sales management and sales organisation and piloted a number of front-line incentive schemes to reward improvements in growth and service. The investments in capability and infrastructure improvements noted above both support the delivery of underlying profitability as well as providing a platform for revenue growth in due course.

During 2010 the Olympic programme has piloted various initiatives that help underpin sales and provide potential for growth. These include IT investments to aid sales productivity, cross selling, job sales & pricing, customer account management and customer complaint management.

Service line expansion – in February we indicated our Facilities Services division would be strengthened by the addition of a Manned Guarding operation. In June we were pleased to announce the acquisition of Knightsbridge Guarding Limited. The business, which has maintained its strong reputation as an expert provider of high calibre,

bespoke security for the corporate sector, has performed particularly well during its first six months, winning a substantial integrated services contract alongside the Cleaning business.

On 14 February 2011 we announced the acquisition of the Services Division of Santia Group, previously known as Connaught Compliance Ltd, for a cash consideration of £5.6m with up to an additional £3m depending on various post closing adjustments. The business comprises three business units – Fumigation & Pest Control; Water Treatment & Hygiene and Fire Safety & Prevention and is expected to generate annualised revenues of £24m. Pest control will be merged with our UK Pest Control business and Water will be merged with the existing UK Water Hygiene business within the Facilities Services division. Fire will form a separate business unit within the Facilities Services division. Our immediate priorities will be to deliver excellent service to our new customers and to engage with the 430 colleagues who will join us as a result of this acquisition.

FUNDING

We have delivered another year of strong cash performance in 2010, generating £220.1m (2009: £316.7m) representing 114% conversion from profit (after adjusting for one-off cash flows of £52.8m).

At 31 December 2010 the group had net debt of £954m. Of this, £868m is represented by capital market notes issued by the group and the earliest maturity of any of these instruments is 2013. The group has good headroom in its bank facilities in terms of funds available to withdraw and has good and improving headroom in relation to its covenant.

The Company has commenced discussions with the Pension Trustees in relation to the triennial valuation of the UK Pension Scheme as at 31 March 2010 and any funding implications arising from this.

DIVIDEND

The board continues to keep dividends under review and is committed to their resumption when i) the company's cash flow is robust and ii) when the foundations of sustainable and profitable growth have been established in all of the company's principal businesses. Only one of these criteria has been met in the financial year to December 2010.

OBJECTIVES FOR 2011

The group has four key objectives for 2011. They are:

1. The turnaround of City Link and Textiles & Hygiene Benelux:

City Link's Operational Improvement Programme will be in place by October 2011 but short-term financial performance will be worse than the prior year. Textiles & Hygiene Benelux has now been stabilised and is profitable but the recovery plan remains at an early stage. We will provide an update on progress at the Q1 results in May 2011. Details of City Link's plan are outlined below.

City Link Turnaround Plan

The business's turnaround plan is focused on four key areas:

Customer Care

- Investment in state of art Telephony & Customer Care tools:
 - Implementation by October 2011
 - Permitting load transfer between central call centre and depots and ultimately other group sites
 - Complemented by appointment of Customer Care Director who will lead Customer Care function
- Deployment of 'My City Link' in Q2 giving real time and detailed access on parcels to customers
- Consignee Web site upgrade to improve accuracy of parcel tracking information and to give ETA information +/- 1 hour by end Q2
- Route Optimisation to be completed by Q2

Contingency Planning for periods of peak trading

- Major benefit from implementation of Customer Care & Operations initiatives
- Development of pre-determined guidelines for:
 - Depot and hub closure to new collections and deliveries in severe weather conditions
 - Activation of Command team and of a range of contingency measures, based on weather forecast or other major infrastructure disruption
- Explore ability to activate other Rentokil Initial resources across UK at short notice – drivers and vehicles, warehouse resource, call centre resource

Operations

- Physical restructuring limited to Hatfield area in Q2 plus a few depot upgrades
- Depot Blueprint designed and implemented by Q3
- Move from 50% employed drivers to 75%, reducing reliance on ad hoc subcontractors to below 5%
- Rollout of training and certification programme for all front line colleagues
- Implementation of new Pricing & Billing system in Q2
- Closure of Camberley Head Office end Q1 2011

Sales & Marketing

- Target profitable growth in 4 key sectors
 - Healthcare
 - Technology
 - Media
 - Retail/Online
- 'My City Link' launched in market in April
- Disciplined programme of Account visits launched across Tier 1 Tier 2 and Tier 3 by Q2

2. Customer care – immediate, effective, surprising:

The group's focus on the customer service agenda will be extended to customer care. Our aim is to be proactive in contacting, listening to and responding to all our customers, not just the very large.

3. Growth - consistent & profitable:

The group aims to deliver consistent and profitable organic growth through excellent customer retention and greatly improved marketing, sales & innovation capability.

4. Cost savings:

Our group target is to deliver cost savings of £60m.

OUTLOOK FOR 2011

A little over half way in to our five-year turnaround plan the group has undergone considerable and, in most cases, successful structural change. Good progress has been made in customer service evidenced by continued improvement in customer retention on our contract business. Cash delivery has also been excellent. Nevertheless, much remains to be done on customer care and on capability development.

In the coming year we anticipate continued good progress in Pest Control, Facilities Services, Asia Pacific and Ambius. City Link's operational inefficiencies are expected to be largely resolved by October 2011 but financial delivery will be weak until then. Textiles & Hygiene Benelux controls have improved and pricing pressures have reduced but the recovery plan is at an early stage of development.

Programme Olympic is performing well, driving capability in growth, customer care and administration. We expect these initiatives to deliver organic revenue growth in our contract businesses during the second half of 2011.

Key Performance Indicators

In 2008 we introduced 16 key performance indicators (KPIs) under three categories: Colleagues, Customers and Shareholders. These have been introduced across the organisation (down to branch level) with all divisions reporting monthly to senior management on progress.

| Categories | | Goals | Results | |
|--------------|--|-------|---------|-------------|
| Colleagues | | | 2010 | 2009 |
| | Colleague engagement | | 70% | 70% |
| | Sales colleague retention | | 63.8% | 63.5% |
| | Service colleague retention | | 75.9% | 74.4% |
| | Health and safety (H&S) lost time through accidents (LTA) rate | | 1.72 | 1.53 |
| Customers | Gross sales % of opening portfolio | | 16.3% | 14.6% |
| | Customer retention % | | 83.9% | 80.8% |
| | Net gain % of opening portfolio | | 1.8% | −3.6% |
| | State of Service | | 97.2% | 98.1% |
| | Customer satisfaction (Customer Voice Counts) | | 19% | N/A |
| Shareholders | Organic revenue growth | | −1.6% | −3.1% |
| | Total revenue growth (inc. acquisitions) | | −1.2% | −2.2% |
| | APBITA margin (%) | | 9.6% | 8.3% |
| | Debtors (days sales outstanding – DSO) | | 47 | 49 |
| | Cost savings delivered in year | | £60m | £82m |
| | Cash conversion targets as % of operating profit | | 114% | 143% |
| | Gross capex as % of depreciation | | 87% | 83% |
| | | | | |
| | | | | 2011 target |
| | | | | 45 |
| | | | | £60m |
| | | | | 100% |
| | | | | 95% |

DIVISIONAL PERFORMANCE

Textiles & Hygiene

| £ million | Fourth Quarter | | | Full Year | | |
|--|----------------|-------|---------|-----------|-------|--------|
| | 2010 | 2009 | change | 2010 | 2009 | change |
| At 2009 constant exchange rates: | | | | | | |
| Revenue | 211.9 | 217.3 | (2.5%) | 847.0 | 859.6 | (1.5%) |
| Adjusted operating profit (before amortisation and impairment of intangible assets ¹ and one-off items) | 30.9 | 38.2 | (19.1%) | 124.9 | 128.4 | (2.7%) |
| At actual exchange rates: | | | | | | |
| Adjusted operating profit (before amortisation and impairment of intangible assets ¹ and one-off items) | 29.8 | 38.5 | (22.6%) | 120.7 | 128.4 | (6.0%) |

¹ excluding computer software

Revenue fell 1.5%, an organic decline of 0.5% after adjusting for the disposals of the Spanish Textiles and Finnish Mats operations and acquisition of the Sweden dental reclamation business. While robust performances were recorded in Germany (up 2.6%), the Nordics, and the Medical and Hygiene business units, overall performance was impacted by challenging market conditions in particular competitive pricing pressure in the Netherlands, Belgium and France. Revenue in the Netherlands declined by 7.6%, while France remained flat year on year, reflecting contract losses in Q1. The Medical business recorded strong organic growth of 12.3%.

Profit declined by 2.7%, an organic decline of 3.7% excluding acquisitions and disposals. All territories with the exception of the Benelux and Portugal grew profits year on year, reflecting the impact of new management, robust cost control and restructuring programmes. There was a significant profit decline in the Benelux, impacted by higher processing and distribution costs associated with the restructuring in Belgium and competitive pricing pressure. There were non-recurring items in the year in Benelux (negative) and in France (positive) with a net positive impact on profit of £2.3m.

Pest Control

| £ million | Fourth Quarter | | | Full Year | | |
|--|----------------|-------|--------|-----------|-------|--------|
| | 2010 | 2009 | change | 2010 | 2009 | change |
| At 2009 constant exchange rates: | | | | | | |
| Revenue | 123.8 | 124.0 | (0.2%) | 511.1 | 512.7 | (0.3%) |
| Adjusted operating profit (before amortisation and impairment of intangible assets ¹ and one-off items) | 23.4 | 23.3 | 0.4% | 98.1 | 89.2 | 10.0% |
| At actual exchange rates: | | | | | | |
| Adjusted operating profit (before amortisation and impairment of intangible assets ¹ and one-off items) | 23.3 | 23.3 | - | 98.0 | 89.2 | 9.9% |

¹ excluding computer software

Revenue in the Pest Control division declined by 0.3%. This was largely due to an 8.5% decline in the UK & Ireland Hygiene business where a 21% improvement in terminations failed to compensate declines in portfolio and contract sales. Consistent with contract structure, lower revenue from the Libyan contract following the move in Q1 to locally resourced service provision also impacted revenue growth. Europe, North America, the UK and East Africa & Caribbean (EAC) businesses all recorded revenue growth. North America performed particularly well, increasing revenue by 5.2%, attributable to new contract sales, reduced terminations and 7.5% growth in the products distribution business. The turnaround of the UK Pest Control business has been a particular success story of 2010, with the business moving into positive growth (up 1.7%) versus a prior year decline of 5.8%. Overall Europe was flat, with modest growth in Northern Europe largely offset by declines in France, Spain, Portugal and Greece. Revenue in EAC grew by 7.9%.

Profit rose by 10.0% with strong performances across most areas, most notably UK Pest which grew profit by 21.1% reflecting strong jobs, service productivity and lower overheads. Growth in Europe increased by 13.1% impacted largely by Spain (+189.1%), Switzerland (+19.3%) and Germany (+15.1%) with all countries showing positive growth. Growth in Spain was supported by an insurance receipt of £1.1m in 2010 and the impact of a number of unusual costs taken in 2009. Profit in North America rose by 13.7% on solid revenue growth, while EAC and South Africa grew by 10.2% and 6.3% respectively.

Asia Pacific

| £ million | Fourth Quarter | | | Full Year | | |
|--|----------------|------|--------|-----------|-------|--------|
| | 2010 | 2009 | change | 2010 | 2009 | change |
| At 2009 constant exchange rates: | | | | | | |
| Revenue | 49.0 | 48.9 | 0.2% | 192.2 | 202.1 | (4.9%) |
| Adjusted operating profit (before amortisation and impairment of intangible assets ¹ and one-off items) | 6.7 | 1.7 | 294.1% | 25.4 | 21.1 | 20.4% |
| At actual exchange rates: | | | | | | |
| Adjusted operating profit (before amortisation and impairment of intangible assets ¹ and one-off items) | 8.2 | 2.1 | 290.5% | 29.6 | 21.1 | 40.3% |

¹ excluding computer software

Asia Pacific revenue declined by 4.9%, impacted by the exit in 2009 of the low-margin Hong Kong Government contract. Underlying revenue growth was broadly flat year on year with Asia growing by 1.4% and the Pacific declining by 1.1%. Asia showed solid revenue growth momentum in its established markets of Indonesia (up 9.6%) and Thailand (up 4.5%), while the emerging businesses in Vietnam, India and Brunei delivered greater than double digit growth of 42.5%, 15.7% and 14.2% respectively. Throughout the year China decreased its dependency on Government sales, developing a fast-growing commercial business. In the Pacific region, New Zealand performed well but prior year contract losses in Australia Hygiene and Ambius and weaker residential job work in Australia Pest resulted in overall revenue decline of 1.1%.

Profit grew by 20.4%, supported by strong cost control and fewer asset write-offs. Both 2009 and 2010 had adjustments, mostly related to acquisitions made prior to 2008.

Ambius

| £ million | Fourth Quarter | | | Full Year | | |
|--|----------------|------|--------|-----------|-------|--------|
| | 2010 | 2009 | change | 2010 | 2009 | change |
| At 2009 constant exchange rates: | | | | | | |
| Revenue | 36.2 | 34.8 | 4.0% | 116.6 | 121.0 | (3.6%) |
| Adjusted operating profit (before amortisation and impairment of intangible assets ¹ and one-off items) | 4.7 | 5.0 | (6.0%) | 8.4 | 8.8 | (4.5%) |
| At actual exchange rates: | | | | | | |
| Adjusted operating profit (before amortisation and impairment of intangible assets ¹ and one-off items) | 4.8 | 4.9 | (2.0%) | 8.6 | 8.8 | (2.3%) |

¹ excluding computer software

While Ambius experienced a difficult trading environment during the first half of 2010, conditions showed signs of easing in H2 with the division moving into positive revenue growth in Q4, the first time since Q4 2008. Full year revenue declined by 3.6% year on year, but represents a significant improvement on 2009's decline of 10.5%. Job revenue grew by 9.1%, aided by good performances from the UK (+40%), France (+38%), the Netherlands (+22%) and North America (+6.0%). There were good increases in US Christmas job sales and the UK also benefited from gritting work during the period of heavy snow in December. While these are encouraging trends, they could not compensate for significant portfolio erosion during 2009.

Profit fell by 4.5%, reflecting portfolio reductions offset by cost savings programmes and adjustments in service headcount in line with portfolio movement. Despite a 4.9% reduction in revenue, the North America business delivered a modest 0.6% profit increase attributable to strong cost control and increased service productivity.

City Link

| £ million | Fourth Quarter | | | Full Year | | |
|--|----------------|-------|----------|-----------|-------|---------|
| | 2010 | 2009 | change | 2010 | 2009 | change |
| At 2009 constant exchange rates: | | | | | | |
| Revenue | 87.6 | 100.9 | (13.2%) | 335.5 | 353.1 | (5.0%) |
| Adjusted operating loss (before amortisation and impairment of intangible assets ¹ and one-off items) | (3.6) | 2.7 | (233.3%) | (9.6) | (5.6) | (71.4%) |
| At actual exchange rates: | | | | | | |
| Adjusted operating loss (before amortisation and impairment of intangible assets ¹ and one-off items) | (3.6) | 2.7 | (233.3%) | (9.6) | (5.6) | (71.4%) |

¹ excluding computer software

City Link's operating loss of £9.6m is £4.0m worse than the corresponding loss in 2009 on a £17.6m (5.0%) reduction in reported revenue. The operation was severely impacted at the beginning and end of the year by heavy snow fall resulting in lower levels of productivity and higher delivery costs, with an estimated in year impact of £4m.

The UK Parcels industry continued to be extremely competitive during 2010 with price cutting a continuing market dynamic. However, pricing pressure softened slightly on 2009, with revenue per consignment declining by 3.3% (2009: 4.5%). Parcel volumes were down 1.8% on 2009.

Service levels throughout 2010 were generally above 98.5%. However, service levels were severely impacted during the period of heavy snow in the run up to Christmas and temporarily during the closure of the Wednesbury Hub in July.

Though good progress was made during 2010 in improving City Link's hub and depot structure and IT capability, its overall performance was particularly disappointing. While severe weather at the beginning and the end of the year was a contributing factor, the principal issue was that operational management of the business was poor, evidenced by high usage of subcontractors, inadequate contingency planning to deal with extreme conditions and poor engagement of front line colleagues. Significant management change has taken place and a detailed operating plan is now being pursued which should deliver substantial operational improvement prior to the Christmas seasonal peak.

Initial Facilities Services

| £ million | Fourth Quarter | | | Full Year | | |
|--|----------------|-------|--------|-----------|-------|--------|
| | 2010 | 2009 | change | 2010 | 2009 | change |
| At 2009 constant exchange rates: | | | | | | |
| Revenue | 148.6 | 136.3 | 9.0% | 556.4 | 547.6 | 1.6% |
| Adjusted operating profit (before amortisation and impairment of intangible assets ¹ and one-off items) | 9.1 | 8.5 | 7.1% | 25.9 | 21.3 | 21.6% |
| At actual exchange rates: | | | | | | |
| Adjusted operating profit (before amortisation and impairment of intangible assets ¹ and one-off items) | 9.2 | 8.5 | 8.2% | 25.9 | 21.3 | 21.6% |

¹ excluding computer software

Despite challenging market conditions Facilities Services delivered an excellent performance on profit and cash in 2010, with an improving revenue line as the year progressed. Revenue grew 1.6% year on year, 9.0% in Q4, reflecting the contribution from Knightsbridge Guarding. Underlying revenue, excluding Knightsbridge, declined by 2.2% but grew by 1.6% in Q4, aided by a strong performance in Catering.

During the year Facilities Services continued to drive margin improvement and reduce its cost base through initiatives to improve operational efficiency, including an organisational simplification in Q4. Contract wins, margin improvement and cost reductions all contributed to strong profit growth of 21.6%. Excluding Knightsbridge, profit growth was 18.8%.

Central Costs

| £ million | Fourth Quarter | | | Full Year | | |
|---|----------------|-------|--------|-----------|--------|--------|
| | 2010 | 2009 | change | 2010 | 2009 | change |
| At 2009 constant exchange rates: | | | | | | |
| Central costs | (4.5) | (8.0) | 43.8% | (33.9) | (42.4) | 20.0% |
| At actual exchange rates: | | | | | | |
| Central costs | (4.5) | (8.0) | 43.8% | (33.9) | (42.4) | 20.0% |

Central costs for the year were £8.5m lower than last year primarily due to lower incentive costs and the impact of central accruals made in 2009.

One-off items including reorganisation costs

Net one-off costs in the year amounted to £25.9m (2009: £40.2m). £28.0m of these relate directly to the group's major reorganisation program and consists mainly of redundancy costs, consultancy and plant and office closure costs net of the profit on sale of certain properties. One-off items also include the profit or loss on the disposal of businesses, which totalled £3.7m in 2010. In 2010, a credit of £35.0m in respect of a change in pension liabilities as a result of using CPI rather than RPI for calculating certain future pensions increases and a £29.2m charge in respect of a claim under a lease guarantee made by a subsidiary following the disposal of a business some 20 years ago are also included in one-off items. These costs 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. Details of one-off items incurred in the period, for which adjustments have been made, are set out in Appendix 4.

Goodwill impairment

In accordance with the group's accounting policy, goodwill is tested for impairment annually using cash flow projections based on financial budgets and long-range plans. During the year an impairment charge of £97.8m has been recognised and charged in the income statement - £95.0m relates to City Link (reducing the carrying value of goodwill to £108.1m at 31 December 2010) and £2.8m relates to a number of smaller businesses in Asia Pacific.

Interest

Net interest payable of £51.1m for the year was £6.5m lower than in 2009. Favourable interest rates and lower net debt reduced the year on year charge by £5.8m and mark to market moves by a further £7.1m. These benefits were offset by lower net pension interest receivable of £5.8m and other smaller items amounting to £0.6m.

Tax

The income tax expense for the year was £34.8m on the reported profit before tax of £14.5m. The reason for the high tax charge on the reported profit was that there is no tax relief on the goodwill impairment of £97.8m or the provision of £29.2m in respect of a lease guarantee claim reported within one-off items. Adjusting for these two items the effective tax rate is 24.6% of profit before tax. This compares with a blended rate of tax for the countries in which the group operates of 29%. The principal factor that caused the lower effective tax rate (after adjusting for the two items mentioned above) is the release of prior year provisions for tax no longer considered necessary as various issues were either settled or became statute barred in the year. The blended tax rate for 2011 is also expected to be 29%.

Net debt and cash flow

| £ million at actual exchange rates | Year to Date | | |
|--|--------------|------------|--------------|
| | 2010 £m | 2009 £m | Change £m |
| Adjusted operating profit ¹ | 239.3 | 220.8 | 18.5 |
| One-off items | (25.1) | (40.2) | 15.1 |
| Depreciation | 212.9 | 215.9 | (3.0) |
| Other non-cash | 10.5 | 7.7 | 2.8 |
| EBITDA | 437.6 | 404.2 | 33.4 |
| Working capital | (32.8) | 91.7 | (124.5) |
| Capex - additions | (197.7) | (189.2) | (8.5) |
| Capex - disposals | 13.0 | 10.0 | 3.0 |
| Operating cash flow | 220.1 | 316.7 | (96.6) |
| Interest | (43.9) | (61.5) | 17.6 |
| Tax | (35.0) | (17.5) | (17.5) |
| Purchase of available-for-sale investments | - | (0.8) | 0.8 |
| Free cash flow | 141.2 | 236.9 | (95.7) |
| Acquisitions/disposals | (7.9) | (6.8) | (1.1) |
| Foreign exchange translation and other items | 21.2 | 24.0 | (2.8) |
| Decrease in net debt | 154.5 | 254.1 | (99.6) |
| Closing net debt | (953.6) | (1,108.1) | 154.5 |

¹ before amortisation and impairment of intangibles (excluding computer software) and one-off items

Operating cash flow continues to be strong with a full year conversion rate of 114.0% after adjusting for one-off cash flows of £52.8m. Despite this strong performance, operating cash flow was £96.6m lower than 2009 due to lower inflows from working capital, slightly higher capex partly offset by higher EBITDA.

Inflows from working capital were £124.5m lower than last year due to lower debtor inflows (2009 benefiting from unusually high debtors at the end of 2008) and the spend against restructuring provisions made in 2009. EBITDA was £33.4m higher than last year due mainly to improved trading performance. Net capital expenditure was £5.5m higher than 2009.

Tax and interest payments (including finance lease interest) were £0.1m lower than last year with 2009 benefiting from tax repayments not repeated in 2010. Lower interest payments reflected lower debt, interest rates and the timing of payments under various facilities. Free cash flow was therefore £95.7m lower than last year at £141.2m inflow.

Acquisition and disposal cash flows (acquisition of Knightsbridge Guarding, acquisition of the dental reclamation business in Sweden and the disposal of the Textiles business in Spain) amounted to a £7.9m outflow. Foreign exchange translation and other items reduced net debt by £21.2m, leaving net debt at £953.6m at 31 December 2010.

ANNUAL CONTRACT PORTFOLIO - CONTINUING BUSINESSES

3 Months to 31 December 2010

| <u>£m at constant 2009 exchange rates</u> | <u>1.10.10</u> | <u>New Business / Additions</u> | <u>Terminations/ Reductions</u> | <u>Net Price Increases</u> | <u>Acquisitions /(Disposals)</u> | <u>31.12.10</u> | <u>31.12.10 at actual exchange</u> |
|---|----------------|---|-------------------------------------|--------------------------------|--------------------------------------|-----------------|--|
| Textiles & Hygiene | 725.7 | 24.3 | (22.7) | - | 1.2 | 728.5 | 703.3 |
| Pest Control | 391.2 | 14.2 | (16.7) | 0.8 | - | 389.5 | 390.7 |
| Asia Pacific | 154.3 | 7.0 | (7.3) | 0.4 | - | 154.4 | 175.2 |
| Ambius | 94.5 | 3.0 | (3.9) | 0.3 | 0.2 | 94.1 | 94.5 |
| Facilities Services | 523.6 | 17.4 | (19.8) | 1.1 | 2.3 | 524.6 | 522.2 |
| TOTAL | 1,889.3 | 65.9 | (70.4) | 2.6 | 3.7 | 1,891.1 | 1,885.9 |

12 Months to 31 December 2010

| <u>£m at constant 2009 exchange rates</u> | <u>1.1.10</u> | <u>New Business / Additions</u> | <u>Terminations / Reductions</u> | <u>Net Price Increases</u> | <u>Acquisitions /(Disposals)</u> | <u>31.12.10</u> | <u>31.12.10 at actual exchange</u> |
|---|----------------|---|--------------------------------------|--------------------------------|--------------------------------------|-----------------|--|
| Textiles & Hygiene | 757.5 | 97.7 | (103.8) | (3.6) | (19.3) | 728.5 | 703.3 |
| Pest Control | 387.0 | 60.7 | (65.2) | 6.4 | 0.6 | 389.5 | 390.7 |
| Asia Pacific | 149.1 | 29.1 | (25.7) | 1.9 | - | 154.4 | 175.2 |
| Ambius | 95.8 | 12.3 | (15.6) | 1.1 | 0.5 | 94.1 | 94.5 |
| Facilities Services | 467.9 | 103.7 | (89.1) | 5.2 | 36.9 | 524.6 | 522.2 |
| TOTAL | 1,857.3 | 303.5 | (299.4) | 11.0 | 18.7 | 1,891.1 | 1,885.9 |

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 Hygiene and Catering, 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/Additions: Represents new contractual arrangements in the period with a new or existing customers and additional business added to existing contracts.

Terminations/Reductions: Represent the cessation or reduction in value of an existing customer contract or the complete cessation of business with a customer.

Net Price Increases: Represents the net change in portfolio value as a result of price increase and decreases.

Acquisitions/Disposals: Represents the net value of customer contracts added or lost as a result of businesses acquired or disposed in the period. Also includes the net volume related changes for the textiles businesses, where it is common practice for customers to increase or decrease service volumes according to their daily operational requirements.

Retention rates: With effect from Quarter one 2009, retention rates are calculated on total terminations (terminations and reductions) with prior years restated to a comparable basis. In prior years these were based on terminations excluding reductions. The Textiles & Hygiene and group portfolio movements of additions and reductions have been restated in 2010 to net off Textile customer temporary service volume related changes which were previously reported gross as either additions or reductions to the portfolio. The calculated retention and gross sales rates have been restated accordingly.

Divisional Analysis (at constant exchange rates)

| | 3 months to 31 December 2010 £m | 3 months to 31 December 2009 £m | Year ended 31 December 2010 £m | Year ended 31 December 2009 £m |
|--|--|--|---|---|
| (at 2009 constant exchange rates) | | | | |
| Revenue | | | | |
| Textiles & Hygiene | 211.9 | 217.3 | 847.0 | 859.6 |
| Pest Control | 123.8 | 124.0 | 511.1 | 512.7 |
| Asia Pacific | 49.0 | 48.9 | 192.2 | 202.1 |
| Ambius | 36.2 | 34.8 | 116.6 | 121.0 |
| City Link | 87.6 | 100.9 | 335.5 | 353.1 |
| Facilities Services | 148.6 | 136.3 | 556.4 | 547.6 |
| Segmental revenue | 657.1 | 662.2 | 2,558.8 | 2,596.1 |
| Inter group trading | (14.9) | (16.8) | (59.1) | (65.3) |
| Continuing operations at constant exchange rates | 642.2 | 645.4 | 2,499.7 | 2,530.8 |
| Exchange | 0.2 | 2.2 | (3.2) | - |
| Continuing operations at actual exchange rates | 642.4 | 647.6 | 2,496.5 | 2,530.8 |

Adjusted operating profit

| | | | | |
|--|--------|--------|--------|--------|
| Textiles & Hygiene | 30.9 | 38.2 | 124.9 | 128.4 |
| Pest Control | 23.4 | 23.3 | 98.1 | 89.2 |
| Asia Pacific | 6.7 | 1.7 | 25.4 | 21.1 |
| Ambius | 4.7 | 5.0 | 8.4 | 8.8 |
| City Link | (3.6) | 2.7 | (9.6) | (5.6) |
| Facilities Services | 9.1 | 8.5 | 25.9 | 21.3 |
| Central Costs | (4.5) | (8.0) | (33.9) | (42.4) |
| Segmental profit | 66.7 | 71.4 | 239.2 | 220.8 |
| One-off items (Appendix 4) | (3.0) | (20.3) | (25.9) | (40.2) |
| Amortisation of intangible assets ¹ | (13.0) | (14.1) | (53.0) | (57.0) |
| Impairment of goodwill | (97.5) | (0.4) | (97.5) | (4.3) |
| Continuing operations at constant exchange rates | (46.8) | 36.6 | 62.8 | 119.3 |
| Exchange | (0.2) | 0.4 | (1.3) | - |
| Continuing operations at actual exchange rates | (47.0) | 37.0 | 61.5 | 119.3 |

¹ excluding computer software

Divisional Analysis (at actual exchange rates)

| | 3 months to 31 December 2010 £m | 3 months to 31 December 2009 £m | Year ended 31 December 2010 £m | Year ended 31 December 2009 £m |
|--|--|--|---|---|
| (at actual exchange rates) | | | | |
| Revenue | | | | |
| Textiles & Hygiene | 204.3 | 218.7 | 818.8 | 859.6 |
| Pest Control | 123.6 | 123.1 | 511.7 | 512.7 |
| Asia Pacific | 57.4 | 50.9 | 218.3 | 202.1 |
| Ambius | 36.3 | 34.3 | 117.2 | 121.0 |
| City Link | 87.6 | 100.9 | 335.5 | 353.1 |
| Facilities Services | 148.0 | 136.4 | 554.0 | 547.6 |
| Segmental revenue | 657.2 | 664.3 | 2,555.5 | 2,596.1 |
| Inter group trading | (14.8) | (16.7) | (59.0) | (65.3) |
| Continuing operations at actual exchange rates | 642.4 | 647.6 | 2,496.5 | 2,530.8 |
| Adjusted operating profit | | | | |
| Textiles & Hygiene | 29.8 | 38.5 | 120.7 | 128.4 |
| Pest Control | 23.3 | 23.3 | 98.0 | 89.2 |
| Asia Pacific | 8.2 | 2.1 | 29.6 | 21.1 |
| Ambius | 4.8 | 4.9 | 8.6 | 8.8 |
| City Link | (3.6) | 2.7 | (9.6) | (5.6) |
| Facilities Services | 9.2 | 8.5 | 25.9 | 21.3 |
| Central Costs | (4.5) | (8.0) | (33.9) | (42.4) |
| Segmental profit | 67.2 | 72.0 | 239.3 | 220.8 |
| One-off items (Appendix 4) | (2.7) | (20.4) | (25.1) | (40.2) |
| Amortisation of intangible assets ¹ | (13.7) | (14.3) | (54.9) | (57.0) |
| Impairment of goodwill | (97.8) | (0.3) | (97.8) | (4.3) |
| Continuing operations at actual exchange rates | (47.0) | 37.0 | 61.5 | 119.3 |

¹ excluding computer software

One-off Items including reorganisation costs

| | 3 months to 31 December 2010 £m | 3 months to 31 December 2009 £m | Year ended 31 December 2010 £m | Year ended 31 December 2009 £m |
|----------------------------|--|--|---|---|
| Textiles & Hygiene | (3.8) | (16.2) | (11.6) | (29.4) |
| Pest Control | (2.1) | (1.8) | (3.4) | (2.1) |
| Asia Pacific | 1.1 | 0.1 | 1.4 | (0.1) |
| Ambius | - | (0.5) | - | (0.7) |
| City Link | (0.8) | (1.3) | (10.5) | (3.3) |
| Facilities Services | (2.3) | (1.2) | (3.1) | (1.8) |
| Central Costs | 4.9 | 0.6 | 1.3 | (2.8) |
| At constant exchange rates | (3.0) | (20.3) | (25.9) | (40.2) |
| Exchange | 0.3 | (0.1) | 0.8 | - |
| At actual exchange rates | (2.7) | (20.4) | (25.1) | (40.2) |

Net one-off costs in the year amounted to £25.9m (2009: £40.2m). £28.0m of these relate directly to the group's major reorganisation program and consists mainly of redundancy costs, consultancy and plant and office closure costs net of the profit on sale of certain properties. One-off items also include the profit or loss on the disposal of businesses, which totalled £3.7m in 2010. In 2010, a credit of £35.0m in respect of a change in pension liabilities as a result of using CPI rather than RPI for calculating certain future pensions increases and a £29.2m charge in respect of a claim under a lease guarantee made by a subsidiary following the disposal of a business some 20 years ago are also included in one-off items. These costs 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.

Condensed consolidated income statement

For the year ended 31 December

| | Notes | 2010 £m | 2009 £m |
|---|-------|---------------|--------------|
| Revenue | 1 | 2,496.5 | 2,530.8 |
| Operating expenses | | (2,435.0) | (2,411.5) |
| Operating profit | | 61.5 | 119.3 |
| Analysed as: | | | |
| Operating profit before amortisation and impairment of intangibles ¹ and one-off items | | 239.3 | 220.8 |
| One-off items | | (25.1) | (40.2) |
| Amortisation and impairment of intangible assets ¹ | | (152.7) | (61.3) |
| Operating profit | 1 | 61.5 | 119.3 |
| Interest payable and similar charges | 2 | (114.4) | (125.0) |
| Interest receivable | 3 | 63.3 | 67.4 |
| Share of profit from associates (net of tax) | | 4.1 | 3.3 |
| Profit before income tax | | 14.5 | 65.0 |
| Income tax expense ² | 4 | (34.8) | (16.1) |
| (Loss) / Profit for the year | | (20.3) | 48.9 |
| Attributable to: | | | |
| Equity holders of the company | | (23.4) | 47.6 |
| Non controlling interests | | 3.1 | 1.3 |
| | | (20.3) | 48.9 |

| | | | |
|--|---|----------------|-------|
| Basic earnings per share | 6 | (1.29p) | 2.63p |
| Diluted earnings per share | 6 | (1.29p) | 2.63p |
| Adjusted earnings per share | 6 | 7.81p | 6.61p |
| Diluted adjusted earnings per share | 6 | 7.75p | 6.60p |

¹ excluding computer software

² taxation includes £22.6 million (2009: £14.8 million) in respect of overseas taxation.

The board is not recommending the payment of a final dividend, leaving the full year dividend at nil pence per share (total: £nil). See note 7.

Condensed consolidated statement of comprehensive income

For the year ended 31 December

| | 2010 £m | 2009 £m |
|--|-------------|---------------|
| (Loss) / Profit for the year | (20.3) | 48.9 |
| Other comprehensive income: | | |
| Net exchange adjustments offset in reserves | 33.5 | 28.7 |
| Actuarial gain / (loss) on defined benefit pension plans | 15.4 | (211.4) |
| Revaluation of available-for-sale investments | 1.1 | (2.5) |
| Movement on cash flow hedge reserve | (1.3) | (0.8) |
| Tax on items taken directly to reserves | (4.2) | 49.0 |
| Cumulative exchange recycled to income statement on disposal of foreign operations | (2.3) | (2.0) |
| Net profit / (loss) not recognised in income statement | 42.2 | (139.0) |
| Total comprehensive income / (expense) for the year | 21.9 | (90.1) |
| Attributable to: | | |
| Equity holders of the company | 17.7 | (93.6) |
| Non controlling interests | 4.2 | 3.5 |
| | 21.9 | (90.1) |

Condensed consolidated balance sheet

At 31 December

| | Notes | 2010 £m | 2009 £m |
|--|-------|------------------|------------------|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | 8 | 552.1 | 668.2 |
| Property, plant and equipment | 9 | 589.7 | 636.3 |
| Investments in associated undertakings | | 18.7 | 13.4 |
| Other investments | | 2.8 | 1.4 |
| Deferred tax assets | | 10.3 | 26.0 |
| Retirement benefit assets | 12 | 5.0 | - |
| Other receivables | | 29.6 | 26.5 |
| Derivative financial instruments | | 39.7 | 27.3 |
| | | 1,247.9 | 1,399.1 |
| Current assets | | | |
| Other investments | | 0.9 | 2.3 |
| Inventories | | 44.7 | 47.3 |
| Trade and other receivables | | 414.1 | 437.5 |
| Derivative financial instruments | | 0.9 | 13.1 |
| Cash and cash equivalents | 10 | 93.0 | 101.7 |
| | | 553.6 | 601.9 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | (533.8) | (543.3) |
| Current tax liabilities | | (96.5) | (102.4) |
| Provisions for other liabilities and charges | 13 | (31.1) | (56.8) |
| Bank and other short-term borrowings | 11 | (58.6) | (89.7) |
| Derivative financial instruments | | (3.0) | (13.3) |
| | | (723.0) | (805.5) |
| Net current liabilities | | (169.4) | (203.6) |
| Non-current liabilities | | | |
| Other payables | | (12.3) | (14.0) |
| Bank and other long-term borrowings | 11 | (988.0) | (1,120.1) |
| Deferred tax liabilities | | (69.9) | (73.8) |
| Retirement benefit obligations | 12 | (16.9) | (64.3) |
| Provisions for other liabilities and charges | 13 | (86.8) | (69.0) |
| Derivative financial instruments | | (29.8) | (4.4) |
| | | (1,203.7) | (1,345.6) |
| Net liabilities | | (125.2) | (150.1) |
| Equity | | | |
| Capital and reserves attributable to the company's equity holders | | | |
| Called up share capital | 14 | 18.1 | 18.1 |
| Share premium account | | 6.8 | 6.8 |
| Other reserves | | (1,747.4) | (1,777.3) |
| Retained profits | | 1,586.8 | 1,593.0 |
| | | (135.7) | (159.4) |
| Non controlling interests | | 10.5 | 9.3 |
| Total equity | | (125.2) | (150.1) |

Condensed consolidated statement of changes in equity

For the year ended 31 December

| | Called up share capital £m | Share premium account £m | Other reserves £m | Retained earnings £m | Non controlling interests £m | Total equity £m |
|--|-------------------------------------|-----------------------------------|-------------------------|----------------------------|---------------------------------------|-----------------------|
| At 1 January 2009 | 18.1 | 6.8 | (1,798.5) | 1,702.7 | 9.0 | (61.9) |
| Profit for the year | - | - | - | 47.6 | 1.3 | 48.9 |
| Other comprehensive income: | | | | | | |
| Net exchange adjustments offset in reserves | - | - | 26.5 | - | 2.2 | 28.7 |
| Actuarial loss on defined benefit pension plans | - | - | - | (211.4) | - | (211.4) |
| Revaluation of available-for-sale investments | - | - | (2.5) | - | - | (2.5) |
| Movement on cash flow hedge reserve | - | - | (0.8) | - | - | (0.8) |
| Tax on items taken directly to reserves | - | - | - | 49.0 | - | 49.0 |
| Cumulative exchange recycled to income statement on disposal of foreign operations | - | - | (2.0) | - | - | (2.0) |
| Total comprehensive expense for the year | - | - | 21.2 | (114.8) | 3.5 | (90.1) |
| Transactions with owners: | | | | | | |
| Cost of share options and long-term incentive plan | - | - | - | 5.1 | - | 5.1 |
| Transactions with non controlling interests: | | | | | | |
| Acquisition of non controlling interests | - | - | - | - | (0.7) | (0.7) |
| Dividends paid to non controlling interests | - | - | - | - | (2.5) | (2.5) |
| At 31 December 2009 | 18.1 | 6.8 | (1,777.3) | 1,593.0 | 9.3 | (150.1) |
| At 1 January 2010 | 18.1 | 6.8 | (1,777.3) | 1,593.0 | 9.3 | (150.1) |
| Loss for the year | - | - | - | (23.4) | 3.1 | (20.3) |
| Other comprehensive income: | | | | | | |
| Net exchange adjustments offset in reserves | - | - | 32.4 | - | 1.1 | 33.5 |
| Actuarial gain on defined benefit pension plans | - | - | - | 15.4 | - | 15.4 |
| Revaluation of available-for-sale investments | - | - | 1.1 | - | - | 1.1 |
| Movement on cash flow hedge reserve | - | - | (1.3) | - | - | (1.3) |
| Tax on items taken directly to reserves | - | - | - | (4.2) | - | (4.2) |
| Cumulative exchange recycled to income statement on disposal of foreign operations | - | - | (2.3) | - | - | (2.3) |
| Total comprehensive income for the year | - | - | 29.9 | (12.2) | 4.2 | 21.9 |
| Transactions with owners: | | | | | | |
| Cost of share options and long-term incentive plan | - | - | - | 6.0 | - | 6.0 |
| Transactions with non controlling interests: | | | | | | |
| Acquisition of non controlling interests | - | - | - | - | (0.4) | (0.4) |
| Dividends paid to non controlling interests | - | - | - | - | (2.6) | (2.6) |
| At 31 December 2010 | 18.1 | 6.8 | (1,747.4) | 1,586.8 | 10.5 | (125.2) |

Treasury shares of £11.1 million (2009: £11.1 million) have been netted against retained earnings. Treasury shares represent 7.4 million (2009: 7.4 million) shares held by the Rentokil Initial Employee Share Trust. The market value of these shares at 31 December 2010 was £7.2 million (2009: £8.6 million). Dividend income from, and voting rights on, the shares held by the Trust have been waived.

Condensed consolidated statement of changes in equity (continued)

For the year ended 31 December

Analysis of other reserves

| | Capital reduction reserve £m | Legal £m | Cash flow hedge reserve £m | Trans- lation reserve £m | Availa- ble- for- sale £m | Total £m |
|--|---------------------------------------|-------------|--|-----------------------------------|---------------------------------------|-------------|
| At 1 January 2009 | (1,722.7) | 10.4 | (4.2) | (84.3) | 2.3 | (1,798.5) |
| Net exchange adjustments offset in reserves | - | - | - | 26.5 | - | 26.5 |
| Revaluation of available-for-sale investments | - | - | - | - | (2.5) | (2.5) |
| Movement on cash flow hedge reserve | - | - | (0.8) | - | - | (0.8) |
| Cumulative exchange recycled to income statement on disposal of foreign operations | - | - | - | (2.0) | - | (2.0) |
| Total comprehensive income for the year | - | - | (0.8) | 24.5 | (2.5) | 21.2 |
| At 31 December 2009 | (1,722.7) | 10.4 | (5.0) | (59.8) | (0.2) | (1,777.3) |
| At 1 January 2010 | (1,722.7) | 10.4 | (5.0) | (59.8) | (0.2) | (1,777.3) |
| Net exchange adjustments offset in reserves | - | - | - | 32.4 | - | 32.4 |
| Revaluation of available-for-sale investments | - | - | - | - | 1.1 | 1.1 |
| Movement on cash flow hedge reserve | - | - | (1.3) | - | - | (1.3) |
| Cumulative exchange recycled to income statement on disposal of foreign operations | - | - | - | (2.3) | - | (2.3) |
| Total comprehensive income for the year | - | - | (1.3) | 30.1 | 1.1 | 29.9 |
| At 31 December 2010 | (1,722.7) | 10.4 | (6.3) | (29.7) | 0.9 | (1,747.4) |

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

Condensed consolidated cash flow statement

For the year ended 31 December

| | Notes | 2010 £m | 2009 £m |
|---|-------|-------------|-------------|
| Cash flows from operating activities | | | |
| Cash generated from operating activities | 15 | 405.5 | 496.6 |
| Interest received | | 5.3 | 5.5 |
| Interest paid | | (48.3) | (65.9) |
| Income tax paid | | (35.0) | (17.5) |
| Net cash generated from operating activities | | 327.5 | 418.7 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment (PPE) | | (183.2) | (176.2) |
| Purchase of intangible fixed assets | | (9.4) | (6.3) |
| Proceeds from sale of PPE | | 13.0 | 10.0 |
| Acquisition of companies and businesses, net of cash acquired | 18 | (17.9) | (11.2) |
| Disposal of companies and businesses | 5 | 10.0 | 4.4 |
| Purchase of available-for-sale investments | | - | (0.8) |
| Dividends received from associates | | 1.9 | 1.8 |
| Net cash flows from investing activities | | (185.6) | (178.3) |
| Cash flows from financing activities | | | |
| Dividends paid to non controlling interests | | (2.6) | (2.5) |
| Interest element of finance lease payments | | (0.9) | (1.1) |
| Capital element of finance lease payments | | (7.4) | (9.3) |
| Loan repayments | | (122.9) | (216.0) |
| Net cash flows from financing activities | | (133.8) | (228.9) |
| Net increase in cash and bank overdrafts | 16 | 8.1 | 11.5 |
| Cash and bank overdrafts at beginning of year | | 59.7 | 62.4 |
| Exchange gains / (losses) on cash and bank overdrafts | | 5.9 | (14.2) |
| Cash and bank overdrafts at end of the financial year | 10 | 73.7 | 59.7 |

Notes to the condensed financial statements

1. Segmental information

Segmental information has been presented in accordance with IFRS 8 "Operating Segments" which the group has implemented with effect from 1 January 2009. This statement reflects internal organisation changes made on 1 January 2010 resulting in UK Washrooms and Ireland Healthcare businesses moving from Facilities Services to Textiles and Hygiene and also the changes made on 1 July 2010 resulted in these same businesses moving from Textiles & Hygiene to the Pest Control division and the transfer of the UK Shared Service Centre from Facilities Services to Central costs on 1 November 2010. Prior year comparisons have been restated.

| | Revenue 2010 £m | Revenue 2009 £m | Operating profit 2010 £m | Operating profit 2009 £m |
|--|-----------------------|-----------------------|-----------------------------------|-----------------------------------|
| At constant exchange rates | | | | |
| Textiles & Hygiene | 847.0 | 859.6 | 124.9 | 128.4 |
| Pest Control | 511.1 | 512.7 | 98.1 | 89.2 |
| Asia Pacific | 192.2 | 202.1 | 25.4 | 21.1 |
| Ambius | 116.6 | 121.0 | 8.4 | 8.8 |
| City Link | 335.5 | 353.1 | (9.6) | (5.6) |
| Facilities Services | 556.4 | 547.6 | 25.9 | 21.3 |
| Central costs | - | - | (33.9) | (42.4) |
| Total segmental | 2,558.8 | 2,596.1 | 239.2 | 220.8 |
| Inter group revenue | (59.1) | (65.3) | - | - |
| | 2,499.7 | 2,530.8 | 239.2 | 220.8 |
| Exchange | (3.2) | - | 0.1 | - |
| At actual exchange rates | 2,496.5 | 2,530.8 | 239.3 | 220.8 |
| One-off items | - | - | (25.1) | (40.2) |
| Amortisation of intangible assets ¹ | - | - | (54.9) | (57.0) |
| Impairment of goodwill | - | - | (97.8) | (4.3) |
| Operating Profit | - | - | 61.5 | 119.3 |
| Interest payable and similar charges | - | - | (114.4) | (125.0) |
| Interest receivable | - | - | 63.3 | 67.4 |
| Share of profit from associates (net of tax) | - | - | - | - |
| - Asia Pacific | - | - | 4.1 | 3.3 |
| Profit before income tax | - | - | 14.5 | 65.0 |
| Income tax expense | - | - | (34.8) | (16.1) |
| Total for the year | 2,496.5 | 2,530.8 | (20.3) | 48.9 |

| | Inter group revenues ² | | One-off items ³ | | Amortisation and impairment of intangibles ^{1,3} | |
|------------------------|-----------------------------------|-------------|----------------------------|-------------|---|-------------|
| | 2010 £m | 2009 £m | 2010 £m | 2009 £m | 2010 £m | 2009 £m |
| Textiles & Hygiene | 34.3 | 38.0 | 11.1 | 29.4 | 6.1 | 7.3 |
| Pest Control | 3.7 | 3.4 | 3.3 | 2.1 | 16.1 | 17.6 |
| Asia Pacific | 0.2 | 0.5 | (1.6) | 0.1 | 20.7 | 19.8 |
| Ambius | 0.2 | 0.2 | - | 0.7 | 2.2 | 3.1 |
| City Link ⁴ | 1.1 | 0.3 | 10.5 | 3.3 | 104.8 | 11.0 |
| Facilities Services | 19.6 | 22.9 | 3.1 | 1.8 | 2.5 | 2.2 |
| Central items | - | - | (1.3) | 2.8 | 0.3 | 0.3 |
| | 59.1 | 65.3 | 25.1 | 40.2 | 152.7 | 61.3 |
| Tax effect | - | - | 3.3 | (12.1) | (16.5) | (17.4) |
| After tax effect | 59.1 | 65.3 | 28.4 | 28.1 | 136.2 | 43.9 |

¹ excluding computer software

² at constant exchange rates

³ at actual exchange rates

⁴ included in the £104.8m amortisation and intangibles charge is an impairment charge of £95.0m for City Link

1. Segmental information (continued)

One-off items including reorganisation costs (before tax at actual exchange rates)

| | 2010 £m | 2009 £m |
|--|-------------|-------------|
| Textiles & Hygiene | | |
| Reorganisation costs – plant rationalisation ¹ | 0.4 | 22.7 |
| Reorganisation costs – Shared Service Centres ² | 3.6 | - |
| Reorganisation costs – other businesses | 2.5 | 6.7 |
| (Profit)/loss on disposal of businesses ³ | 4.6 | - |
| Total - Textiles and Hygiene | 11.1 | 29.4 |
| Pest Control | | |
| Reorganisation costs – Shared Service Centres ⁴ | 3.0 | - |
| Reorganisation costs – UK Hygiene business | 0.3 | 2.1 |
| Total - Pest Control | 3.3 | 2.1 |
| Asia Pacific | | |
| Reorganisation costs – management restructure | - | 0.7 |
| Reorganisation costs – other | - | 0.5 |
| (Profit)/loss on disposal of businesses ⁵ | (1.6) | (1.1) |
| Total - Asia Pacific | (1.6) | 0.1 |
| Ambius | | |
| Reorganisation costs | - | 0.7 |
| Total - Ambius | - | 0.7 |
| City Link | | |
| Reorganisation costs ⁶ | 3.3 | 3.3 |
| Reorganisation costs - closure of hub ⁷ | 7.2 | - |
| Total - City Link | 10.5 | 3.3 |
| Facilities Services | | |
| Reorganisation costs – project Chablis ⁸ | 2.2 | - |
| Reorganisation costs - other | 0.9 | 1.8 |
| Total - Facilities Services | 3.1 | 1.8 |
| Central costs | | |
| Reorganisation costs - relocation of group head office | - | 2.8 |
| Reorganisation costs - programme Olympic ⁹ | 4.5 | - |
| Pension changes – past service costs ¹⁰ | (35.0) | - |
| Lease Guarantee ¹¹ | 29.2 | - |
| Total - Central Costs | (1.3) | 2.8 |
| Total | 25.1 | 40.2 |

Additional notes in respect of 2010 one-off items

¹ relates to the closure of major processing plants in France, Belgium and the Netherlands including asset write-offs and redundancy costs net of the profit on the disposal of certain properties

² relates to the introduction of Shared Service Centres in Europe for back office processing and includes redundancy of employees and consultancy incurred in the implementation of these Shared Service Centres

³ loss on the disposal of the Spanish Textiles business partly offset by a small profit on disposal of the mats business in Finland including recycled exchange

⁴ redundancy costs - transfer of administration to Pest Control

⁵ adjustments made to the profit on disposal of businesses sold in earlier years

⁶ costs associated with the integration of Target Express and City Link businesses and represents redundancy, provision for the exit of non operational properties and the exit of vehicle leases

⁷ loss on disposal of the main City Link Hub

⁸ consultancy and redundancy costs associated with the reorganisation of the division into three business streams

⁹ consultancy and pilot running costs associated with the various performance improvement initiatives

¹⁰ reduction in pension liabilities following a change (move from RPI to CPI) in the calculation of certain future pension increases

¹¹ charge in respect of a claim under a lease guarantee made by a subsidiary following the disposal of a business some 20 years ago

2. Interest payable and similar charges

| | 2010 £m | 2009 £m |
|---|--------------|--------------|
| Hedged interest payable on medium term notes issued ¹ | 44.0 | 42.7 |
| Interest payable on bank loans and overdrafts ¹ | 3.0 | 7.1 |
| Interest payable on revolving credit facility ¹ | 4.0 | 6.4 |
| Interest payable on foreign exchange swaps | 3.2 | 4.0 |
| Interest payable on finance leases | 0.9 | 1.2 |
| Amortisation of discount on provisions | 0.8 | 0.9 |
| Underlying interest payable | 55.9 | 62.3 |
| Interest on defined benefit plan liabilities | 58.5 | 55.3 |
| Foreign exchange gain on translation of foreign denominated loans | (0.3) | (1.3) |
| Net ineffectiveness of fair value hedges ² | - | (3.1) |
| Fair value loss on other derivatives ^{2,3} | 0.3 | 11.8 |
| | 58.5 | 62.7 |
| Total interest payable and similar charges | 114.4 | 125.0 |

¹ interest expense on financial liabilities held at amortised cost.

² (gain)/loss on financial assets/liabilities at fair value through the income statement.

³ the fair value loss on other derivatives includes fair value losses relating to forward rate agreements of £nil (2009: £8.4 million) and interest rate swaps of £0.3 million (2009: £3.4 million).

3. Interest receivable

| | 2010 £m | 2009 £m |
|---|-------------|-------------|
| Bank interest ¹ | 4.1 | 5.8 |
| Interest receivable on foreign exchange swaps | 0.6 | 0.4 |
| Underlying interest receivable | 4.7 | 6.2 |
| Return on defined benefit plan assets (note 12) | 58.6 | 61.2 |
| Total interest receivable | 63.3 | 67.4 |

¹ interest income on loans and receivables

4. Income tax expense

| | 2010 £m | 2009 £m |
|---|-------------|-------------|
| Analysis of charge in the period | | |
| UK Corporation tax at 28.0% (2009: 28.0%) | 2.1 | 1.0 |
| Double tax relief | - | (0.2) |
| | 2.1 | 0.8 |
| Overseas taxation | 36.9 | 29.8 |
| Adjustment in respect of previous periods | (10.2) | 0.9 |
| Total current tax | 28.8 | 31.5 |
| Deferred tax | 6.0 | (15.4) |
| Total income tax expense | 34.8 | 16.1 |

5. Disposals

The group disposed of its Spanish Textiles business on 1 September 2010. Other includes the disposal of a small business in Finland, consideration deferred and the write off of liabilities in respect of prior period disposals. The results of these businesses, up to the date of disposal, are included in continuing businesses.

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

| | Spain Textiles £m | Other £m | 2010 £m |
|---|-------------------------|--------------|-------------|
| Non-current assets | | | |
| - Intangible assets | 1.4 | 0.2 | 1.6 |
| - Property, plant and equipment | 11.2 | 0.3 | 11.5 |
| Current assets | 5.2 | - | 5.2 |
| Current liabilities | (2.2) | (1.9) | (4.1) |
| Net assets disposed | 15.6 | (1.4) | 14.2 |
| Loss on disposal | (7.5) | 2.2 | (5.3) |
| Consideration | 8.1 | 0.8 | 8.9 |
| Consideration deferred from prior periods | - | 1.1 | 1.1 |
| Cash inflow from disposals of companies and businesses | 8.1 | 1.9 | 10.0 |

The loss on disposal above of £5.3 million excludes translation exchange gains of £2.3 million, which are recycled to the income statement, giving a total pre-tax loss on disposal of companies and businesses of £3.0 million. This loss on disposal is included in one-off items.

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 period, excluding those held in the Rentokil Initial Employee Share Trust for UK employees (see note at the bottom of the condensed consolidated statement of changes in equity), which are treated as cancelled.

| | 2010 £m | 2009 £m |
|---|------------|------------|
| (Loss) / Profit attributable to equity holders of the company | (23.4) | 47.6 |
| Weighted average number of ordinary shares in issue | 1,807.4 | 1,807.4 |
| Basic earnings per share | (1.29p) | 2.63p |

Diluted

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to include all potential dilutive ordinary shares. The group has two types of potential dilutive ordinary shares - those share options granted to employees where the exercise price is less than the average market price of the company's ordinary shares during the period; and the contingent issuable shares under the group's long-term incentive share plans, to the extent the performance conditions have been met at the end of the period.

| | 2010 £m | 2009 £m |
|---|------------|------------|
| (Loss) / Profit attributable to equity holders of the company | (23.4) | 47.6 |
| Weighted average number of ordinary shares in issue | 1,807.4 | 1,807.4 |
| Adjustment for share options and LTIPs ¹ | - | 2.9 |
| Weighted average number of ordinary shares for diluted earnings per share | 1,807.4 | 1,810.3 |
| Diluted earnings per share from continuing and discontinued operations | (1.29p) | 2.63p |

Adjusted

Adjusted earnings per share is the basic earnings per share adjusted for the after tax effects of one-off items and the amortisation and impairment of intangibles²

| | 2010 £m | 2009 £m |
|---|------------|------------|
| (Loss) / Profit attributable to equity holders of the company | (23.4) | 47.6 |
| One-off items and amortisation and impairment of intangibles ² before tax | 177.8 | 101.5 |
| Tax on one-off items and amortisation and impairment of intangibles ² | (13.2) | (29.5) |
| After tax effect of one-off items and amortisation and impairment of intangibles ² attributable to non controlling interests | (0.1) | (0.1) |
| Adjusted profit attributable to equity holders of the company | 141.1 | 119.5 |
| Weighted average number of ordinary shares in issue | 1,807.4 | 1,807.4 |
| Adjusted earnings per share | 7.81p | 6.61p |

Diluted adjusted

| | 2010 £m | 2009 £m |
|---|------------|------------|
| Adjusted profit attributable to equity holders of the company | 141.1 | 119.5 |
| Weighted average number of ordinary shares in issue | 1,807.4 | 1,807.4 |
| Adjustment for share options and LTIPs | 12.7 | 2.9 |
| Weighted average number of ordinary shares for diluted earnings per share | 1,820.1 | 1,810.3 |
| Diluted adjusted earnings per share from continuing and discontinued operations | 7.75p | 6.60p |

¹ potential issue of shares under share option and LTIPs schemes are not dilutive in 2010 as the group reported a loss

² excluding computer software

7. Dividends

No dividend payments were made in 2010. The board is not recommending the declaration of a dividend for 2010.

8. Intangible assets

| | Goodwill £m | Customer lists and relationships £m | Brands and patents £m | Reacquired franchise rights £m | Computer software £m | Total £m |
|--|----------------|--|--------------------------------|---|----------------------------|--------------|
| Cost | | | | | | |
| At 1 January 2009 | 503.3 | 479.8 | 25.9 | 25.4 | 36.1 | 1,070.5 |
| Exchange differences | (11.4) | (16.9) | (1.2) | - | (1.1) | (30.6) |
| Consideration adjustment | (3.2) | - | - | - | - | (3.2) |
| Additions | - | - | - | - | 6.3 | 6.3 |
| Disposals / retirements | - | - | - | - | (2.6) | (2.6) |
| Acquisition of companies and businesses | 1.3 | 0.8 | - | - | - | 2.1 |
| Disposal of companies and businesses | (3.7) | (6.9) | (0.9) | - | (0.1) | (11.6) |
| At 31 December 2009 | 486.3 | 456.8 | 23.8 | 25.4 | 38.6 | 1,030.9 |
| At 1 January 2010 | 486.3 | 456.8 | 23.8 | 25.4 | 38.6 | 1,030.9 |
| Exchange differences | 12.2 | 12.9 | 0.7 | - | 0.6 | 26.4 |
| Additions | - | - | - | - | 9.4 | 9.4 |
| Disposals / retirements | - | - | - | - | (1.9) | (1.9) |
| Acquisition of companies and businesses | 6.5 | 7.8 | 2.5 | - | - | 16.8 |
| Disposal of companies and businesses | (1.2) | (4.1) | - | - | - | (5.3) |
| At 31 December 2010 | 503.8 | 473.4 | 27.0 | 25.4 | 46.7 | 1,076.3 |
| Accumulated amortisation and impairment | | | | | | |
| At 1 January 2009 | (17.0) | (258.0) | (6.1) | (13.7) | (20.8) | (315.6) |
| Exchange differences | 1.4 | 10.0 | 0.3 | - | 0.5 | 12.2 |
| Disposals | - | - | - | - | 1.9 | 1.9 |
| Disposal of companies and businesses | 3.6 | 1.4 | 0.3 | - | 0.1 | 5.4 |
| Impairment charge | (4.3) | - | - | - | - | (4.3) |
| Amortisation charge | - | (48.1) | (2.5) | (6.4) | (5.3) | (62.3) |
| At 31 December 2009 | (16.3) | (294.7) | (8.0) | (20.1) | (23.6) | (362.7) |
| At 1 January 2010 | (16.3) | (294.7) | (8.0) | (20.1) | (23.6) | (362.7) |
| Exchange differences | (0.8) | (6.1) | (1.2) | - | (0.4) | (8.5) |
| Disposals | - | - | - | - | 1.6 | 1.6 |
| Disposal of companies and businesses | - | 3.7 | - | - | - | 3.7 |
| Impairment charge ¹ | (97.8) | - | - | - | - | (97.8) |
| Amortisation charge | - | (46.5) | (3.1) | (5.3) | (5.6) | (60.5) |
| At 31 December 2010 | (114.9) | (343.6) | (12.3) | (25.4) | (28.0) | (524.2) |
| Net Book Value | | | | | | |
| 1 January 2009 | 486.3 | 221.8 | 19.8 | 11.7 | 15.3 | 754.9 |
| 31 December 2009 | 470.0 | 162.1 | 15.8 | 5.3 | 15.0 | 668.2 |
| 31 December 2010 | 388.9 | 129.8 | 14.7 | - | 18.7 | 552.1 |

¹ includes an impairment charge for City Link of £95.0m

9. Property, plant and equipment

| | Land & buildings £m | Equipment for rental £m | Other plant and equipment £m | Vehicles and office equipment £m | Total £m |
|--|------------------------|----------------------------|---------------------------------|-------------------------------------|-------------|
| Cost | | | | | |
| At 1 January 2009 | 221.3 | 673.2 | 329.1 | 259.7 | 1,483.3 |
| Exchange differences | (12.2) | (37.2) | (19.1) | (10.1) | (78.6) |
| Additions | 4.1 | 122.1 | 16.4 | 33.0 | 175.6 |
| Disposals | (6.5) | (93.4) | (17.5) | (43.4) | (160.8) |
| Acquisition of companies and businesses | - | - | - | 0.2 | 0.2 |
| Disposal of companies and businesses | - | (3.4) | (0.4) | (1.1) | (4.9) |
| Reclassifications | (0.2) | - | - | 0.2 | - |
| At 31 December 2009 | 206.5 | 661.3 | 308.5 | 238.5 | 1,414.8 |
| At 1 January 2010 | 206.5 | 661.3 | 308.5 | 238.5 | 1,414.8 |
| Exchange differences | (3.3) | (3.8) | (6.9) | 6.0 | (8.0) |
| Additions | 9.5 | 127.2 | 20.9 | 32.7 | 190.3 |
| Disposals | (19.3) | (85.5) | (29.2) | (33.1) | (167.1) |
| Acquisition of companies and businesses | 1.0 | - | - | 0.1 | 1.1 |
| Disposal of companies and businesses | (2.8) | (15.3) | (10.8) | (1.2) | (30.1) |
| At 31 December 2010 | 191.6 | 683.9 | 282.5 | 243.0 | 1,401.0 |
| Accumulated depreciation and impairment | | | | | |
| At 1 January 2009 | (47.4) | (381.9) | (199.8) | (133.0) | (762.1) |
| Exchange differences | 3.1 | 21.1 | 12.0 | 6.3 | 42.5 |
| Disposals | 2.8 | 91.6 | 14.9 | 38.0 | 147.3 |
| Disposal companies and businesses | - | 3.2 | 0.4 | 0.8 | 4.4 |
| Depreciation charge | (8.1) | (133.5) | (26.0) | (43.0) | (210.6) |
| At 31 December 2009 | (49.6) | (399.5) | (198.5) | (130.9) | (778.5) |
| At 1 January 2010 | (49.6) | (399.5) | (198.5) | (130.9) | (778.5) |
| Exchange differences | 0.7 | 1.4 | 4.6 | (3.0) | 3.7 |
| Disposals | 11.4 | 84.0 | 27.3 | 29.5 | 152.2 |
| Disposal of companies and businesses | 0.5 | 11.1 | 6.0 | 1.0 | 18.6 |
| Depreciation charge | (13.8) | (131.0) | (23.7) | (38.8) | (207.3) |
| At 31 December 2010 | (50.8) | (434.0) | (184.3) | (142.2) | (811.3) |
| Net Book Value | | | | | |
| At 1 January 2009 | 173.9 | 291.3 | 129.3 | 126.7 | 721.2 |
| At 31 December 2009 | 156.9 | 261.8 | 110.0 | 107.6 | 636.3 |
| At 31 December 2010 | 140.8 | 249.9 | 98.2 | 100.8 | 589.7 |

10. Cash and cash equivalents

| | 2010 £m | 2009 £m |
|---|------------|------------|
| Cash at bank and in hand | 86.9 | 88.5 |
| Short-term bank deposits | 6.1 | 13.2 |
| | 93.0 | 101.7 |
| Cash and bank overdrafts include the following for the purposes of the cash flow statement: | | |
| Cash and cash equivalents | 93.0 | 101.7 |
| Bank overdrafts (note 11) | (19.3) | (42.0) |
| | 73.7 | 59.7 |

Included within cash at bank and in hand is £12.5 million (2009: £11.1 million) of restricted cash.

11. Bank and other borrowings

| | 2010 £m | 2009 £m |
|--|----------------|----------------|
| Non-current | | |
| RCF and other bank borrowings | 113.8 | 226.0 |
| Bond debt | 867.5 | 885.5 |
| Finance lease liabilities | 6.7 | 8.6 |
| | 988.0 | 1,120.1 |
| Current | | |
| Bank overdrafts (note 10) | 19.3 | 42.0 |
| Bank borrowings | 2.6 | 9.7 |
| Bond accruals | 29.7 | 30.4 |
| Finance lease liabilities | 7.0 | 7.6 |
| | 58.6 | 89.7 |
| Total bank and other borrowings | 1,046.6 | 1,209.8 |

Medium term notes and bond debt comprises:

| | Bond interest coupon | Effective hedged rate |
|--|--------------------------------|-----------------------|
| Non current | | |
| £300 million bond due March 2016 | Fixed 5.75% | Fixed 4.76% |
| £75 million bond due September 2013/2033 | Floating 3 month LIBOR + 3.98% | Fixed 7.89% |
| £50 million bond due October 2013 | Floating 3 month LIBOR + 3.25% | Fixed 7.44% |
| €500 million bond due March 2014 | Fixed 4.625% | Fixed 4.89% |
| Average cost of bond debt at year end rates | | 5.26% |

The group has a committed £500 million revolving credit facility which expires in October 2012 and which accrues interest at LIBOR for the period drawn plus 0.4%. The cost of borrowing under the RCF at the year end was 0.8995%.

The group's RCF, bank borrowings and bonds are held at amortised cost.

The £300 million bond was re-valued for changes in interest rates during the period March 2006 to April 2009, during which the group paid floating interest rates. At the end of this period, the group reverted to paying fixed interest rates and revaluation of the bond ceased as the hedge relationship ended. The bond is recorded in the financial statements at amortised cost and revaluation differences are amortised to the consolidated income statement over the life of the bond thus producing the effective rate indicated above.

12. Retirement benefit obligations

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 UK, which has a number of defined benefit sections which are now closed to new entrants (other than the Initial No2 Section, accounting for 0.5% of the total scheme's liabilities, which remains open). Actuarial valuations of the UK scheme are usually carried out every three years. The most recent valuation was at March 2007. The 2010 valuation is in progress.

The defined benefit schemes are re-appraised bi-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.

| | 2010 £m | 2009 £m |
|--------------------------------|------------|------------|
| Weighted average % | | |
| Discount rate | 5.4% | 5.7% |
| Expected return on plan assets | 5.7% | 6.0% |
| Future salary increases | 4.4% | 4.5% |
| Future pension increases | 3.5% | 3.5% |

The amounts recognised in the balance sheet for the total of the UK RIPS and other¹ schemes are determined as follows:

| | | |
|---------------------------------------|-----------|-----------|
| Present value of funded obligations | (1,071.0) | (1,054.2) |
| Fair value of plan assets | 1,070.2 | 1,001.1 |
| | (0.8) | (53.1) |
| Present value of unfunded obligations | (11.1) | (11.2) |
| Net pension liability | (11.9) | (64.3) |
| Presented in the balance sheet as | | |
| Retirement benefit assets | 5.0 | - |
| Retirement benefit obligation | (16.9) | (64.3) |
| | (11.9) | (64.3) |

The fair value of plan assets at the balance sheet date for the total of the UK RIPS and other¹ schemes is analysed as follows:

| | 2010 £m | 2009 £m |
|--------------------|------------|------------|
| Equity instruments | 197.3 | 173.5 |
| Debt instruments | 446.5 | 488.8 |
| Property | 0.7 | 0.6 |
| Other | 66.9 | 116.0 |
| Swaps | 358.8 | 222.2 |
| | 1,070.2 | 1,001.1 |

The amounts recognised in the income statement for the total of the UK RIPS and other¹ schemes are as follows:

| | | |
|---|--------|--------|
| Current service cost ² | 1.5 | 1.3 |
| Past service cost ³ | (35.0) | - |
| Interest cost ² | 58.5 | 55.3 |
| Amount charged to pension liability | 25.0 | 56.6 |
| Expected return on plan assets ² | (58.6) | (61.2) |
| Total pension income | (33.6) | (4.6) |

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

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

³ a credit in respect of a change in pension liabilities as a result of using CPI rather than RPI for calculating certain future pensions increases

13. Provisions for other liabilities and charges

| | Vacant properties £m | Environmental £m | Self insurance £m | Other £m | Total £m |
|-------------------------------------|----------------------------|---------------------|-------------------------|-------------|-------------|
| At 1 January 2009 | 30.5 | 25.1 | 45.3 | 21.6 | 122.5 |
| Exchange differences | (0.1) | 0.4 | (1.9) | (0.3) | (1.9) |
| Additional provisions | 3.0 | 2.3 | 3.0 | 24.8 | 33.1 |
| Unused amounts reversed | (0.3) | (0.6) | (0.3) | (1.6) | (2.8) |
| Unwinding of discount on provisions | 0.3 | 0.6 | - | - | 0.9 |
| Used during the year | (4.6) | (4.2) | (11.6) | (5.6) | (26.0) |
| At 31 December 2009 | 28.8 | 23.6 | 34.5 | 38.9 | 125.8 |
| At 1 January 2010 | 28.8 | 23.6 | 34.5 | 38.9 | 125.8 |
| Exchange differences | - | (0.3) | 0.7 | (0.5) | (0.1) |
| Additional provisions | 30.8 | - | 4.0 | 4.8 | 39.6 |
| Unused amounts reversed | (0.3) | (1.1) | (2.4) | (0.7) | (4.5) |
| Unwinding of discount on provisions | 0.3 | 0.5 | - | - | 0.8 |
| Used during the year | (6.2) | (2.6) | (8.4) | (26.5) | (43.7) |
| At 31 December 2010 | 53.4 | 20.1 | 28.4 | 16.0 | 117.9 |

Provisions analysed as follows:

| | 2010 £m | 2009 £m |
|-------------|------------|------------|
| Non-current | 86.8 | 69.0 |
| Current | 31.1 | 56.8 |
| | 117.9 | 125.8 |

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. An additional provision of £29.2m was made in the year in respect of a claim under a lease guarantee made by a subsidiary following the disposal of a business some 20 years ago.

Environmental

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

Self insurance

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

Other

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

14. Share Capital

| | 2010 £m | 2009 £m |
|---|------------|------------|
| Authorised | | |
| 4,100,000,000 ordinary shares of 1p each | 41.0 | 41.0 |
| Issued and fully paid | | |
| At 1 January and 31 December – 1,814,831,011 shares (2009: 1,814,831,011) | 18.1 | 18.1 |

15. Cash generated from operating activities

| | 2010 £m | 2009 £m |
|---|------------|------------|
| Profit for the year | (20.3) | 48.9 |
| Adjustments for: | | |
| - Tax | 34.8 | 16.1 |
| - Share of profit from associates | (4.1) | (3.3) |
| - Interest income | (63.3) | (67.4) |
| - Interest expense | 114.4 | 125.0 |
| - Depreciation and impairment of tangible assets | 207.3 | 210.6 |
| - Amortisation and impairment of intangible assets ¹ | 152.7 | 61.3 |
| - Amortisation of computer software | 5.6 | 5.3 |
| - LTIP charges | 6.0 | 5.1 |
| - Loss on sale of property, plant and equipment | 1.9 | 3.5 |
| - Loss on disposal / retirement of intangible assets | 0.3 | 0.7 |
| - Loss on disposal of companies and businesses | 5.3 | 1.1 |
| - Cumulative translation exchange gain recycled | (2.3) | (2.0) |
| Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation): | | |
| - Inventories | 4.1 | 3.2 |
| - Trade and other receivables | 22.6 | 64.4 |
| - Trade and other payables and provisions | (59.5) | 24.1 |
| Cash generated from operating activities | 405.5 | 496.6 |
| ¹ excluding computer software | | |

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

| | 2010 £m | 2009 £m |
|--|------------|------------|
| Net increase in cash and bank overdrafts | 8.1 | 11.5 |
| Movement on finance leases | 2.3 | 2.6 |
| Movement on loans | 122.9 | 216.0 |
| Decrease in debt resulting from cash flows | 133.3 | 230.1 |
| Foreign exchange translation and other items | 21.2 | 24.0 |
| Movement on net debt in the year | 154.5 | 254.1 |
| Opening net debt | (1,108.1) | (1,362.2) |
| Closing net debt | (953.6) | (1,108.1) |
| Closing net debt comprises: | | |
| Cash and cash equivalents | 93.0 | 101.7 |
| Bank and other short-term borrowings | (58.6) | (89.7) |
| Bank and other long-term borrowings | (988.0) | (1,120.1) |
| Total net debt | (953.6) | (1,108.1) |

17. Operating and free cash flow

| | 2010 £m | 2009 £m |
|---|------------|------------|
| Cash generated from operating activities | 405.5 | 496.6 |
| Purchase of property, plant and equipment (PPE) | (183.2) | (176.2) |
| Purchase of intangible fixed assets | (9.4) | (6.3) |
| Leased property, plant and equipment | (5.1) | (6.7) |
| Proceeds from sale of PPE | 13.0 | 10.0 |
| Dividends received from associates | 1.9 | 1.8 |
| Dividends paid to non controlling interests | (2.6) | (2.5) |
| Operating cash flow | 220.1 | 316.7 |
| Interest received | 5.3 | 5.5 |
| Interest paid | (48.3) | (65.9) |
| Interest element of finance lease payments | (0.9) | (1.1) |
| Income tax paid | (35.0) | (17.5) |
| Purchase of available-for-sale investments | - | (0.8) |
| Free cash flow | 141.2 | 236.9 |

18. Business combinations

On 17 June 2010, the group acquired 100% of the voting equity instruments of two businesses, Knightsbridge Guarding Holdings Ltd, a man guarding security service and Knightsbridge Guarding Business Ltd ("Perception"), a business services provider. The total consideration for the acquisition was £10.0m. On 2 August 2010, the group acquired 100% of the voting equity instruments of SR Dental AB, a dental reclamation business based in Sweden, for a total consideration of £6.7m. A further £0.6m related to other acquisitions, bringing the total consideration for current and prior period acquisitions to £17.3m.

From the dates of acquisition to 31 December 2010, these acquisitions contributed £22.3 million to revenue and £0.8 million to operating profit. If the acquisitions had occurred on 1 January 2010, these acquisitions would have contributed £42.9 million to revenue and £2.2 million to operating profit.

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

| | Knightsbridge Guarding £m | SR Dental AB £m | Other £m | 2010 £m |
|---|---------------------------------|--------------------|-------------|------------|
| Purchase consideration: | | | | |
| - Cash paid | 7.5 | 6.7 | 2.7 | 16.9 |
| - Contingent consideration | 2.5 | - | 0.2 | 2.7 |
| Total purchase consideration | 10.0 | 6.7 | 2.9 | 19.6 |
| Fair value of net assets acquired | (5.3) | (3.0) | (2.5) | (10.8) |
| Goodwill from current year acquisitions | 4.7 | 3.7 | 0.4 | 8.8 |
| Deferred consideration adjustment in respect of prior year acquisitions | - | - | (2.3) | (2.3) |
| Goodwill arising in the year | 4.7 | 3.7 | (1.9) | 6.5 |

Goodwill represents the synergies, workforce and other benefits expected as a result of combining the respective businesses. None of the goodwill recognised is expected to be deductible for tax purposes.

Contingent consideration up to a maximum of £2.7 million is payable over the next year based on earn out conditions on revenue and profit. The group has included the contingent consideration based on the fair value of consideration at the acquisition date.

The group incurred acquisition related costs of £0.5 million in respect of the above acquisitions.

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

| | Knightsbridge Guarding £m | SR Dental AB £m | Other £m | 2010 £m |
|---------------------------------|---------------------------------|-----------------------|-------------|------------|
| Non-current assets | | | | |
| - Property, plant and equipment | 0.2 | 0.9 | - | 1.1 |
| Current assets | 7.8 | 1.2 | - | 9.0 |
| Current liabilities | (6.0) | (0.9) | - | (6.9) |
| Non-current liabilities | (0.4) | (0.4) | - | (0.8) |
| Non controlling interest | - | - | 0.4 | 0.4 |
| Net assets acquired | 1.6 | 0.8 | 0.4 | 2.8 |

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

| | Knightsbridge Guarding £m | SR Dental AB £m | Other £m | 2010 £m |
|--|---------------------------------|-----------------------|-------------|------------|
| Non-current assets | | | | |
| - Intangible assets | 5.2 | 3.0 | 2.1 | 10.3 |
| Non-current liabilities (deferred tax) | (1.5) | (0.8) | - | (2.3) |
| Net assets acquired | 3.7 | 2.2 | 2.1 | 8.0 |

The fair value adjustments above include £nil in respect of prior year acquisitions following the finalisation of the acquisition accounting.

The provisional fair value¹ of assets and liabilities arising from acquisitions in the year and adjustments in respect of prior period acquisitions are as follows:

| | Knightsbridge Guarding £m | SR Dental AB £m | Other £m | 2010 £m |
|---------------------------------|---------------------------------|-----------------------|-------------|------------|
| Non-current assets | | | | |
| - Intangible assets | 5.2 | 3.0 | 2.1 | 10.3 |
| - Property, plant and equipment | 0.2 | 0.9 | - | 1.1 |
| Current assets | 7.8 | 1.2 | - | 9.0 |
| Current liabilities | (6.0) | (0.9) | - | (6.9) |
| Non-current liabilities | (1.9) | (1.2) | - | (3.1) |
| Non controlling interest | - | - | 0.4 | 0.4 |
| Net assets acquired | 5.3 | 3.0 | 2.5 | 10.8 |

¹ the provisional fair values will be finalised in the 2011 financial statements. The fair values are provisional as the acquisition accounting has not yet been finalised as a result of the proximity of the acquisitions to the period end.

18. Business combinations (continued)

| | Knightsbridge Guarding £m | SR Dental AB £m | Other £m | 2010 £m |
|--|---------------------------------|-----------------------|-------------|------------|
| Total purchase consideration | 10.0 | 6.7 | 0.6 | 17.3 |
| Consideration payable in future periods | (2.5) | - | (0.2) | (2.7) |
| Prior period deferred consideration adjustment | - | - | 2.3 | 2.3 |
| Purchase consideration (paid in cash) | 7.5 | 6.7 | 2.7 | 16.9 |
| Cash and cash equivalents in acquired companies and businesses | (2.6) | - | - | (2.6) |
| Cash outflow on current period acquisitions | 4.9 | 6.7 | 2.7 | 14.3 |
| Deferred consideration from prior periods paid | - | - | 3.6 | 3.6 |
| Cash outflow on current and past acquisitions | 4.9 | 6.7 | 6.3 | 17.9 |

19. Related Party Transactions

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

Nippon Calmic Ltd (49%) was an associate during the period. There are no significant transactions between Nippon Calmic Ltd and other group companies.

The group has made a loan to a consortium of private investors which enabled them to purchase a 25.1% stake in the South African business. The group has a receivable from this consortium as at 31 December 2010 of £21.3 million (2009: £17.9 million). The loan is due for repayment in 2014. The repayment of the loan will be dependent upon the future dividends generated by the business.

20. Legal statements

The financial information in this statement is unaudited and does not constitute the company's statutory accounts for the years ended 31 December 2010 or 2009. The financial information for 2009 is derived from the statutory accounts for 2009 which have been delivered to the registrar of companies. The auditors have reported on the 2009 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The statutory accounts for 2010 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the registrar of companies and issued to shareholders in April 2011. The statutory accounts for 2010 are 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 2009 Annual Report, except as noted below. A full list of policies will be presented in the 2010 Annual Report.

With effect from 1 January 2010, the group adopted 'Improvements to IFRSs 2010' which makes minor amendments to seven existing standards. These amendments impact disclosures and, therefore, have had no impact on the reported results or financial position of the group.

The following new standards and amendments to standards as adopted by the European Union at 31 December 2010 have been adopted by the group from 1 January 2010:

IFRS 3 (revised), 'Business combinations', introduces changes to the accounting treatment of acquisitions, such as accounting for acquisition related costs, the initial recognition and subsequent measurement of contingent consideration, and business combinations achieved in stages. The change in accounting policy has been applied prospectively and has not had a material impact on the reported results. Amendments to IAS 27, 'Consolidated and separate financial statements', requires that acquisitions of non controlling interests that do not result in a change of control are accounted for as transactions with equity holders and, therefore, no goodwill is recognised as a result. The change in accounting policy has been applied prospectively and has not had a material impact on the reported results

Other new standards and amendments to standards effective in the year did not have an impact on the group.

The following new standards and amendments to standards which are applicable to the group and have been issued, are not effective for the financial year beginning 1 January 2010. The group does not believe the adoption of the below standards and amendments to standards will have a material impact on the consolidated results or the financial position of the group.

IAS 24 Related party disclosures (revised 2009)
IAS 32 Amendments to financial instruments – classification of rights issues
IFRIC 19 Extinguishing financial liabilities with equity instruments
IFRIC 14 Prepayments of a Minimum Funding Requirement

21. 2010 Annual Report

Copies of the 2010 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 2 City Place, Beehive Ring Road, Gatwick Airport, West Sussex, RH6 0HA and at the company's website, www.rentokil-initial.com in HTML and PDF formats.

22. Financial calendar

For those shareholders who have elected to receive a printed copy, the Annual Report for 2010 will be mailed on 31 March 2011.

The Annual General Meeting will be held at 4 Hamilton Place, London, W1J 7BQ on 11 May 2011 at 11.00 am.