

**RENTOKIL INITIAL PLC (RTO)**  
**PRELIMINARY UNAUDITED RESULTS FOR YEAR ENDED 31 DECEMBER 2009**

Results	Q4 2009 AER	Growth		FY 2009 AER	Growth	
	£m	AER	CER	£m	AER	CER
Revenue	647.6	2.6%	(1.4%)	2,530.8	5.0%	(2.2%)
Operating profit <sup>1</sup>	51.6	27.4%	22.3%	180.6	22.4%	7.2%
Adjusted profit before tax <sup>2</sup>	61.8	68.4%	60.9%	166.5	54.3%	29.8%
Operating cash flow <sup>3</sup>	95.8	67.2%	56.8%	316.7	144.6%	119.5%

AER – actual exchange rates; CER – constant 2008 exchange rates

<sup>1</sup> before amortisation and impairment of intangibles

<sup>2</sup> before amortisation and impairment of intangibles and one-off items

<sup>3</sup> cash flow before interest, tax, acquisitions, disposals and foreign exchange adjustments.

### 2009 Full Year Highlights

- 54% increase in adjusted profit before tax<sup>2</sup> at AER at £166.5m
- Operating cash flow £317m (2008: £130m) = 143% cash conversion at AER
- Year-on-year reduction in net debt from £1.36bn to £1.11bn
- 5% revenue increase at AER, 2.2% decline at CER
- Cost savings of £82m (of which £54m City Link)
- Turnaround businesses – including City Link, UK Pest and Washrooms - all making strong progress
- A further £75m cost savings target for 2010

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

“In 2009 we delivered on our promises by substantially improving customer service, maximising cash flow and accelerating cost savings.

“We are now mobilising the group to create a platform for growth. Although we see no easing in economic conditions across most of our markets this year, our objectives are to deliver modest revenue growth, take out more costs and make further improvements in customer service and responsiveness.

“Above all, in 2010 we intend to lay the foundations for profitable growth in 2011 and beyond.”

### Enquiries

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A presentation for analysts and shareholders will be held on Friday 19 February 2010 at 9:15am at the offices of UBS, 1 Finsbury Avenue, London EC2. This will be available via a live audio webcast at [www.rentokil-initial.com](http://www.rentokil-initial.com).

## Financial Summary

£million	Fourth Quarter			Full Year		
	2009	2008	change	2009	2008	change
<b>Pro forma Continuing Operations<sup>1</sup></b>						
<b>At 2008 constant exchange rates<sup>2</sup></b>						
Revenue	<b>601.4</b>	609.7	(1.4%)	<b>2,355.8</b>	2,409.9	(2.2%)
Operating profit before amortisation and impairment of intangible assets <sup>3</sup> and one-off items <sup>4</sup>	<b>64.8</b>	54.1	19.8%	<b>195.3</b>	167.2	16.8%
One-off items <sup>4</sup>	<b>(18.7)</b>	(16.4)	(14.0%)	<b>(37.1)</b>	(19.6)	(89.3%)
Operating profit before amortisation and impairment of intangible assets <sup>3</sup>	<b>46.1</b>	37.7	22.3%	<b>158.2</b>	147.6	7.2%
Amortisation and impairment of intangible assets <sup>3</sup>	<b>(13.2)</b>	(26.0)	49.2%	<b>(55.8)</b>	(65.5)	14.8%
Operating profit	<b>32.9</b>	11.7	181.2%	<b>102.4</b>	82.1	24.7%
Share of profit from associates (net of tax)	<b>0.4</b>	0.6	(33.3%)	<b>2.5</b>	2.6	(3.8%)
Net interest payable	<b>(10.8)</b>	(20.9)	48.3%	<b>(57.7)</b>	(61.9)	6.8%
Profit before income tax	<b>22.5</b>	(8.6)	-	<b>47.2</b>	22.8	107.0%
Adjusted profit before income tax <sup>5</sup>	<b>54.4</b>	33.8	60.9%	<b>140.1</b>	107.9	29.8%
Operating cash flow <sup>6</sup>	<b>87.0</b>	55.5	56.8%	<b>284.3</b>	129.5	119.5%
<b>Continuing Operations<sup>1</sup></b>						
<b>At actual exchange rates</b>						
Revenue	<b>647.6</b>	631.0	2.6%	<b>2,530.8</b>	2,409.9	5.0%
Operating profit before amortisation and impairment of intangible assets <sup>3</sup> and one-off items <sup>4</sup>	<b>72.0</b>	56.9	26.5%	<b>220.8</b>	167.2	32.1%
One-off items <sup>4</sup>	<b>(20.4)</b>	(16.4)	(24.4%)	<b>(40.2)</b>	(19.6)	(105.1%)
Operating profit before amortisation and impairment of intangible assets <sup>3</sup>	<b>51.6</b>	40.5	27.4%	<b>180.6</b>	147.6	22.4%
Amortisation and impairment of intangible assets <sup>3</sup>	<b>(14.6)</b>	(26.6)	45.1%	<b>(61.3)</b>	(65.5)	6.4%
Operating profit	<b>37.0</b>	13.9	166.2%	<b>119.3</b>	82.1	45.3%
Share of profit from associates (net of tax)	<b>0.6</b>	0.7	(14.3%)	<b>3.3</b>	2.6	26.9%
Net interest payable	<b>(10.8)</b>	(20.9)	48.3%	<b>(57.6)</b>	(61.9)	6.9%
Profit before income tax	<b>26.8</b>	(6.3)	-	<b>65.0</b>	22.8	185.1%
Adjusted profit before income tax <sup>5</sup>	<b>61.8</b>	36.7	68.4%	<b>166.5</b>	107.9	54.3%
Operating cash flow <sup>6</sup>	<b>95.8</b>	57.3	67.2%	<b>316.7</b>	129.5	144.6%

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

<sup>2</sup>Results at constant exchange rates have been translated at the full year average exchange rates for the year ended 31 December 2008. £/\$ average rates: FY 2009 1.5620; FY 2008 1.8527. £/€ average rates: FY 2009 1.1196; FY 2008 1.2597

<sup>3</sup>Other than computer software.

<sup>4</sup>See Appendix 4 for further details.

<sup>5</sup>Before amortisation and impairment of intangible assets and one-off items.

<sup>6</sup>Cash flow before interest, tax, acquisitions, disposals and foreign exchange adjustments.

*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.*

## 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 also reflects internal organisation changes made in the third quarter resulting in some businesses moving from Pest Control to Textiles and Washroom Services. Prior year comparisons and prior year periods have been restated. In all cases references to operating profit are for continuing businesses before amortisation and impairment of intangible assets (other than computer software). References to adjusted operating profit and adjusted profit before income tax also exclude items of a one-off nature, totalling a net cost of £37.1 million (2008: £19.6 million) that have had a significant impact on the results of the group. They relate directly to the group’s various performance improvement initiatives and consist mainly of redundancy and other reorganisation costs including consultancy, plant and office closure costs net of the profit on sale of certain properties, profit or loss on disposal of businesses not classified as discontinued and acquisition integration cost. They have been separately identified as they represent an investment in the future performance of the group and are not considered to be “business as usual” expenses and have a varying impact on different businesses and reporting periods. An analysis of these costs by division is provided in Appendix 4. All comparisons are at constant 2008 full year average exchange rates.

## STRATEGY UPDATE

Last February we reported that the major part of the Company’s three-year plan to address operational issues across the group focused on **five strategic thrusts**. We provide an update on progress against these thrusts below.

### 1. Delivering outstanding customer service

We have made excellent progress in driving customer service during the year. Three sub-initiatives to this thrust are: driving basic service levels across our business; ensuring accountability for customer relationships across our 500,000 customers; and instilling shared values and behaviours across the group of **Service, Relationships and Teamwork**.

We have done well in driving basic service levels across the group and group state of service at the end of 2009 was 98.1%. Service has improved dramatically across the turnaround businesses of City Link, Australia Washrooms, Australia Pest Control, UK Pest Control and UK Washrooms, all of which are now at 96%+.

Our new values of Service, Relationships and Teamwork were developed in close consultation with our front-line colleagues and we have been particularly encouraged by the way in which they have been adopted so enthusiastically across the business.

Customer retention continues to be a major focus for the group. While progress has been made in ensuring personal accountability for customer contact management, further improvement is required in responsiveness, proactive customer contact and in tailoring customer propositions.

Initiatives for 2010 include the introduction of Customer Care staff and further systems development to enable improvement in first time query resolution. A ‘Welcome Packs’ pilot for new customers and implementation of Account Management Cycles to ensure customer satisfaction and identify growth opportunities (i.e. cross selling) will also be implemented. Net Promoter Score surveys (a measure of customer satisfaction) will be cascaded across our countries of operation down to branch level and competitor benchmarking tools will be adopted.

### 2. Developing the capability of our organisation and people

Strong progress was made in 2009 in driving HR initiatives, including upgrading functional and operational management, performance management and global grading.

Senior management was strengthened through the appointments of new MDs and FDs for Textiles and Washrooms, Asia Pacific and UK Pest Control, with good progress already visible. Senior management was strengthened further through the appointment of a new MD for the Pest Control division. Gaps remain in sales leadership, procurement and innovation. We will strengthen these functions during 2010.

Performance Development Reviews were established and rolled out to 1,900 managers during the year. Global grading has been implemented across the group. A Talent Review was established for the top 120 management and will be rolled out across the top 500 in Q2 2010. Further HR process improvements are planned for 2010.

Development of Service and Sales capability has progressed in 2009 but requires ongoing focus, particularly in Sales. Maximising performance in this function will be a prerequisite for future growth. During the year a Technician Performance Assessment programme for Pest Control employees was launched in 39 countries, assessing service technicians on skills including communication, attitude and engagement with customers and colleagues. Subsequent coaching was tailored to address areas of weakness. A similar programme for Sales colleagues will be rolled out across the Pest Division in 2010.

### 3. Delivering operational excellence in all our processes and functions

The turnaround businesses, City Link, Australia Pest, Australia Washrooms, UK Washrooms and UK Pest, made good progress in 2009 and are now focused for growth. For full details of their operational performance, please see Divisional Performance.

Progress has been made in driving common systems across all businesses and geographies and in updating the group governance framework and standard operating procedures. The roll-out of standard hand held terminals is now advanced in developed markets and adoption of the iCABS contract management system is driving improved control in Pest and Washrooms. Further global roll-out of iCABS in Pest and Washrooms is planned for 2010. The Navision finance system will be implemented across a number of businesses over the coming years.

During 2009 we entered into a landmark agreement with Google to deploy Google Apps™ Premier Edition across the group's international workforce. The new platform provides a single web-based communication and collaboration suite to replace the existing 180 email domains and 40 mail systems across the Company's six divisions. Roll-out will be completed by the end of 2010 (Ambius and corporate functions have already transferred to Google Apps).

In last year's report we introduced 18 key performance indicators (KPIs) under three categories: **Colleagues, Customers** and **Shareholders**. These have been introduced across the organisation with all divisions reporting monthly to senior management on progress. We provide an update below of our group performance in 2009.

<b>Colleagues</b>	<b>2008</b>	<b>2009</b>
Colleague engagement *	N/A	71%
Sales colleagues retention	54.6%	63.5%
Service colleague retention	74.2%	74.4%
H&S LTA rate	1.82	1.53
<b>Customers</b>		
Gross sales % of opening portfolio	18.8%	15.2%
Customer retention	81.0%	79.6%
Net gain % of opening portfolio	2.8%	-3.6%
Job sales % of total revenue	25.2%	24.0%
State of Service	88.5%	98.1%
Customer satisfaction (NPS)	N/A	21
<b>Shareholders</b>		
Organic revenue growth	-1.7%	-3.1%
Total revenue growth (incl acquisitions)	2.5%	-2.2%
APBITA margin (%)	6.9%	8.3%
Debtors (DSO – days)	61	49
Cost savings delivered in year	Nil	£82m
Cash conversion targets as % op. profit	75.2%	143%
Gross capex as % of depreciation	116%	83%

\* Colleague engagement surveyed across the group for the first time in 2009. Previously only Rentokil (78% in 2008 to 81% in 2009) and Ambius (70% in 2008 to 73% in 2009) were surveyed

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

A total of £82m cost savings were achieved during 2009, of which £54m can be attributed to City Link's depot rationalisation programme and ongoing reductions in vehicle fleet and headcount.

A review of the Textiles and Washroom division's processing footprint and its procurement strategy identified cost savings of around €30m (of which €20m is anticipated to come from procurement) by 2011. In Belgium two textiles and one hospitals services plant are due to be closed by early Q2 2010 with annualised cost savings of £3.7m from 2011. In France the closures of one textiles plant, one hospitals services plant and the flat linen operations have been agreed with annualised cost savings of £4.4m in 2011. Other European streamlining initiatives are underway in Switzerland, Italy, Spain and the Nordics. Procurement savings in Washrooms have started well. A Textiles supply chain project has begun to tackle the complex, resource intensive and large procurement opportunity in this Division. Further details of these initiatives can be found on page 8.

We anticipate a further £75m of savings in 2010, over and above those delivered in 2009. These will be realised predominantly from the ongoing City Link depot and hub rationalisation and the Textiles and Washrooms restructuring programme.

The group has made excellent progress on cash flow during the year, generating operating cash flow of £317m (2008: £130m), representing 143% cash conversion, and well in excess of our full year target of 95%. This result has been achieved through:

- Reduction in Days Sales Outstanding (DSO) from 61 days (2008) to 49 days
- Reduction in capital expenditure from 116% of depreciation (2008) to 83%

Our target DSO for 2010 is 47 days, 102% cash conversion and capex at 95% of depreciation, excluding cash spent on restructuring.

#### Programme Olympic

Programme Olympic, so named because our planned completion date is in 2012, is a programme of process led change for our business support activities. Our goal is to deliver the desired organisational and technological requirements to drive a culture of "**Right First Time**" throughout the organisation. Our objectives are to dramatically improve both customer service - driving retention and revenue growth - and our financial performance - both the cost base and the balance sheet.

Olympic consists of six programmes. The first four are process focused; the remaining two – property & organisation development - are big drivers of administration and overhead costs.

The six goals of the programme are:

- **Prospect to Cash** – development of best practice processes to drive the customer lifecycle from prospecting for new customers to cash collection
- **Procure to Pay** – development of best practice processes to drive the supplier lifecycle
- **Recruit to Reward** – development of best practice processes to drive the employee lifecycle
- **Record to Report** – development of best practice processes to drive accounting processes
- **Property** – optimise the use of our property portfolio through greater utilisation of shared facilities
- **Organisation Development** – develop best practice and optimise our organisation structure

The high level design phase has been completed for most components of the process programmes with some pilot studies underway.

## 5. Delivering profitable growth through organic actions and bolt-on acquisitions

Our focus up until the first half of 2009 was directed at driving a customer service and operational excellence agenda. At the beginning of H2 we turned our attention to the growth agenda. Our growth strategy will focus on increasing market share in our established markets - through effective Sales and Marketing and service expansion – and by acquisition. In addition, we will seek to develop our presence and capability in growth markets (including the Middle East, China and India).

**Sales and Marketing** - In Q3 we embarked on an important project to refine our markets and marketing propositions within the Washrooms and Pest businesses with the intention of differentiating ourselves more clearly from our competition. Historically we have left almost complete discretion to local sales team in *how* they present our service offering and *where* they look for customers. Work is now underway to segment our markets, refine our customer propositions, and identify and develop prospects more effectively. By doing this we can match our offers to customer needs, identify the most attractive segments to be in and equip our sales teams with the tools necessary to increase sales conversion rates.

**Service Expansion** – it has become clear to us over the year that our Facilities Services division would be strengthened by the addition of a Manned Guarding operation, given the continued move in the market towards bundled services.

## FUNDING

At 31 December 2009, the group had net debt of £1,108m. Of this, £915m is represented by capital market notes issued by the group and the earliest maturity of any of these instruments is 2013. Of the balance, £32m is held as cash in the businesses and £225m is drawn under the group's £500m bank facility, which matures in October 2012. This facility provides the group's principal source of day to day liquidity. The group's Letter of Credit facilities of c. £70m equivalent require refinancing in October 2010. Negotiations have commenced and no difficulties in securing replacement facilities are anticipated.

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 group's bank facilities contain a single financial ratio covenant which requires EBITDA to be no less than 4x interest payable (on the basis of the definitions and subject to the adjustments set out in the bank facility documentation). The covenant is tested on 30 June and 31 December for the previous 12 months. At 31 December 2009 the covenant ratio was 7.0x, equivalent to £185 million of EBITDA headroom.

Full details of the group's net debt and borrowing facilities are set out in note 11 to the financial statements.

## CASH GENERATION AND DIVIDEND

Cash generation has been a key priority during 2009. A number of measures have been pursued to achieve this including a continuation of the drive on working capital, optimisation of capital expenditure and the implementation of cost reduction programmes across the group. As a result we have made excellent progress during the year in operating cash flow, generating £317m, representing 143% conversion from profit. This, coupled with our decision to pass the interim dividend, enabled us to retire our fully undrawn £125m revolving credit facility 12 months early on 3 September 2009. Headroom at 18 February 2010 was £280m.

In view of the continuing economic uncertainty in the markets within which we operate and our desire to strengthen the Group's balance sheet to increase our financial flexibility, the Board has decided not to pay a final dividend to shareholders.

## **OUTLOOK FOR 2010**

In 2009 we delivered on our promises by substantially improving customer service, maximising cash flow and accelerating cost savings.

We are now mobilising the group to create a platform for growth. Although we see no easing in economic conditions across most of our markets this year, our objectives are to deliver modest revenue growth, take out more costs and make further improvements in customer service and responsiveness.

Above all in 2010 we intend to lay the foundations for profitable growth in 2011 and beyond.

## DIVISIONAL PERFORMANCE

### Textiles and Washroom Services

£ million	Fourth Quarter			Full Year		
	2009	2008	change	2009	2008	change
<b>At 2008 constant exchange rates:</b>						
Revenue	<b>195.2</b>	191.3	2.0%	<b>772.1</b>	753.6	2.5%
Adjusted operating profit (before one-off items and amortisation & impairment of intangible assets <sup>1</sup> )	<b>34.3</b>	32.4	5.9%	<b>115.1</b>	123.3	(6.7%)
<b>At actual exchange rates:</b>						
Adjusted operating profit (before one-off items and amortisation & impairment of intangible assets <sup>1</sup> )	<b>38.5</b>	34.0	13.2%	<b>128.4</b>	123.3	4.1%

<sup>1</sup> Other than computer software

Revenue increased by 2.5% primarily due to a robust performance from France (up 4.9%), modest growth in Germany (up 2.4%) and the benefit of the Raywerk acquisition in Austria at the end of 2008. Excluding Raywerk underlying growth was 1%. Performance was impacted by market declines and competitive pressure in the Benelux, where revenue was marginally below the prior year, and reflected strong price competition coupled with poor retention rates. Reduced demand and changes in the pricing structure in the UK manufacturing business also had an adverse impact on revenue. Divisional portfolio growth of 2% was encouraging given ongoing market challenges.

Adjusted operating profit decreased by 6.7% on the prior year (up 5.9% in Q4) reflecting unusual items associated with re-organisation costs and post-acquisition integration costs for Raywerk. Excluding these and the contribution from Raywerk, underlying profit fell by 2.0%. Profits in France and Germany were ahead driven by the above mentioned revenue growth, but this was offset by reduced profits in the Benelux due to severe pricing competition and the inability to cover various cost increases such as wage inflation. Margins were under pressure during the year due to increases in depreciation costs due to new garment rental contracts and cost increases on longer-term energy contracts not fully covered by price increases.

Operating cash flow increased by 63% reflecting the division's drive on DSO, lower capital expenditure and tighter stock management.

A review of the division's processing footprint and its procurement strategy identified cost savings of around €30m (of which €20m is anticipated to come from procurement).

In Belgium two textiles and one hospitals services plant are due to be closed by the end of Q1 2010 with annualised cost savings of £3.7m from 2011. In France the closures of one textiles plant, one hospitals services plant and flat linen operations have been agreed with annualised cost savings of £4.4m in 2011. Union negotiations in both countries have proceeded in line with plan and associated capital expenditure and change programmes are largely on track.

Operating units in Italy, the Nordics and the UK manufacturing operations have been consolidated under single management teams. The Swiss Textiles and Washrooms unit is now managed as an integral part of our German operations. Further management structures and cost cutting initiatives have been approved in the French Hygiene operations, Spain and the Divisional Team.

One-off investments in these restructuring plans represent a £26.3m charge in 2009, £6m cash outflow in 2009, £26.4m in 2010, to realise £12.4m cost savings in 2011.

A divisional Executive Supply Chain organisation was created during the year to enable initiatives to be leveraged across the broader procurement, warehousing and distribution arena. However, the procurement and innovation agendas remain at an early stage of development.

The leadership of the division was significantly strengthened during the year with a number of key appointments including a new Managing Director and Finance Director.



## Pest Control

£ million	Fourth Quarter			Full Year		
	2009	2008	change	2009	2008	change
<b>At 2008 constant exchange rates:</b>						
Revenue	96.4	94.2	2.3%	396.7	384.1	3.3%
Adjusted operating profit (before one-off items and amortisation & impairment of intangible assets <sup>1</sup> )	18.2	15.3	19.0%	75.2	73.8	1.9%
<b>At actual exchange rates:</b>						
Adjusted operating profit (before one-off items and amortisation & impairment of intangible assets <sup>1</sup> )	20.6	16.5	24.8%	84.9	73.8	15.0%

<sup>1</sup> Other than computer software

Pest Control grew revenue by 3.3% in challenging market conditions, primarily the result of strong performances in North America, growth in the higher inflation economies of South Africa and the Caribbean, and the Libyan contract which commenced in December 2008. Revenue growth was held back by the UK (including the products business), Ireland and Spain. Contract sales were down 10.9% year on year. However, overall revenue has been supported by an increased mix of job sales, up 1% on the prior year. Divisional retention improved by 1.3% to 81.7%, reflecting a continued focus on customer service. Portfolio grew by 0.5%.

Divisional profit increased by 1.9%, with declines in the UK and Europe (principally Spain) being offset by strong growth in North America, the Caribbean and the Libyan contract.

Across Europe revenue was flat. Poor revenue performances from Spain and Portugal were offset by growth in the Netherlands, Switzerland and Austria.

New management appointed in the UK has made excellent progress in turning the business around. State of service was 99.9% at the year end, customer retention improved H2 on H1 and cost savings of £2.1m were delivered in line with plan. Full year revenue decline of 5.8% (0.9% growth in Q4) was a solid improvement on H1's decline of 10.2%, reflecting better retention and rising job sales in Q3 and Q4. The portfolio contracted by 7.2% in the year but showed marginal growth in November and December 2009. Debt over 90 days is at a record low and DSO has improved by 13 days on 2008.

North America had an excellent year, growing profit and revenue by 16.5% and 4.0% respectively. Although contract sales declined by 14%, job sales grew by 5% and retention improved to a record high of 83% (up 6.2% on 2008). DSO improved by 10 days to 34 days.

The business's three-year contract with the Libyan government is proving to be very successful and we have leveraged our technical expertise to create a customer focused and responsive service. We are now in the process of creating a local joint venture in Libya as a vehicle for taking advantage of conventional commercial opportunities.

Strong progress in cash flow was made in 2009 with contributions from accounts receivable, creditors and capex despite delayed payments from Libya. Operating cashflow increased by 11.1% to £82.1m, the result of increased profit, reduced accounts receivable and a tight control on capital expenditure.

## Asia Pacific

£ million	Fourth Quarter			Full Year		
	2009	2008	change	2009	2008	change
<b>At 2008 constant exchange rates:</b>						
Revenue	44.5	46.3	(3.9%)	183.4	196.5	(6.7%)
Adjusted operating profit (before one-off items and amortisation & impairment of intangible assets <sup>1</sup> )	1.9	5.9	(67.8%)	19.8	23.6	(16.1%)
<b>At actual exchange rates:</b>						
Adjusted operating profit (before one-off items and amortisation & impairment of intangible assets <sup>1</sup> )	2.1	5.8	(63.8%)	21.1	23.6	(10.6%)

<sup>1</sup> Other than computer software

Revenue declined 6.7% year on year, due to the exit of a low-margin Hong Kong government contract, non-repeat of Olympics-related government sales in China and a downturn in fumigation

work in Malaysia, the Philippines and Singapore. Adjusted operating profit decreased by 16.1% (£3.8m) largely due to the impact of charges related to the clean up of prior year control and acquisition issues and the sales decline noted above. This was partly offset by cost savings achieved from Divisional Head Office in Singapore.

## Asia

Revenue fell by 12.5%, the result of legacy issues including the cancellation of the Hong Kong government contract and weaker government business in China (including the non-repeat of the Olympics pest control contracts). Excluding these items, revenue fell by 0.2%. There has also been a severe decline in the fumigation business in Singapore, the Philippines and Malaysia as a result of slower international trade in 2009. This decline was marginally offset by growth in Indonesia, India and Korea.

Profit declined by £4.7m largely due to the impact of charges related to the clean up of prior year control and acquisition issues as well as lower revenue noted above.

## Pacific

In the Pacific region revenue was 1.7% below the prior year due to weaker residential jobbing in the Pest business and loss of portfolio in the Ambius business. Profit grew by 4.3%, led by a strong turnaround in Australian Pest, a steady Washrooms performance and aggressive cost savings programmes.

Service levels in the Australian Pest Control business reached a record 98.9% during 2009. Contract turnover rose by 2.8%. However job revenue declined due to reduced demand for pre-construction termite barriers due to a downturn in building construction. DSO improved by 10 days to 42 days.

Washrooms service has remained consistently high at 97.1% but contract portfolio declined by 7.1%, revenue by 1.3%. Service staff retention increased year on year from 14.3% to 53.3%. This has led to improved service levels which in turn have led to an improved contract retention rate of 78.8%.

Cash performance has been strong and debtor days have decreased from 55 days to 42 days year on year.

During the year the Asia Pacific management team was significantly strengthened by the appointments of a new Managing Director, Finance Director and other senior country heads.

## Ambius

£ million	Fourth Quarter			Full Year		
	2009	2008	change	2009	2008	change
<b>At 2008 constant exchange rates:</b>						
Revenue	30.5	35.2	(13.4%)	106.8	119.3	(10.5%)
Adjusted operating profit (before one-off items and amortisation & impairment of intangible assets <sup>1</sup> )	4.3	4.9	(12.2%)	7.6	9.9	(23.2%)
<b>At actual exchange rates:</b>						
Adjusted operating profit (before one-off items and amortisation & impairment of intangible assets <sup>1</sup> )	4.9	5.0	(2.0%)	8.8	9.9	(11.1%)

<sup>1</sup> Other than computer software

Ambius has experienced exceptionally difficult market conditions in 2009. Revenue fell 10.5% as a result of increasing contract terminations and a 22.3% decline in job sales. Although overall customer retention fell from 81.9% in 2008 to 77.3%, it improved in the second half to 79.8% (H1 2009: 75.2%). Adjusted operating profit fell 23.2%. In addition to adjusting service head count in line with portfolio movement, the business has been pursuing a number of cost savings initiatives to mitigate revenue decline.

North America has been weak with a 12.3% decline in revenue. Portfolio has been impacted by the difficult economy and customer retention fell by five percentage points to 75.0% but improved as the year progressed. Job sales declined 21.0% year on year, but showed greater resilience in Q4 with Holiday sales only falling by 11.2% year on year.

Revenue in Europe declined 8.1% with most countries experiencing difficult economic conditions. Customer retention declined from 83.8% in 2008 to 79.9% but, as with the US, improved towards the end of the year. Profit was adversely impacted by increased redundancy costs, an increase in bad debts and a 24.6% reduction in job sales year on year.

Sales of brand extension services, including ambient scenting and fresh fruit delivery, have continued to rise during the period and now account for 11.8% of total contract sales, compared to 7.2% in 2008.

Operating cash flow has been a key focus for 2009 with conversion of 165% compared to 81% in 2008. This has been achieved though a focus on working capital and tight control over capital expenditure. DSO at 37 days has improved by two days year on year.

## City Link

£ million	Fourth Quarter			Full Year		
	2009	2008	change	2009	2008	change
<b>At 2008 constant exchange rates:</b>						
Revenue	<b>100.9</b>	97.2	3.8%	<b>353.1</b>	381.9	(7.5%)
Adjusted operating loss (before one-off items and amortisation & impairment of intangible assets <sup>1</sup> )	<b>2.7</b>	(4.0)	-	<b>(5.6)</b>	(43.5)	87.1%

<sup>1</sup> Other than computer software

City Link's operating loss of £5.6m is £37.9m better than the corresponding loss in 2008 despite a £28.8m reduction in reported revenue to £353.1m. The business returned to profitability in Q4 2009 posting a profit of £2.7m - £6.7m better than the corresponding period in 2008. Revenue declined by 7.5%, impacted by difficult economic conditions, pricing competition and the full year effect of poor service in 2008. Q4 revenue was £15.8m (19%) higher than Q3 reflecting the seasonal sales uplift, and £3.7m (3.8%) ahead of Q4 2008, with particularly strong growth in the B2C business.

Volumes were down 3.1% on 2008 and revenue per consignment (RPC), weakened by 4.5% on the prior year.

City Link's customer base has been broadly consistent throughout the year although many are trading at lower levels. The market has been extremely competitive during 2009 with severe price cutting by competitors in order to drive volumes through their networks.

City Link's improved loss performance has been driven by cost savings of £54m in 2009. This was achieved through depot closures (97 to 84 by year end) and reductions in vehicles and headcount. Vehicle fleet numbers are a third lower than this time last year and total employee numbers have fallen below 5,500, a 16% reduction since December 2008. Plans to migrate from two Hubs to one will be implemented by the end of H1 2010.

Apart from periods of heavy snow in early February and early December 2009, customer service has remained consistently above our 98.5% target. The restoration of customer call handling at depots was completed early in the year and has been met with very positive customer feedback.

The successful roll-out of new hand-held scanners and an upgraded route scheduling tool has underpinned improved productivity and customer service. The functionality of the new scanners has been expanded to allow delivery drivers to capture real-time customers' door and parcel images. This latter feature, which we believe is industry-leading, will further aid electronic, real-time proof of delivery. Additional improvements include the recently re-launched City Link web site which has been very positively received by customers.

DSO at the end of the year was 34 days, an improvement of 10 days on 2008.

## Facilities Services

£ million	Fourth Quarter			Full Year		
	2009	2008	change	2009	2008	change
<b>At 2008 constant exchange rates:</b>						
Revenue	150.6	164.4	(8.4%)	608.6	653.0	(6.8%)
Adjusted operating profit (before one-off items and amortisation & impairment of intangible assets <sup>1</sup> )	11.6	9.2	26.1%	26.3	18.4	42.9%
<b>At actual exchange rates:</b>						
Adjusted operating profit (before one-off items and amortisation & impairment of intangible assets <sup>1</sup> )	11.6	9.2	26.1%	26.6	18.4	44.6%

<sup>1</sup> Other than computer software

Market conditions have been challenging in both the UK and Spain with severe price cutting from competitors, site closures and reductions in service frequency. Revenue decreased 6.8%, of which 1.8% can be attributed to Retail. Adjusted operating profit rose 42.9% almost entirely due to improved profitability from UK Washrooms. The Division delivered an outstanding cash performance in 2009 with cash flow of £46.4m (representing 176% conversion) and significant improvement in debtors in all business units.

Cleaning revenue fell by 7.2% on the prior year, largely reflecting retail contract losses as a result of pricing pressure. However, over 75% of the lost portfolio was recovered by contract wins in Q4 which will take effect in Q2 2010.

Catering revenue fell by 1.6% following the loss of a large schools contract in H1 2009. This was replaced with other contracts which commenced in Q4. Underlying profit performance was positive (after an exceptional VAT recovery in the prior year) due to the exit of unprofitable contracts and new profitable wins in the latter part of 2008 and H1 2009.

Hospital Services revenue fell by 8.2% due to the loss of two large hospitals contracts at the end of 2008. The business has focused on the innovation of its food offering and has been recently merged with the Catering business under a single management team in order to leverage its expertise in this area.

Market conditions have been challenging for the UK Washrooms business with revenue down 8.2% year on year. After adjusting for the £6m bad debt provision taken in Q3 2008, profit grew by £3.1m driven by various cost savings initiatives and reduced service credits. 95%+ service levels are now being consistently maintained despite reductions in headcount and service centres. The business has had continued success in the collection of debt, with DSO down 39 days since December 2008 and 90-day debt reduced by over 70%.

## Central Costs

£ million	Fourth Quarter			Full Year		
	2009	2008	change	2009	2008	change
<b>At 2008 constant exchange rates:</b>						
Central costs	(8.2)	(9.6)	14.6%	(43.1)	(38.3)	(12.5%)
<b>At actual exchange rates:</b>						
Central costs	(8.4)	(9.6)	12.5%	(43.4)	(38.3)	(13.3%)

Central costs for the full year were £4.8m higher than 2008 primarily due to higher incentive scheme costs.

## **One-Off items**

Details of one-off items incurred in the period are set out in Appendix 4. They relate directly to the group's various performance improvement initiatives and consist mainly of redundancy and other reorganisation costs including consultancy, plant and office closure costs net of the profit on sale of certain properties, profit or loss on disposal of businesses not classified as discontinued and acquisition integration cost. They have been separately identified as they represent an investment in the future performance of the group and are not considered to be "business as usual" expenses and have a varying impact on different businesses and reporting periods. This year these have amounted to £37.1m (2008: £19.6m) and represent costs associated with the reorganisation of the Textiles and Washrooms division (primarily the closure of processing plants in Belgium and France), the costs associated with the closure and relocation of the London corporate office and redundancy costs and impairment of assets relating to the continued integration of the City Link and Target Express businesses.

## **Interest**

Net interest payable of £57.6m for the year was £4.3m lower than in 2008. Favourable effective interest rates reduced the year on year charge by £7.1m and mark to market moves by a further £4.3m. These benefits were partly offset by higher interest charges of £4.6m, due to higher average net debt, mainly as a result of 2008 translation differences, adverse net pension interest charges of £1.7m and other smaller items amounting to £0.8m.

## **Tax**

The blended headline rate of tax for 2009 was 27.0% (2008: 31.6%). This represents the weighted headline rates appropriate to the countries in which the group operates. The decrease in the blended rate was due to one-off restructuring costs within Belgium and France and a significant reduction in the UK loss position. The income statement tax charge for 2009 was 24.8% of profit before tax from continuing operations, compared with 28.1% for 2008. The principal factors that caused the effective tax rate to be lower than the blended rate is the reduction of the deferred tax provision in respect of overseas unremitted earnings, partially offset by various adjustments in respect of the prior period provisions for deferred taxation. The blended tax rate for 2010 is expected to be 28.6%.

## Net debt and cash flow

£ million at actual exchange rates	Year to Date		
	2009 £m	2008 £m	Change £m
Adjusted profit before amortisation, interest and income tax:			
- Continuing	220.8	167.2	53.6
- Discontinued	-	5.0	(5.0)
One-off items	(40.2)	(19.6)	(20.6)
Depreciation	215.9	190.8	25.1
Other non-cash	7.7	4.9	2.8
EBITDA	404.2	348.3	55.9
Working capital	91.7	3.2	88.5
Capex - additions	(189.2)	(237.8)	48.6
Capex - disposals	10.0	15.8	(5.8)
Operating cash flow	316.7	129.5	187.2
Interest	(61.5)	(67.3)	5.8
Tax	(17.5)	(27.3)	9.8
Purchase of available-for-sale investments	(0.8)	-	(0.8)
Free cash flow	236.9	34.9	202.0
Dividends	-	(106.7)	106.7
Acquisitions/disposals	(6.8)	(43.0)	36.2
Special pension payment	-	(33.3)	33.3
FX and fair value adjustments	24.0	(267.0)	291.0
Decrease/(increase) in net debt	254.1	(415.1)	669.2
Closing net debt	(1,108.1)	(1,362.2)	254.1

Operating cash flow at actual rates of exchange was £187.2m higher than 2008 due to higher EBITDA, better working capital movements and lower net capex. EBITDA was £55.9m higher than last year due mainly to improved trading performance offsetting higher one-off costs. In-flows from working capital were £88.5m higher than last year mainly as a result of lower debtors. Savings in net capex amounted to £42.8m, with reductions being achieved in most divisions.

Tax and interest payments (including finance lease interest) were £15.6m lower than last year following receipt of tax refunds in respect of prior periods. Free cash was therefore £202.0m higher than last year at £236.9m.

Deferred acquisition and disposal cash flows consumed £6.8m and foreign exchange gains and fair value adjustments added a further £24.0m, producing a total cash inflow of £254.1m, leaving net debt at £1,108.1m at 31 December 2009.

## ANNUAL CONTRACT PORTFOLIO - CONTINUING BUSINESSES

3 Months to 31 December 2009 (unaudited)

<u>£m at constant 2008 exchange rates</u>	<u>1.10.09</u>	<u>New Business / Additions</u>	<u>Terminations / Reductions</u>	<u>Net Price Increases</u>	<u>Acquisitions</u>	<u>31.12.09</u>	<u>31.12.09 at actual exchange</u>
Textiles & Washroom							
Services	674.6	27.8	(29.6)	3.5	0.1	676.4	757.5
Pest Control	289.5	11.1	(13.8)	1.1	0.2	288.1	324.6
Asia Pacific	140.5	6.2	(11.3)	0.4	-	135.8	149.1
Ambius	87.2	2.5	(5.2)	0.2	-	84.7	95.7
Facilities Services*	533.1	22.5	(34.2)	2.0	-	523.4	530.4
<b>TOTAL</b>	<b>1,724.9</b>	<b>70.1</b>	<b>(94.1)</b>	<b>7.2</b>	<b>0.3</b>	<b>1,708.4</b>	<b>1,857.3</b>

12 Months to 31 December 2009 (unaudited)

<u>£m at constant 2008 exchange rates</u>	<u>1.1.09</u>	<u>New Business / Additions</u>	<u>Terminations / Reductions</u>	<u>Net Price Increases</u>	<u>Acquisitions</u>	<u>31.12.09</u>	<u>31.12.09 at actual exchange</u>
Textiles & Washroom							
Services	663.2	109.2	(110.7)	13.8	0.9	676.4	757.5
Pest Control	286.6	46.3	(52.5)	7.2	0.5	288.1	324.6
Asia Pacific	152.0	25.3	(43.4)	1.9	-	135.8	149.1
Ambius	95.0	10.4	(21.6)	0.8	0.1	84.7	95.7
Facilities Services*	575.9	77.4	(136.9)	7.0	-	523.4	530.4
<b>TOTAL</b>	<b>1,772.7</b>	<b>268.6</b>	<b>(365.1)</b>	<b>30.7</b>	<b>1.5</b>	<b>1,708.4</b>	<b>1,857.3</b>

\*Includes net adjustment of £62.8m at 1 January 2009 for the addition of catering, which has been reclassified to a portfolio business.

## Notes

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

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

**“As-used” contracts:** These are more typical in Textiles and Washroom Services 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.

**Retention rates:** With effect from Q1 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.

## Appendix 2

### Divisional Analysis (at constant exchange rates)

	3 months to 31 December 2009	3 months to 31 December 2008	Year ended 31 December 2009	Year ended 31 December 2008
(at 2008 constant exchange rates)	£m (unaudited)	£m (unaudited)	£m (unaudited)	£m (audited)
<b>Business Analysis</b>				
<b><u>Revenue</u></b>				
Textiles & Washroom Services	195.2	191.3	772.1	753.6
Pest Control	96.4	94.2	396.7	384.1
Asia Pacific	44.5	46.3	183.4	196.5
Ambius	30.5	35.2	106.8	119.3
City Link	100.9	97.2	353.1	381.9
Facilities Services	150.6	164.4	608.6	653.0
Segmental revenue	618.1	628.6	2,420.7	2,488.4
Inter group trading	(16.7)	(18.9)	(64.9)	(78.5)
Continuing operations at constant exchange rates	601.4	609.7	2,355.8	2,409.9
Exchange	46.2	21.3	175.0	-
Continuing operations at actual exchange rates	647.6	631.0	2,530.8	2,409.9
<b><u>Adjusted operating profit</u></b>				
Textiles & Washroom Services	34.3	32.4	115.1	123.3
Pest Control	18.2	15.3	75.2	73.8
Asia Pacific	1.9	5.9	19.8	23.6
Ambius	4.3	4.9	7.6	9.9
City Link	2.7	(4.0)	(5.6)	(43.5)
Facilities Services	11.6	9.2	26.3	18.4
Central costs	(8.2)	(9.6)	(43.1)	(38.3)
Segmental profit	64.8	54.1	195.3	167.2
One-off items (Appendix 4)	(18.7)	(16.4)	(37.1)	(19.6)
Amortisation of intangible assets*	(12.8)	(13.3)	(52.0)	(51.1)
Impairment of goodwill	(0.4)	(12.7)	(3.8)	(14.4)
Continuing operations at constant exchange rates	32.9	11.7	102.4	82.1
Exchange	4.1	2.2	16.9	-
Continuing operations at actual exchange rates	37.0	13.9	119.3	82.1

\* Other than computer software



## Divisional Analysis (at actual exchange rates)

	3 months to 31 December 2009	3 months to 31 December 2008	Year ended 31 December 2009	Year ended 31 December 2008
(at actual exchange rates)	£m (unaudited)	£m (unaudited)	£m (unaudited)	£m (audited)
<b>Business Analysis</b>				
<b><u>Revenue</u></b>				
Textiles & Washroom Services	218.7	201.2	859.6	753.6
Pest Control	106.8	101.0	443.5	384.1
Asia Pacific	50.9	47.5	202.1	196.5
Ambius	34.3	37.7	121.0	119.3
City Link	100.9	97.2	353.1	381.9
Facilities Services	152.7	165.4	616.8	653.0
Segmental revenue	664.3	650.0	2,596.1	2,488.4
Inter group trading	(16.7)	(19.0)	(65.3)	(78.5)
Continuing operations at actual exchange rates	647.6	631.0	2,530.8	2,409.9
<b><u>Adjusted operating profit</u></b>				
Textiles & Washroom Services	38.5	34.0	128.4	123.3
Pest Control	20.6	16.5	84.9	73.8
Asia Pacific	2.1	5.8	21.1	23.6
Ambius	4.9	5.0	8.8	9.9
City Link	2.7	(4.0)	(5.6)	(43.5)
Facilities Services	11.6	9.2	26.6	18.4
Central costs	(8.4)	(9.6)	(43.4)	(38.3)
Segmental profit	72.0	56.9	220.8	167.2
One-off items (Appendix 4)	(20.4)	(16.4)	(40.2)	(19.6)
Amortisation of intangible assets*	(14.3)	(13.9)	(57.0)	(51.1)
Impairment of goodwill	(0.3)	(12.7)	(4.3)	(14.4)
Continuing operations at actual exchange rates	37.0	13.9	119.3	82.1

\* Other than computer software

## One-off Items

	3 months to 31 December 2009	3 months to 31 December 2008	Year ended 31 December 2009	Year ended 31 December 2008
	£m (unaudited)	£m (unaudited)	£m (unaudited)	£m (audited)
<b>Textiles &amp; Washroom Services</b>	<b>(14.5)</b>	(1.2)	<b>(26.3)</b>	(0.5)
<b>Pest Control</b>	<b>-</b>	-	<b>-</b>	-
<b>Asia Pacific</b>	<b>-</b>	(0.7)	<b>(0.1)</b>	(2.7)
<b>Ambius</b>	<b>(0.4)</b>	-	<b>(0.6)</b>	-
<b>City Link</b>	<b>(1.4)</b>	(14.5)	<b>(3.4)</b>	(16.4)
<b>Facilities Services</b>	<b>(3.0)</b>	-	<b>(3.9)</b>	-
<b>Central costs</b>	<b>0.6</b>	-	<b>(2.8)</b>	-
<b>At constant exchange rates</b>	<b>(18.7)</b>	(16.4)	<b>(37.1)</b>	(19.6)
<b>Exchange</b>	<b>(1.7)</b>	-	<b>(3.1)</b>	-
<b>At actual exchange rates</b>	<b>(20.4)</b>	(16.4)	<b>(40.2)</b>	(19.6)

One-off items relate directly to the group's various performance improvement initiatives and consist mainly of redundancy and other reorganisation costs including consultancy, plant and office closure costs net of the profit on sale of certain properties, profit or loss on disposal of businesses not classified as discontinued and acquisition integration cost. They have been separately identified as they represent an investment in the future performance of the group and are not considered to be "business as usual" expenses and have a varying impact on different businesses and reporting periods. All comparisons are at constant 2008 full year average exchange rates.

# Consolidated Income Statement

For the year ended 31 December

	Notes	2009 £m (unaudited)	2008 £m (audited)
<b>Continuing operations:</b>			
Revenue	1	2,530.8	2,409.9
Operating expenses		(2,411.5)	(2,327.8)
<b>Operating profit</b>		<b>119.3</b>	82.1
<b>Analysed as:</b>			
Operating profit before amortisation and impairment of intangible assets <sup>1</sup>		180.6	147.6
Amortisation and impairment of intangible assets <sup>1</sup>		(61.3)	(65.5)
<b>Operating profit</b>		<b>119.3</b>	82.1
Interest payable and similar charges	2	(125.0)	(153.5)
Interest receivable	3	67.4	91.6
Share of profit from associates (net of tax)		3.3	2.6
<b>Profit before income tax</b>		<b>65.0</b>	22.8
Income tax expense <sup>2</sup>	4	(16.1)	(6.4)
<b>Profit for the year from continuing operations</b>		<b>48.9</b>	16.4
<b>Discontinued operations:</b>			
Profit for the year from discontinued operations	5	-	5.0
<b>Profit for the year (including discontinued operations)</b>		<b>48.9</b>	21.4
<b>Attributable to:</b>			
Minority interest		1.3	2.6
Equity holders of the company		47.6	18.8
		<b>48.9</b>	21.4
<b>Basic earnings per share</b>			
- Continuing operations	6	2.63p	0.76p
- Discontinued operations	6	-	0.28p
- Continuing and discontinued operations	6	2.63p	1.04p
<b>Diluted earnings per share</b>			
- Continuing operations	6	2.63p	0.76p
- Discontinued operations	6	-	0.28p
- Continuing and discontinued operations	6	2.63p	1.04p

<sup>1</sup>Other than computer software.

<sup>2</sup>Taxation includes £14.8m (2008: £19.0m) in respect of overseas taxation.

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

## Consolidated Statement of Comprehensive Income

For the year ended 31 December

	2009 £m (unaudited)	2008 £m (audited)
Profit for the year (including discontinued operations)	48.9	21.4
<b>Other comprehensive income:</b>		
Net exchange adjustments offset in reserves	26.5	(68.1)
Actuarial (loss)/gain on defined benefit pension plans	(211.4)	46.9
Revaluation of available-for-sale investments	(2.5)	1.7
Movement on cash flow hedge reserve	(0.8)	(4.2)
Tax on items taken directly to reserves	49.0	(12.8)
Cumulative exchange recycled to income statement on disposal of foreign operations	(2.0)	-
Net loss not recognised in income statement	(141.2)	(36.5)
<b>Total comprehensive expense for the year</b>	<b>(92.3)</b>	<b>(15.1)</b>
<b>Attributable to:</b>		
Minority interest	1.3	2.6
Equity holders of the company	(93.6)	(17.7)
	<b>(92.3)</b>	<b>(15.1)</b>

# Consolidated Balance Sheet

At 31 December

	Notes	2009 £m (unaudited)	2008 £m (audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	8	668.2	754.9
Property, plant and equipment	9	636.3	721.2
Investments in associated undertakings		13.4	13.7
Other investments		1.4	3.0
Deferred tax assets		26.0	10.1
Retirement benefit assets	12	-	154.4
Other receivables		26.5	26.9
Derivative financial instruments		27.3	28.1
		<b>1,399.1</b>	<b>1,712.3</b>
<b>Current assets</b>			
Other investments		2.3	-
Inventories		47.3	53.4
Trade and other receivables		437.5	525.4
Derivative financial instruments		13.1	1.7
Cash and cash equivalents	10	101.7	104.1
		<b>601.9</b>	<b>684.6</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		(543.3)	(564.5)
Current tax liabilities		(102.4)	(90.5)
Provisions for other liabilities and charges	13	(56.8)	(31.5)
Bank and other short-term borrowings	11	(89.7)	(92.2)
Derivative financial instruments		(13.3)	(52.7)
		<b>(805.5)</b>	<b>(831.4)</b>
<b>Net current liabilities</b>		<b>(203.6)</b>	<b>(146.8)</b>
<b>Non-current liabilities</b>			
Other payables		(14.0)	(14.6)
Bank and other long-term borrowings	11	(1,120.1)	(1,374.1)
Deferred tax liabilities		(73.8)	(127.5)
Retirement benefit obligations	12	(64.3)	(19.5)
Provisions for other liabilities and charges	13	(69.0)	(91.0)
Derivative financial instruments		(4.4)	(0.7)
		<b>(1,345.6)</b>	<b>(1,627.4)</b>
<b>Net liabilities</b>		<b>(150.1)</b>	<b>(61.9)</b>
<b>Equity</b>			
<b>Capital and reserves attributable to the company's equity holders</b>			
Called up share capital	14	18.1	18.1
Share premium account		6.8	6.8
Other reserves		(1,777.3)	(1,798.5)
Retained profits		1,593.0	1,702.7
		<b>(159.4)</b>	<b>(70.9)</b>
<b>Minority interests</b>		<b>9.3</b>	<b>9.0</b>
<b>Total equity</b>		<b>(150.1)</b>	<b>(61.9)</b>

## Consolidated Statement of Changes in Equity

At 31 December

	Called up share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Minority interest £m	Total equity £m
<b>At 1 January 2008 (audited)</b>	18.1	6.8	(1,727.9)	1,753.9	7.4	58.3
Profit for the year (including discontinued operations)	-	-	-	21.4	-	21.4
Other comprehensive income:						
Net exchange adjustments offset in reserves	-	-	(68.1)	-	-	(68.1)
Actuarial gain on defined benefit pension plans	-	-	-	46.9	-	46.9
Revaluation of available-for-sale investments	-	-	1.7	-	-	1.7
Movement on cash flow hedge reserve	-	-	(4.2)	-	-	(4.2)
Tax on items taken directly to reserves	-	-	-	(12.8)	-	(12.8)
Total comprehensive expense for the year	-	-	(70.6)	55.5	-	(15.1)
Transactions with owners:						
Dividends paid to ordinary shareholders	-	-	-	(106.7)	-	(106.7)
Cost of share options and long term incentive plan	-	-	-	2.6	-	2.6
Transactions with minority interests:						
Minority interest share of profit	-	-	-	(2.6)	2.6	-
Currency translation difference on minority interest	-	-	-	-	0.6	0.6
Dividends paid to minority interests	-	-	-	-	(1.6)	(1.6)
<b>At 31 December 2008 (audited)</b>	18.1	6.8	(1,798.5)	1,702.7	9.0	(61.9)
<b>At 1 January 2009 (audited)</b>	18.1	6.8	(1,798.5)	1,702.7	9.0	(61.9)
Profit for the year (including discontinued operations)	-	-	-	48.9	-	48.9
Other comprehensive income:						
Net exchange adjustments offset in reserves	-	-	26.5	-	-	26.5
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	(113.5)	-	(92.3)
Transactions with owners:						
Cost of share options and long term incentive plan	-	-	-	5.1	-	5.1
Transactions with minority interests:						
Acquisition of minority interests	-	-	-	-	(0.7)	(0.7)
Minority interest share of profit	-	-	-	(1.3)	1.3	-
Currency translation difference on minority interest	-	-	-	-	2.2	2.2
Dividends paid to minority interests	-	-	-	-	(2.5)	(2.5)
<b>At 31 December 2009 (unaudited)</b>	18.1	6.8	(1,777.3)	1,593.0	9.3	(150.1)

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

# Consolidated Statement of Changes in Equity (continued)

At 31 December

## Analysis of other reserves

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

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

## Consolidated Cash Flow Statement

For the year ended 31 December

	Notes	2009 £m (unaudited)	2008 £m (audited)
<b>Cash flows from operating activities</b>			
Cash generated from operating activities before special pension contribution	15	496.6	352.0
Special pension contribution		-	(33.3)
Cash generated from operating activities	15	496.6	318.7
Interest received		5.5	30.1
Interest paid		(65.9)	(96.2)
Income tax paid		(17.5)	(27.3)
Net cash generated from operating activities		418.7	225.3
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment (PPE)		(176.2)	(222.6)
Purchase of intangible fixed assets		(6.3)	(8.2)
Proceeds from sale of PPE		10.0	15.8
Acquisition of companies and businesses, net of cash acquired	18	(11.2)	(40.9)
Disposal of companies and businesses	5	4.4	(2.1)
Purchase of available-for-sale investments		(0.8)	-
Dividends received from associates		1.8	1.1
Net cash flows from investing activities		(178.3)	(256.9)
<b>Cash flows from financing activities</b>			
Dividends paid to equity shareholders	7	-	(106.7)
Dividends paid to minority interests		(2.5)	(1.6)
Interest element of finance lease payments		(1.1)	(1.2)
Capital element of finance lease payments		(9.3)	(8.6)
(Repayments)/new loans		(216.0)	228.8
Net cash flows from financing activities		(228.9)	110.7
Net (decrease)/increase in cash and bank overdrafts	16	11.5	79.1
Cash and bank overdrafts at beginning of year		62.4	86.5
Exchange gains/(losses) on cash and bank overdrafts		(14.2)	(103.2)
<b>Cash and bank overdrafts at end of the financial year</b>	10	<b>59.7</b>	<b>62.4</b>



## 1. Segmental information

Revenue and profit	Revenue	Revenue	Operating profit	Operating profit
	2009 £m (unaudited)	2008 £m (audited)	2009 £m (unaudited)	2008 £m (audited)
<b>Continuing operations (at constant exchange rates)</b>				
Textiles & Washroom Services	772.1	753.6	115.1	123.3
Pest Control	396.7	384.1	75.2	73.8
Asia Pacific	183.4	196.5	19.8	23.6
Ambius	106.8	119.3	7.6	9.9
City Link	353.1	381.9	(5.6)	(43.5)
Facilities Services	608.6	653.0	26.3	18.4
Central items	-	-	(43.1)	(38.3)
<b>Total segmental</b>	<b>2,420.7</b>	<b>2,488.4</b>	<b>195.3</b>	<b>167.2</b>
Inter group revenue	(64.9)	(78.5)	-	-
	<b>2,355.8</b>	<b>2,409.9</b>	<b>195.3</b>	<b>167.2</b>
Exchange	175.0	-	25.5	-
<b>Continuing operations (at actual exchange rates)</b>	<b>2,530.8</b>	<b>2,409.9</b>	<b>220.8</b>	<b>167.2</b>
One-off items	-	-	(40.2)	(19.6)
Amortisation of intangible assets <sup>1</sup>	-	-	(57.0)	(51.1)
Impairment of goodwill	-	-	(4.3)	(14.4)
Operating profit	-	-	119.3	82.1
Interest payable and similar charges	-	-	(125.0)	(153.5)
Interest receivable	-	-	67.4	91.6
Share of profit from associates (net of tax)	-	-	-	-
- Textiles & Washroom Services	-	-	3.3	2.6
Profit before income tax	-	-	65.0	22.8
Income tax expense	-	-	(16.1)	(6.4)
<b>Total for the period from continuing operations</b>	<b>2,530.8</b>	<b>2,409.9</b>	<b>48.9</b>	<b>16.4</b>

<sup>1</sup>Other than computer software

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

<sup>1</sup>At constant exchange rates

<sup>2</sup>At actual exchange rates

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

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

The restated segmental information is not significantly different from the previous segmental information published on a "management basis". The main changes result from a change in the internal organisational structure with certain business units now reporting through different divisional structures coupled with some minor changes to the allocation of divisional overheads. The principal changes are the relocation of the UK Washrooms business and the UK Shared Service Centre to the Facilities Services division, the transfer of the South African business to the Pest Control division and the transfer of the Medical and Specialist Hygiene businesses from Facilities Services to the Textiles and Washrooms Services division. In addition, revenues are now stated gross of inter group trading rather than net and revenues and profits are shown at constant exchange rates consistent with our internal reporting and review processes. Other segmental information is shown at actual exchange rates.

## 1. Segmental information (continued)

<b>Total assets</b>	<b>2009</b>	<b>2008</b>
	<b>£m</b>	<b>£m</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Textiles & Washroom Services	719.9	826.1
Pest Control	246.7	293.8
Asia Pacific	229.7	275.0
Ambius	69.7	87.4
City Link	341.2	365.7
Facilities Services	185.9	221.6
Central items	80.2	213.1
<b>Total segmental operating assets</b>	<b>1,873.3</b>	<b>2,282.7</b>
Deferred tax	26.0	10.1
Cash and cash equivalents	101.7	104.1
<b>Total assets</b>	<b>2,001.0</b>	<b>2,396.9</b>

## 2. Interest payable and similar charges

	<b>2009</b>	<b>2008</b>
	<b>£m</b>	<b>£m</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Interest payable on bank loans and overdrafts	17.5	32.4
Interest payable on medium term notes issued	46.0	56.5
Net interest (receivable)/payable on interest rate swaps	(3.3)	5.8
Interest on defined benefit plan liabilities (note 12)	55.3	54.1
Interest payable on finance leases	1.2	1.2
Foreign exchange (gain)/loss on translation of foreign denominated loans	(1.3)	0.1
Amortisation of discount on provisions	0.9	1.6
Net ineffectiveness of fair value hedges	(3.1)	3.4
Fair value loss/(gain) on other derivatives <sup>1</sup>	11.8	(1.6)
<b>Total interest payable and similar charges (continuing operations)</b>	<b>125.0</b>	<b>153.5</b>

<sup>1</sup>The fair value loss/(gain) on other derivatives includes fair value losses relating to forward rate agreements of £8.4m (2008: £1.6m gain) and interest rate swaps of £3.4m (2008: £nil).

## 3. Interest receivable

	<b>2009</b>	<b>2008</b>
	<b>£m</b>	<b>£m</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Bank interest	6.2	29.9
Return on defined benefit plan assets (note 12)	61.2	61.7
<b>Total interest receivable (continuing operations)</b>	<b>67.4</b>	<b>91.6</b>

## 4. Income tax expense

	<b>2009</b>	<b>2008</b>
	<b>£m</b>	<b>£m</b>
	<b>(unaudited)</b>	<b>(audited)</b>
<b>Analysis of charge in the period</b>		
UK Corporation tax at 28.0% (2008: 28.5%)	1.0	15.4
Double tax relief	(0.2)	(15.4)
	0.8	-
Overseas taxation	29.8	28.8
Adjustment in respect of previous periods	0.9	(16.4)
Total current tax	31.5	12.4
Deferred tax	(15.4)	(6.0)
<b>Total income tax expense (continuing operations)</b>	<b>16.1</b>	<b>6.4</b>

## 5. Discontinued operations and disposals

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

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

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

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

### Financial performance of discontinued operations

	2009 £m (unaudited)	2008 £m (audited)
Revenue	-	-
Operating expenses	-	5.0
Operating profit	-	5.0
Finance costs – net	-	-
Profit before income tax	-	5.0
Taxation	-	-
<b>Profit after income tax from discontinued operations</b>	<b>-</b>	<b>5.0</b>

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

## 6. Earnings per share

### Basic

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

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

### Diluted

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

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

## 7. Dividends

	2009 £m (unaudited)	2008 £m (audited)
2007 final dividend paid – 5.25p per share	-	94.9
2008 interim dividend paid – 0.65p per share	-	11.8
	-	106.7

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

## 8. Intangible assets

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

## 9. Property, plant and equipment

	Land & buildings £m	Equipment for rental £m	Other plant and equipment £m	Vehicles and office equipment £m	Total £m
<b>Cost</b>					
At 1 January 2008 (audited)	182.5	463.0	266.2	212.2	1,123.9
Exchange differences	40.2	137.9	61.0	47.2	286.3
Additions	13.3	136.8	29.9	49.6	229.6
Disposals	(9.6)	(64.6)	(30.8)	(52.3)	(157.3)
Acquisition of companies and businesses	(1.0)	0.1	0.5	1.2	0.8
Reclassifications	(4.1)	-	2.3	1.8	-
At 31 December 2008 (audited)	221.3	673.2	329.1	259.7	1,483.3
At 1 January 2009 (audited)	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 (unaudited)	206.5	661.3	308.5	238.5	1,414.8
<b>Accumulated depreciation and impairment</b>					
At 1 January 2008 (audited)	(35.5)	(251.4)	(166.8)	(109.0)	(562.7)
Exchange differences	(10.6)	(78.0)	(38.3)	(26.6)	(153.5)
Disposals	4.8	63.2	28.7	44.0	140.7
Reclassifications	0.1	-	-	(0.1)	-
Depreciation charge	(6.2)	(115.7)	(23.4)	(41.3)	(186.6)
At 31 December 2008 (audited)	(47.4)	(381.9)	(199.8)	(133.0)	(762.1)
At 1 January 2009 (audited)	(47.4)	(381.9)	(199.8)	(133.0)	(762.1)
Exchange differences	3.1	21.1	12.0	6.3	42.5
Disposals	2.8	91.6	14.9	38.0	147.3
Disposal of companies and businesses	-	3.2	0.4	0.8	4.4
Depreciation charge	(8.1)	(133.5)	(26.0)	(43.0)	(210.6)
At 31 December 2009 (unaudited)	(49.6)	(399.5)	(198.5)	(130.9)	(778.5)
<b>Net Book Value</b>					
At 1 January 2008 (audited)	147.0	211.6	99.4	103.2	561.2
At 31 December 2008 (audited)	173.9	291.3	129.3	126.7	721.2
At 31 December 2009 (unaudited)	156.9	261.8	110.0	107.6	636.3

## 10. Cash and cash equivalents

	2009 £m (unaudited)	2008 £m (audited)
Cash at bank and in hand	88.5	103.0
Short-term bank deposits	13.2	1.1
	101.7	104.1
Cash and bank overdrafts include the following for the purposes of the cash flow statement:		
Cash and cash equivalents	101.7	104.1
Bank overdrafts (note 11)	(42.0)	(41.7)
	59.7	62.4

## 11. Bank and other borrowings

	2009 £m (unaudited)	2008 £m (audited)
<b>Non-current</b>		
Bank borrowings	226.0	437.2
Other loans	885.5	921.3
Finance lease liabilities	8.6	15.6
	<b>1,120.1</b>	<b>1,374.1</b>
<b>Current</b>		
Bank overdrafts (note 10)	42.0	41.7
Bank borrowings	9.7	13.9
Other loans	30.4	32.0
Finance lease liabilities	7.6	4.6
	<b>89.7</b>	<b>92.2</b>
<b>Total bank and other borrowings</b>	<b>1,209.8</b>	<b>1,466.3</b>

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

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

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

## 12. Retirement benefit obligations

These defined benefit schemes are re-appraised annually by independent actuaries based upon actuarial assumptions in accordance with IAS 19 requirements. The largest of the group's schemes is the UK Rentokil Initial Pension Scheme (UK RIPS).

The principal assumptions used for the UK RIPS scheme are shown below.

	2009 £m (unaudited)	2008 £m (audited)
<b>Weighted average %</b>		
Discount rate	5.7%	6.4%
Expected return on plan assets	6.0%	6.0%
Future salary increases	4.5%	3.7%
Future pension increases	3.5%	2.9%

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

Present value of funded obligations	(1,054.2)	(901.7)
Fair value of plan assets	1,001.1	1,049.3
	(53.1)	147.6
Present value of unfunded obligations	(11.2)	(12.7)
(Liability)/Asset in the balance sheet	(64.3)	134.9

Presented on the balance sheet as:

Retirement benefit assets	-	154.4
Retirement benefit liabilities	(64.3)	(19.5)
	(64.3)	134.9

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

	2009 £m (unaudited)	2008 £m (audited)
Equity instruments	173.5	140.4
Debt instruments	488.8	598.6
Property	0.6	0.5
Cash / Other	116.0	48.2
Swaps	222.2	261.6
	1,001.1	1,049.3

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

Current service cost <sup>2</sup>	1.3	1.7
Interest cost <sup>2</sup>	55.3	54.1
Amount charged to pension liability	56.6	55.8
Expected return on plan assets <sup>2</sup>	(61.2)	(61.7)
Total pension income	(4.6)	(5.9)

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

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

### 13. Provisions for other liabilities and charges

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

Provisions analysed as follows:

	2009 £m (unaudited)	2008 £m (audited)
Non-current	69.0	91.0
Current	56.8	31.5
	125.8	122.5

#### Vacant properties

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

#### Environmental

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

#### Self insurance

The group purchases external insurance from a portfolio of international insurers for its key insurable risks in order to limit the maximum potential loss that could be suffered in any one year. Individual claims are met in full by the group up to agreed self insured limits in order to limit volatility in claims. During the latter part of 2008, the group purchased external insurance to replace some of the previously self insured risks. Provision is still held for self insured past cover.

The calculated cost of self insurance claims, based on an actuarial assessment of claims incurred at the balance sheet date, is accumulated as claims provisions.

#### Other

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

### 14. Share Capital

	2009 £m (unaudited)	2008 £m (audited)
<b>Share Capital</b>		
<b>Authorised</b>		
4,100,000,000 ordinary shares of 1p each	41.0	41.0
<b>Issued and fully paid</b>		
At 1 January – 1,814,831,011 shares (2008: 1,814,831,011)	18.1	18.1
Share options exercised – nil shares (2008: nil)	-	-
<b>At 31 December – 1,814,831,011 shares (2008: 1,814,831,011)</b>	<b>18.1</b>	<b>18.1</b>



## 15. Cash generated from operating activities

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

\* Excluding computer software

## 16. Reconciliation of net (decrease)/increase in cash and bank overdrafts to net debt

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

## 17. Free cash flow

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

## 18. Business combinations

The total consideration for all acquisitions during the period was £2.7m.

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

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

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

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

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

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

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

The fair value adjustments above include (£0.3m) in respect of prior year acquisitions following the finalisation of the acquisition accounting.

The provisional fair value<sup>1</sup> of assets and liabilities arising from acquisitions in the period and adjustments in respect of prior period acquisitions are as follows:

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

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

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

From the dates of acquisition to 31 December 2009, these acquisitions contributed £0.6m to revenue and £0.1m to operating profit. If the acquisitions had occurred on 1 January 2009, these acquisitions would have contributed £0.9m to revenue and £0.2m to operating profit.

## 19. Related Party Transactions

Initial Catering Services Ltd (75%), Retail Cleaning Services Ltd (51%), Rentokil Initial (Pty) Ltd (74.9%), Yu Yu Calmic Co Ltd (50%), Rentokil Enguard Ltd (70%) and Rentokil Initial (B) Sdn Bhd (70%) are non-wholly owned subsidiaries of Rentokil Initial plc. All transactions between these entities and the group were transacted at 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 2009 of £17.9m (2008: £17.8m). It is anticipated that the loan will be repaid over a ten year period. 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 does not constitute the company's statutory accounts for the years ended 31 December 2009 or 2008. The financial information for 2008 is derived from the statutory accounts for 2008 which have been delivered to the registrar of companies. The auditors have reported on the 2008 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 237 (2) or (3) of the Companies Act 1985.

The statutory accounts for 2009 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 2010. The statutory accounts for 2009 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 2008 Annual Report, except as noted below. A full list of policies will be presented in the 2009 Annual Report.

The following new standards and amendments to standards as adopted by the European Union at 31 December 2009 are mandatory for the first time for the financial year beginning 1 January 2009.

IAS 1 (revised), "Presentation of financial statements". The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement.

IFRS 7 (amendment) "Financial instruments, disclosures." The amendments provide enhanced disclosure about fair value measurements and reinforce existing principles for disclosures about liquidity risk. The amendment to the standard has resulted in some changes to disclosures in the annual report.

IFRS 8, "Operating segments". IFRS 8 replaces IAS 14, "Segment reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the board of directors that make strategic decisions. Goodwill is allocated by management to groups of cash-generating units on a segment level. There has been no further impact on the measurement of the group's assets and liabilities. Comparatives for 2008 have been restated.

IAS 23 (revised) "Borrowing costs". This revision of an existing standard requires the capitalisation of borrowing costs directly attributable to an acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The revised standard has not had a material impact on the group.

IFRS 2 (amendment) "Share-based payments". This revision of an existing standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. The amendment to the standard has had little impact on the group.

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

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

## 21. 2009 Annual Report

Copies of the 2009 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](http://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 2009 will be mailed on 16 April 2010.

The Annual General Meeting will be held at 4 Hamilton Place, London, W1J 7BQ on 14 May 2010 at 11.00am.