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HYGIENE

Hygiene Services offers a total washroom solution service, floor mat, garments and flat linen rental services. The washroom solutions range provides every consumable item, dispensers, drying and disposal systems required in today's modern washroom. Protective floor mats are supplied to a wide client base. Bespoke workwear is manufactured and supplied to commercial, industrial and hospitality customers, with full inventory management available, and specialist high-performance workwear is designed and produced for sectors such as the medical, hi-tech and emergency services. Flat linen (primarily table and bedroom linen) is rented and laundered for corporate and hospitality customers and health service providers.

Pest Control provides a service for the prevention of pests, primarily in the commercial and industrial sectors. Our research and development provides effective and innovative solutions for pest control with specific emphasis placed on health, safety and protection of the environment.

SECURITY

Security delivers solutions that meet customers' needs for personal safety and protection of property. We provide security services for our customers tailored to meet their individual requirements, using advanced electronic security technology, well trained security officers or a combination of both services.

FACILITIES MANAGEMENT

Facilities Management Services provides cleaning, catering and hospital services individually, which also create the platform for multi-service contracts offering one point of customer contact. Any number of Rentokil Initial services can be incorporated within a contract using our own specialist management services.

Tropical Plants are offered to customers on a rental and maintenance or purchase and maintenance basis ranging from a single plant or tree to displays for the largest atrium. Our specialist in-house design and development team also offers a range of services to facilities managers, interior designers and architects, to introduce plants as an integral part of building design and refurbishment.

Conferencing provides a UK network of 29 specialised education and training centres to meet the needs of corporate and public sector customers. These centres provide specialist meeting facilities and residential accommodation, together with leisure and recreational amenities.

PARCELS DELIVERY

Parcels Delivery is a UK premium express service with options for next-day or specific delivery times. An internet tracking system and integrated despatch process provides all customers with continuous information on delivery progress.

2004



	2004 £m	Increase/ (decrease) %	2003 £m
Turnover ¹	2,450.8	(1.4)	2,486.2
Profit before tax and exceptional items	347.2	(15.0)	408.5
Profit before tax	297.8	(24.9)	396.8
Operating cash flow ²	231.8	(13.9)	269.3
Basic earnings per share	11.87p	(25.0)	15.83p
Adjusted earnings per share ³	14.30p	(13.2)	16.47p
Dividends per share	6.71p	10.0	6.10p

¹ Including franchisees and share of associates.

² Before management of liquid resources, financing, dividends, acquisitions, disposals and adjusted for capital expenditure financed by leases.

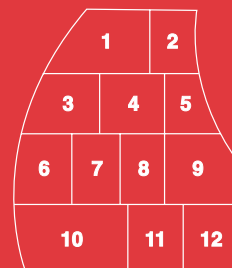
³ Basic earnings per share adjusted for net exceptional items.

Company Overview

Rentokil Initial is one of the largest business services companies in the world, operating in the major economies of Europe, North America, Asia Pacific and Africa.

The company has some 90,000 employees providing a range of support services in over 40 countries where the 'Rentokil' and 'Initial' brands have come to represent consistent quality of service.

1. Initial Washroom Solutions delivers 7.5 million roller towels to its customers annually which, if joined end to end, would circle the equator over seven times.
2. Our European Textiles operation washes 93,500 tonnes of linen every year, equivalent to the weight of 316 Boeing 747 airliners.
3. Initial Electronic Security's cameras scan and capture in the region of 1 million toll transactions each week at the UK's Dartford River Crossing on the Thames.
4. Rentokil Pest Control's 'Luminos 3' is a non-toxic method of attracting and trapping flying insects on an adhesive film – a thoroughly modern version of the fly paper.
5. Initial Foodguard won the Golden Service 2004 Manufacturing Award, the 'Oscar' of the cleaning industry, for their exceptional standard of twenty-four hour cleaning at Walker's Snack Foods Limited.
6. Initial Style Conferences' 29 venues can accommodate nearly 10,000 delegates a day who consume 2 million biscuits washed down with 2.6 million cups of coffee per year.
7. With 25 years of knowledge and experience, Initial Security is the first and only security company in the UK to achieve accreditation by the National Security Inspectorate for all three international standards for quality, health and safety and environmental management.
8. Initial Retail Cleaning has over 1,000 scrubber dryers, which daily can clean a floor area the size of 400 soccer pitches.
9. Tropical Plants' www.plants-in-buildings.com website is designed to educate and inform architects, interior designers and related professionals about the use and benefits of landscaping in general and forms part of a Continuous Professional Development scheme for Royal Institute of British Architects members.
10. Each night, Initial City Link collects on average 170,000 parcels from its network of 70 branches and delivers them next day at their allocated time.
11. Initial Catering Services' education division serves some 38 million school meals per year.
12. Just ten minutes walk from the bustle of Oxford Circus, is 17 Portland Place, the prestigious, Initial Style Conferences venue in the centre of London.





Chairman's Statement

BOARD CHANGES

2004 was one of the most tumultuous years that Rentokil Initial has experienced. In the period from mid May to the end of July, the board decided that a significant change of direction was required to halt the decline in the company's performance and reinvigorate it for the future. To that end, over those ten weeks, the chairman, Sir Clive Thompson and the chief executive, James Wilde stepped down from the board and left the company. During that period the remaining directors asked me initially to become non-executive chairman and then executive chairman until a new chief executive was appointed.

I am delighted that Doug Flynn joined the company as chief executive on the 4th April 2005. Doug was formerly chief executive of the global marketing services company Aegis Group PLC. Doug's extensive international experience at driving through structural change, building strong management teams and growing businesses to meet challenging and competitive markets are exactly the qualities the board believes are required at Rentokil Initial. He has considerable experience of running a diversified global services business made up of multiple operating units and has a proven track record of developing businesses operating in diverse geographies.

In March we reported that Roger Payne intended to take early retirement and step down as finance director of the company, although he will remain in his current role whilst a successor is sought. Roger has made a significant contribution to the company over the past nineteen years and, in particular, has been very supportive to me since I assumed the role of chairman last year.

RESULTS

The underlying trading was broadly in line with market expectations and with the guidance I first gave in May 2004. Turnover from continuing operations was £2,435.3 million; profit before tax and after exceptional items, which were identified in the November Trading Statement, was £347.2 million and after exceptional items was £297.8 million. Adjusted earnings per share were down 13.2% to 14.30p, with

basic earnings per share down 25.0% at 11.87p. Operating cash flow was excellent at £231.8 million, representing 89% of reported, pre-exceptional, post-tax profit. Net debt was £72.3 million lower than 2003 at £1,135.6 million.

DIVIDEND

The board is recommending a final dividend of 4.78p per share giving a full year dividend of 6.71p, an increase of 10.0% over 2003. This will be payable on Friday 3rd June 2005 to all shareholders on the register on Friday 6th May 2005.

OPERATIONAL REVIEW

When I became chairman in May 2004 I undertook an extensive operational review of the company. I found that the company had some very positive attributes with excellent businesses and able and talented people. There were strong cultural strengths of loyalty, discipline and attention to detail. Moreover, the people I met were also enthusiastic, dedicated and keen to do well for both themselves and the company.

However, I also realised that there had been serious under-investment in many of the businesses for a number of years. The main actions taken in the last year have been to:

- Build up to and then maintain optimum levels of sales personnel, service engineers and marketing managers
- Change the culture to one of devolved responsibility so that the company becomes more nimble and quicker on its feet
- Step up the pace of bolt-on acquisitions within our core businesses
- Find the best ways to effectively reward and motivate our employees worldwide
- Accelerate our investment in Information Technology developments
- Create better commercial exploitation of our innovations

I will report on the advances we have made in those areas in the chief executive's review on pages 11 and 12.

As an integral part of my review findings we have made some senior management additions with the appointment of a group human resources director and a group acquisitions director. They both report directly to the chief executive and are members of the company executive board.

PEOPLE

2004 was a difficult year for everyone who works within Rentokil Initial. During the course of my operational review I was delighted to find so many competent, capable and enthusiastic colleagues wherever I was within the Rentokil Initial operational world. On behalf of the shareholders I would like to thank all of our employees for their effort and goodwill during 2004.

PROSPECTS

In November 2004, I stated that a further deterioration in trading results would continue into the first half of 2005, but that, thereafter, the benefits of the investments and cultural changes should start to come through, even though the year as a whole was likely to give a weaker performance than in 2004. The actions initiated in July 2004 aimed at re-energising the company have continued into 2005. If 2004 was a tumultuous year for Rentokil Initial, I see 2005 as being the year of transition.



Brian McGowan
Executive Chairman
13th April 2005

Chief Executive's Review

RESULTS

In 2004 Rentokil Initial's turnover from continuing operations (including franchisees and share of associates) increased by 0.4% to £2,435.3 million at reported exchange rates and by 2.0% to £2,473.7 million at constant 2003 average exchange rates. Profit before tax and exceptional items decreased by 14.1% to £350.8 million at constant 2003 average exchange rates. Exchange differences of £3.6 million reduced this to a reported £347.2 million. Profit after tax and exceptional items was £297.8 million. Adjusted earnings per share were down 13.2% to 14.30p, with basic earnings per share down 25.0% at 11.87p. Operating cash flow was excellent at £231.8 million, representing 89% of reported, pre-exceptional, post-tax profit of £260.3 million. Performance by business stream and geography is described on pages 7 to 11. These refer to continuing operations before exceptional items and are at constant 2003 average exchange rates in line with the preliminary statement.

MANAGEMENT

With the company having operations in more than 40 countries, employees benefit from the company's philosophy of developing the skills of management through experience in several different services. Today this experience is a prerequisite for promotion to senior levels of management. This philosophy has created an environment in which our managers can be moved effectively between the company's businesses around the world, broadening their skills and reinforcing the Rentokil Initial culture.

The company executive board comprises the chief executive, finance director, the four sector managing directors, the group human resources director, the group acquisitions director and the company secretary. Sector finance directors support each sector managing director and each business is run by a dedicated management team. Central services are provided for finance, legal, human resources, management development, corporate affairs, external and internal communications, research and development, acquisitions and procurement.

ACQUISITIONS

Nineteen bolt-on acquisitions were made in Hygiene, Security and Tropical Plants in the UK, continental Europe, North America and Asia Pacific. The total cash cost of the nineteen acquisitions (with aggregate annualised turnover of c.£19 million) was £27.5 million, which contributed turnover of £7.6 million, operating profit of £2.4 million and profit before tax of £1.5 million during the year.

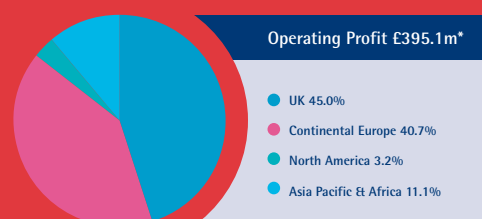
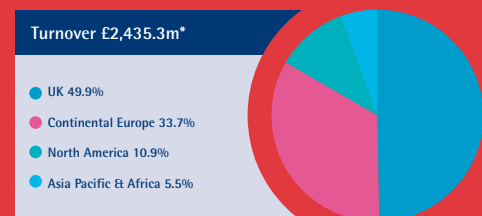
Since the year-end a further ten acquisitions have been made at an aggregate cost of £22 million.

DISPOSALS

As part of the South African government's black economic empowerment (BEE) initiative and the company's own desire to further business development and customer retention in that country, it has disposed of a 25.1% minority interest in its South African business to a consortium of local investors. See page 16 of the Finance Director's Review for further details.

In addition to this disposal, two under-performing businesses within the North America Facilities Management activity and the London based courier business within UK Parcels Delivery, were sold in 2004.

GEOGRAPHIC ANALYSIS



* continuing operations before exceptional items

Europe

Austria
Belgium
Czech Republic
Denmark
Finland
France
Germany
Greece
Italy
The Netherlands
Norway
Portugal
Republic of Ireland
Slovakia
Spain
Sweden
Switzerland
United Kingdom

North America

Bahamas
Barbados
Canada
Guyana
Jamaica
Martinique
Trinidad
USA

Asia Pacific and Africa

Australia
China
Fiji
Hong Kong
Indonesia
Japan
Kenya
Malaysia
New Zealand
Philippines
Singapore
South Africa
South Korea
Taiwan
Tanzania
Thailand
Zimbabwe

GEOGRAPHIC COMMENTARY

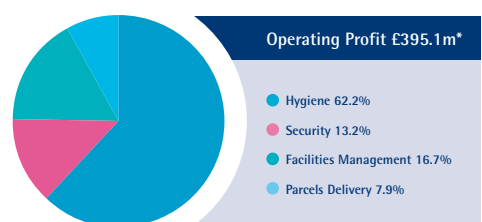
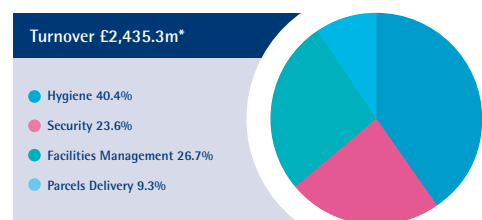
UK turnover grew by 1.2% to £1,214.9 million with operating profit down by 19.0% to £177.8 million. Hygiene Services turnover fell by 3.1% to £176.3 million and Pest Control had a turnover decrease of 0.8% to £69.4 million. In Security, turnover fell by 2.9% to £261.5 million, total Facilities Management turnover decreased by 1.7% to £484.1 million, and Parcels Delivery grew turnover by 9.7%, to £223.6 million.

Continental Europe turnover was up by 3.0% to £830.1 million with operating profit declining by 4.9% to £162.8 million. Hygiene Services turnover increased by 2.8% to £500.4 million and Pest Control turnover increased by 0.9% to £107.0 million. Security turnover was up by 6.2% to £143.7 million, and total Facilities Management turnover increased by 0.9% to £79.0 million.

North America turnover increased by 2.5% to £291.4 million whilst operating profit fell by 18.6% to £14.0 million. Hygiene Services turnover fell by 0.8% to £6.0 million and Pest Control turnover increased by 6.3% to £16.6 million. Security turnover increased by 3.8% to £186.2 million, and total Facilities Management turnover fell by 1.0% to £82.6 million.

Asia Pacific and Africa increased turnover by 1.9% to £137.3 million, although operating profit fell by 9.3% to £43.9 million.

BUSINESS STREAM ANALYSIS



* continuing operations before exceptional items

Chief Executive's Review

continued

HYGIENE

Total Hygiene turnover grew by 1.3% to £995.4 million with operating profit down by 13.9% at £247.5 million.

Hygiene Services turnover was up by 1.2% at £767.2 million, with operating profit down by 16.1% to £170.0 million. Contract portfolio net gain was £16.1 million (2.2%) with £4.5 million of this coming from acquisitions.

In continental Europe turnover grew by 2.8% to £500.4 million whilst operating profit slipped 3.7% to £109.5 million. Turnover and operating profit growth were encouraging in a number of countries including Belgium, France, Portugal and Sweden. In Germany, the pressure on turnover, evident in the first half (-1.8%), intensified to leave the full year down by 4.2%, albeit the trend of operating profit regression of 23.7% at the half year to 27.7% for the full year was less severe. Agreement has been reached with a purchaser and with the representatives of the workforce, as required under German law, for the sale of part of the German hospital linen activity to work towards eliminating losses in the order of £1.5 million p.a. It is expected that completion of the sale will take place by June 2005.

In the small North American business, turnover fell by 0.8% to £6.0 million with the operating profit regression extending to 27.1%, to leave operating profit at £1.3 million.

Asia Pacific and Africa turnover grew by 1.2% to £84.5 million, however, operating profit, impacted in part by increased revenue investments, fell by 10.3% to £29.5 million. Malaysia, South Africa, Philippines, Taiwan and Indonesia produced good turnover growth, but a flat performance in the large Australian business and regressions in Singapore and Hong Kong were disappointing.

UK Hygiene Services turnover fell by 3.1% to £176.3 million and operating profit dropped by 45.2% to £29.7 million. The

new management team continues to reorganise the washroom operations. In addition, a dedicated team is engaged in separating out the linen and garment activities, ahead of the envisaged withdrawal from these parts of the business. Preliminary discussions are underway with potential acquirers for all or parts of these activities. Earlier guidance on possible exit costs remains unchanged, as does the risk to 2005 trading arising from the potential disruption associated with the reorganisation and phased exit processes.

Pest Control turnover at £228.2 million showed improved growth (at 1.7%) from that reported at the ten months, albeit increased revenue investments and the sales mix of contracts to jobs resulted in an 8.6% reduction in operating profit to £77.5 million. Contract portfolio net gain was £4.7 million (2.6%) with £1.0 million of this coming from acquisitions.

The UK business, where a new managing director has recently been appointed, had a turnover regression of 0.8% to £69.4 million, with operating profit falling by 9.7% to £31.9 million.

Turnover in continental Europe at £107.0 million increased by 0.9%, with Belgium, Portugal, Spain, Finland and Greece each growing well. Regressions in Denmark, Norway, Sweden and Ireland were disappointing, although an improvement in Germany, from a 1.9% regression at the half year to a flat position for the year as a whole, was encouraging. Continental Europe operating profit regression of 8.2% to £33.8 million reflected, in part, the above reasons but, once again, Germany was encouraging with a regression of 5.0% in the first half being pulled back to 2.5% for the full year.

In North America, turnover growth accelerated to 6.3% with all the business units, in particular Canada, contributing to this performance. Operating profit of £2.5 million on total turnover of £16.6 million was some 1.9% lower than 2003.

Growth in Asia Pacific and Africa accelerated to 7.2% to produce turnover of £35.2 million. Australia, Malaysia, New Zealand, South Africa, Indonesia and Philippines produced the best growth, although regressions in Hong Kong, Singapore and Thailand held back the overall level of growth. Operating profit fell by 7.4% to £9.3 million despite an encouraging performance in Australia.

UK Pest Control won the prestigious Company of the Year Award in 2004 from the Society of Food Hygiene Technology and won its fifth consecutive Gold Award from the Royal Society for the Prevention of Accidents. Indonesia Pest Control was awarded a major contract with Caltex Pacific Indonesia. In Australia, washroom services secured major contracts with Woolworths, ANZ Bank and Commonwealth Bank. Initial Medical Services in the UK was awarded a 'Total Waste Management' contract by Sheffield Care Trust on behalf of the four Sheffield Primary Care Trusts. In The Netherlands, Initial Hokatex closed a major deal with Bakkersland NV for the supply of workwear and another for washroom services with Thialf Heerenveen, the world famous speed skating arena.

SECURITY

Total Security turnover at £591.4 million was 1.3% up on 2003, albeit with operating profit falling by 8.9% to £53.0 million.

Within the total, electronic security turnover grew by 4.4% to £251.6 million, with operating profit 5.7% lower at £41.6 million. Contract portfolio growth of £9.0 million (11%) came from a combination of organic growth (£3.5 million) and acquisitions (£5.5 million). Manned guarding saw turnover fall by 0.9% to £339.8 million and operating profit by 18.6% to £11.4 million, although a pick-up in contract portfolio net gain towards the end of the year produced organic portfolio growth of £1.8 million (0.6%) for 2004 as a whole.

Continental Europe turnover at £143.7 million was up by 6.2%, approximately a half of this growth coming from the Belgian electronic market entry acquisition made at the end of 2003. France performed well, whilst Belgian manned guarding and the Dutch electronic business each produced growth broadly in line with inflation. Despite the modest profit contribution from the aforementioned Belgian electronic acquisition, total operating profit fell by 1.9% to £13.0 million, the Belgian guarding and the French electronic businesses both regressing whilst the Dutch electronic business produced only flat profits.

North America turnover and operating profit growth were broadly in line at 3.8% and 4.0% respectively to £186.2 million and £6.6 million respectively. All three business units (US manned guarding, US electronic and Canadian manned guarding) contributed to the growth in both turnover and profit.

In the UK, turnover fell by 2.9% to £261.5 million, with a 7.3% fall in manned guarding in very difficult market conditions, more than negating the 1.2% (£1.7 million) increase in electronic, which benefited from four bolt-on acquisitions contributing c. £3.5 million of turnover. Operating profit at £33.4 million was 13.3% down, with manned guarding (where the managing director has recently been replaced) being the worst relative performance. Electronic operating profit also regressed due to a combination of increased sales and marketing investment, to address the underlying organic decline in installation turnover, as well as development and reorganisation costs associated with the bolt-on acquisitions.

Chief Executive's Review

continued

US Security, manned guarding, secured major contracts with City of Dallas, Texas; City of Houston, Texas and with Lyondell-Equistar at 16 locations in Texas, Louisiana, Ohio, Pennsylvania, Iowa and Illinois. Initial Electronic Security Systems won major contracts in the UK with BT (British Telecommunications), Thames Water and BNG (British Nuclear Group), worth in the region of £18 million.

FACILITIES MANAGEMENT

Total Facilities Management turnover grew by 1.2% to £659.2 million but the operating profit regression experienced at the half year escalated to 16.4% for the year as a whole, leaving operating profit at £66.7 million.

Facilities Management Services grew turnover by 0.9% to £456.6 million but very challenging market conditions were the principal cause of the operating profit slippage of 18.8% to £28.9 million. Whilst contract portfolio was flat across the year as a whole, the underlying profitability of the exit portfolio of £380.2 million was lower than that of the £380.1 million at the start of 2004 due to fierce competition on re-bids and new business wins. In the UK (which represents 83% of turnover and 88% of operating profit), whilst turnover increased by 0.6% to £380.2 million, operating profit fell by some 19.3% to £25.5 million, with almost half of the £6.1 million regression coming from the core cleaning operation. Continental Europe cleaning turnover increased by 4.0% to £51.0 million although pricing and cost pressures caused operating profit to fall by 20.1% to £2.4 million. Notwithstanding two partial disposals, the reduced scale North American operation continued to make a loss, this almost doubling to £1.2 million on turnover 2.6% lower at £21.2 million. Options to eliminate these losses are being actively considered. In Asia Pacific and Africa, turnover and operating profit increased by £0.3 million and £0.5 million to £4.2 million and £2.2 million respectively.

Tropical Plants continued the improving in-year trend with turnover and operating profit regressions slowing to 1.0% and 29.8% respectively for the year as a whole (compared

to reductions of 3.5% and 38.0% respectively in the first half). Turnover ended the year at £111.5 million with operating profit of £12.5 million. Contract portfolio net gain of £0.2 million benefited from £1.1 million of acquisitions. Despite a turnover growth of 5.3% to £12.8 million, operating profit in the UK fell by 51.3% to £2.0 million. In continental Europe, turnover and operating profit each fell by 4.4% to £28.0 million and £4.1 million respectively, with encouraging performances in The Netherlands, Spain and Ireland being offset elsewhere, in particular Belgium, Norway and Germany. A 0.3% turnover regression for the full year in North America to £61.4 million with a 34.0% fall in operating profit to £4.8 million, whilst very disappointing, were improvements over the first half where the falls were 2.7% and 61.5% respectively.

Similar comments to North America also apply to Asia Pacific and Africa, turnover and operating profit falls of 2.7% and 29.7% respectively to £9.3 million and £1.6 million improving from the 4.4% and 39.4% reductions reported for the first half.

Conferecing continued to improve the trends of turnover growth and operating profit regressions, these ending the year at 6.2% and 4.2% respectively to produce full year totals of £91.1 million and £25.3 million respectively. Contract portfolio net gain was £1.6 million (4.5%).

Initial Catering Services in the UK received extensions on three state school meals contracts worth £13.4 million per year. Tropical Plants in France was awarded a three year contract for the eight terminals at Charles de Gaulle Airport. UK Tropical Plants won a Silver Gilt medal at The Chelsea Flower Show, a Gold Medal at the BBC's Gardeners' World Live, a Silver Gilt Medal at Hampton Court Flower Show and no less than nine gold, silver and bronze awards from the European Federation of Interior-Landscape Groups. US Tropical Plants won three awards of merit in the 2004 California Interior Plantscape Association awards and Tropical Plants South Africa won a Gold medal in the Interior Plantscaping Association of South Africa's excellence awards. Rentokil Initial UK Cleaning was awarded major contracts with Barclays Bank and the Bank of Ireland and won the industry's Golden Service Award for Best Cleaned Premises by a Contract Cleaning Company for Manufacturing at Walker's Snack Foods.

IT Hygiene in the UK won one of their largest contracts ever with Wincor Nixdorf, to clean and sanitize 2,900 ATM machines for Barclays Bank and the Woolwich across the UK. Rentokil Initial UK Cleaning and Rentokil Initial Management Services, jointly with Initial Hospital Services, received Royal Society for the Prevention of Accidents Gold Awards.

PARCELS DELIVERY

Parcels Delivery in the UK (which represented 98% of total turnover of £227.7 million and 96% of total operating profit of £31.3 million) grew turnover by 9.7%, albeit mix and certain revenue investment costs held back operating profit growth to 2.0%, which was, however, an improvement compared to both the first half and the ten months.

Initial City Link retained over 95% of its customers during 2004. This excellent performance is due in part to the continued investment in and development of its advanced technology for tracking the position of packages at any time in the collection and delivery process. Not only does this create customer confidence as information is available to them continuously, but also drives improved internal controls and efficiencies.

OPERATIONAL REVIEW

From May 2004 I undertook an operational review of the company lasting some three months. I found much that was good about the businesses. As expected, I found tight cost controls and effective financial reporting structures, but refreshingly I found an encouraging attitude in the employees I met. They had some great ideas, were full of enthusiasm and hungry for success for themselves and their businesses. But along with that I sensed frustration and irritation with some of the procedures within the company.

I realised that much of that frustration was born of serious under-investment in many of the businesses for a number of years. At the conclusion of my review I identified key areas for change, which I firmly believe will be the drivers to reinvigorate and move the company forward.

I encouraged all managers to build up to and then maintain optimum levels of sales personnel, service engineers and marketing managers to ensure that we could grow and retain more of our existing customer base and win more new business. Also, I targeted a zero tolerance approach to poor service standards to ensure that we provide the premium service that our customers have a right to expect.

The culture was changed to one of devolved responsibility and empowerment so that the company could become more nimble. I dismantled the time consuming and bureaucratic review process in order to devolve responsibility back where it should be – in the businesses and down the line all the way to the 1,000 branch managers around the world.

In order to improve internal communications, video conferencing facilities were installed in our major businesses worldwide. I also started to distribute video messages by email to all our managers and their staff around the world, which was totally new for the company. A simple feedback mechanism was included that allows anyone in Rentokil Initial to send to me a comment on the videos or just their ideas on making their business better. A recent survey of those seeing these videos has been overwhelmingly positive, as the company appears more open, informative and willing to listen – vital in a people company like ours – and I am encouraging the sector managing directors also to use these techniques.

As far as acquisitions are concerned, Mark Boyle joined as group acquisitions director in January of this year to accelerate the pace of bolt-on acquisitions within our core businesses. Last year we made 19, albeit small, acquisitions and a further ten in the first three months of this year. The latest significant acquisition has been the £14 million purchase of a leading Austrian textile services company, Textilservice Pointner. This is an important entry into that market for us and provides a platform for subsequent in-fill acquisitions.

We needed to find the best ways to effectively reward and motivate our employees, which falls into the human resources area. Jeanette Cowley was appointed group human resources

Chief Executive's Review

continued

director during the second half of 2004 and she has since appointed two senior managers to spearhead remuneration and career development within the group. They have started to tackle the whole area of rewarding, developing and motivating our 90,000 staff, moving towards a consistent approach for all businesses.

Investment in and development of our IT systems was increased and encouraged. We have a number of exciting, customer focused IT projects underway. UK security has implemented a package of initiatives including a new project control system, enhanced mobile communications, rewriting of the alarm receiving centre software and the launch of a new extranet site for a major client, BT (British Telecommunications). In continental Europe, our French security business will launch a version of the remote access monitoring system, giving customers total access to their data by way of a secure internet connection. In Belgium our security business is marketing a new visitor management software system that will provide the technology to manage all visitors' identification, badge issue and access monitoring upon entering the building. There are major developments too, internationally, in Pest Control, Washroom Services and US Security where we have developed and installed new programmes providing customers with service status information via secure internet access.

Rentokil Initial has always been strong in research and new product development, but these have not been fully commercially exploited in the past.

Pestconnect, launched in January in the UK, uses radio communication from detectors to tell our staff if pests are active in a customer's premises. They will know minute-by-minute the pest status at a customer's site and can respond rapidly, the customer also accessing the same information through a secure website.

Facecheck® was launched last autumn by our security business in The Netherlands and is a system for identifying low-grade criminal targets, particularly shoplifters. A video camera captures the face of a person entering the shop and compares it to a database of known offenders and, if there is a match, the shop security staff are alerted.

In the Hygiene market, our technology sourcing activities identified a novel treatment in the US which confers anti-microbial properties to fabrics. The biocide in the fabric kills bacteria rapidly and has shown to be effective against MRSA. We have also developed a hand hygiene management system based on a sensor that can identify if an individual has correctly used a residual sanitizer on their hands. This sensor can be built into handles, push-plates and check points that give a pass or fail signal when touched. This project is currently in development with field trials in NHS hospitals and food factories.

That concludes my review of operations and with Doug Flynn now in place as chief executive, it will be his responsibility to report on 2005 in a year's time.



Brian McGowan
Executive Chairman
13th April 2005

Finance Director's Review

PROFITS

In 2004 total operating profits reduced by £60.0 million to £395.5 million, before exceptional items charged against operating profit of £49.4 million. There were no (2003: £11.7 million) exceptional charges below operating profit, leaving profit before interest at £346.1 million (2003: £443.8 million). At constant 2003 average exchange rates, before exceptional items, the year-on-year operating profit reduction was 14.1%.

EXCEPTIONAL ITEMS

The £49.4 million (2003: £nil) exceptional charge against operating profit was made as a result of one-off significant events occurring during the year. A goodwill impairment charge of £14.4 million, mainly in respect of our US Tropical Plants business, was made following the deterioration in performance experienced in the year. A fixed asset impairment charge of £9.3 million was made in one of our US Facilities Management businesses following continuing losses and other developments within that business during 2004. An exceptional charge of £19.7 million for additional vacant property and environmental provisions was made in the US and UK in respect of specific properties relating to businesses disposed of in prior years. A £6.0 million exceptional charge was made, following further developments in the year, for a potential uninsured loss in respect of product supply by a discontinued business.

INTEREST

Net interest payable increased by 2.8% to £48.3 million and reflects the effects of higher sterling interest rates albeit largely offset by the impact of strong operating cash flow.

PROFIT BEFORE TAX

After interest and exceptional items, pre-tax profits reduced by 24.9% to £297.8 million at actual reported rates of exchange. At constant 2003 average exchange rates the 2004 profit before tax after exceptional items would have been £0.6 million higher at £298.4 million.

TAXATION

The overall tax charge reflects an underlying rate of approximately 31.6% (being the weighted average of the local rates in the various countries in which the company operates), which was reduced to 27.4% in 2004 (25.0% calculated on 2004's pre-exceptional profits-2003: 25.7%) by a continuing

combination of the utilisation of tax losses, goodwill amortisation, prior period adjustments and other one-off items.

EARNINGS PER SHARE AND DIVIDENDS

Profit after tax and minorities was £214.5 million, down £75.6 million (26.1%) on 2003's £290.1 million.

At 11.87p, basic earnings per share, after adjusting for the weighted average number of shares bought back by the company, was 25.0% lower than 2003. Before net exceptional items the adjusted earnings per share of 14.30p was 13.2% lower than 2003's adjusted earnings per share of 16.47p.

In line with the statement made at the 2004 AGM and as set out in the 2004 interim report, the board has proposed a final dividend of 4.78p per share, bringing the total dividend to 6.71p, up 10.0% on 2003's 6.10p. At that time, the board also announced that, in the absence of unforeseen circumstances, it intends to recommend an increase in the dividend for 2005 of a further 10.0% to 7.38p per share with dividend increases thereafter being broadly linked to earnings per share growth over the medium term. This statement was reaffirmed when the 10-month trading statement was issued on 30th November 2004 and as part of the 2004 preliminary results announcement on 24th February 2005.

CASH FLOW

The company continues to be structured and managed to utilise as little fixed assets and working capital as possible to optimise profit and cash flow. Capital expenditure is budgeted to take account of the prospective growth and profitability and returns on capital of the various businesses, and is controlled through authorisation and reporting procedures to match the actual progress of each business through the year. Working capital, particularly debtors, is budgeted tightly in line with growth requirements and is also reviewed regularly and controlled tightly.

We entered 2004 with £1,207.9 million of net debt. Cash flow from operating activities (i.e. before interest and tax and also before capital expenditure, dividends and acquisitions) in the year was £552.1 million (2003: £610.3 million). Working capital, including £8.1 million (2003: £9.4 million) cash spend against certain provisions, produced an outflow of £0.5 million (2003: £1.4 million inflow) whilst capital investment (net of disposals)

Finance Director's Review continued

increased to £168.4 million compared with £159.4 million in 2003, to give free cash flow before dividends, acquisitions and disposals of £242.8 million (2003: £282.4 million) which, after adjusting for lease financing on fixed assets of £11.0 million (2003: £13.1 million), produced operating cash flow of £231.8 million (2003: £269.3 million).

Dividend payments were £113.5 million, up by 8.7% over 2003's £104.4 million, reflecting the increase in the dividend per share offset by the reduction in the number of shares in issue. This gave a cash flow before acquisitions and disposals in the year of £129.3 million (2003: £178.0 million).

We invested net cash of £27.5 million in acquisitions (2003: £21.2 million) as covered elsewhere in this review. There were disposal proceeds of £6.7 million in 2004 (2003: £6.4 million). Net cash inflow before use of liquid resources and financing was £108.5 million (2003: £163.2 million). The share buy-back programme produced an outflow of £24.2 million (2003: £75.9 million). After lease financing of £11.0 million (2003: £13.1 million), issue of ordinary share capital in respect of share options of £0.3 million (2003: £2.9 million) and negative foreign exchange movements of £3.6 million (2003: £23.1 million), year-end net debt reduced to £1,135.6 million.

SHAREHOLDERS' FUNDS

Equity shareholders' funds at the end of 2004 were negative £569.6 million, compared to the negative £631.1 million (restated) at the end of 2003. The principal cause of this movement was the £93.8 million retained profit partly offset by the £24.2 million cost of share buy-backs.

In relation to turnover and profits, the low level of net operating assets in the company (excluding intangible assets) of £383.3 million (2003 restated: £387.6 million) reflects the nature of service businesses where the scarce resource is not assets but the people in the business and the customer base that has been built up over the years. However, this figure does not include the goodwill of £2.4 billion previously written off to reserves invested into the acquisitions which produce good profits and cash flow, nor does it include the value of the company's own businesses and brands that has been built up over the years. The real value of this goodwill can be seen in the very high return on operating assets earned by the business (90% operating profit on average net operating

assets), the interest cover of 7 times, and the free cash flow in the year of £242.8 million (2003: £282.4 million) which was available to finance dividends, acquisitions and the purchase of own shares.

FINANCING STRATEGY AND STRUCTURE

Businesses around the world are budgeted and managed to generate cash in their local currencies and to repay local or intercompany debt and then pay dividends each year into group treasury. These cash flows are then used to meet the group financing requirements. Group treasury operations are undertaken in accordance with policies and procedures approved by the board. These operations include undertaking borrowings under the company's bank committed credit facilities, note issuance under the company's Euro Medium Term Note programme, the placing of deposits and the use of financial instruments to manage the group's underlying commercial currency and interest rate exposures. We do not trade such financial instruments. The effect of the company's treasury activities is reflected in the disclosures in note 20.

During 2004 the company continued to broaden its financing mix, with the issue of a further six short term notes totalling £107 million under its existing €2.5 billion Euro Medium Term Note programme. All the notes issued were rated BBB+ by Standard & Poor's, a rating that has been unchanged since it was first established in 2001. This rating, together with its stable outlook, was recently reaffirmed by the rating agency after the preliminary announcement of the company's 2004 financial results. Standard & Poor's also confirmed that the company's credit rating would be unaffected by the planned corporate reorganisation which, subject to shareholder and court approvals, would include the establishment of a new listed holding company.

FOREIGN CURRENCY RISK

Foreign currency risk can arise as follows: from transactions in currencies other than the home currency of the relevant business; from translation of the results and assets and liabilities of overseas businesses; from foreign currency financial assets and liabilities; or from financial instruments purchased or issued to hedge or manage these exposures. Although we

do not have any material import or export business, all material foreign currency transactions are hedged back into the currency of the relevant business using forward forex or options. The total of such transactions at the year-end was £nil (2003: £6.6 million).

Our policy is not to hedge the translation exposure of the profits of foreign businesses back into sterling; however, we normally finance overseas acquisitions with debt in the relevant currency and maintain debt in foreign currencies to match part of the profits and cash flow of our overseas operations. Details are set out in the net debt analysis below.

INTEREST RATE RISK

Swaps, options or forward interest rate agreements may be used to fix or manage the interest rates on borrowings or deposits or their currency exposure. The majority of the group's net borrowings are currently at fixed rates of interest for 2005. Beyond that period, in the event that interest rates rise or fall by 1% p.a. simultaneously across all

the group's borrowings the net interest payable by the group would then correspondingly increase or reduce by approximately £11.5 million on an annualised basis.

The company policy is for group treasury to manage the group's interest rate exposures on a twelve month rolling basis in accordance with policies and procedures approved by the board.

LIQUIDITY MANAGEMENT

Our policy is to maintain committed bank facilities sufficient to cover forecast borrowing requirements with a margin of safety and after allowing for any bond issues made under the company's €2.5 billion Euro Medium Term Note programme. At 31st December 2004, the group had £753.9 million of undrawn committed bank credit facilities. The company is in compliance with the financial and other covenants contained within its committed bank credit facilities as well as all obligations relating to the notes issued under its Euro Medium Term Note programme.

At 31st December 2004 an analysis of the net debt by major currencies (after taking account of currency and interest swaps outstanding) shows:

	STERLING	OTHER EUROPEAN CURRENCY	US/CAN DOLLARS	OTHER	TOTAL	TOTAL
	£m	£m	£m	£m	2004 £m	2003 £m
Cash and investments						
Fixed rate	7	-	-	-	7	14
Floating rate	59	102	25	13	199	259
	66	102	25	13	206	273
Debt						
Fixed rate	(2)	(2)	-	-	(4)	(3)
Floating rate	(920)	(379)	(32)	(7)	(1,338)	(1,478)
	(922)	(381)	(32)	(7)	(1,342)	(1,481)
Net Debt	(856)	(279)	(7)	6	(1,136)	
31st December 2003	(873)	(322)	(18)	5		(1,208)
The maturity of the debt at 31st December 2004 was:						
Up to one year	(157)	(28)	(4)	-	(189)	(83)
One to five years	(763)	(353)	(28)	(7)	(1,151)	(1,395)
Over five years	(2)	-	-	-	(2)	(3)
	(922)	(381)	(32)	(7)	(1,342)	(1,481)

Finance Director's Review continued

Further details of the company's net debt, together with the corresponding interest rate and currency exposure positions are shown in note 20 to the accounts.

ACQUISITIONS

During 2004 the company purchased 19 companies and businesses for a total consideration of £29.6 million which, together with adjustments for deferred consideration, took the cash spend to £27.5 million. Details of the businesses acquired are set out in note 31 to the accounts and the turnover and operating profit therefrom are set out on the face of the consolidated profit and loss account on page 44 of this annual report.

The consideration for these businesses included £28.9 million of goodwill which has been capitalised as an asset, together with the goodwill on earlier acquisitions since the change in accounting standards effective on 1st January 1998. More detailed commentary on our policy of non-amortisation of goodwill and the impairment testing in respect thereof is provided in the Accounting Policies section of this annual report on pages 48 and 49.

DISPOSALS

Three businesses were disposed of during the year for a net consideration of £3.4 million, which, after adjustments for deferred consideration, gave a net cash inflow of £6.7 million.

Note 32 to the accounts on page 69 provides further details of the above disposals.

In addition, in conformance with both the South African government's black economic empowerment (B.E.E) initiative and the company's own desire to further business development and customer retention, it has disposed of a 25.1% interest in its South African business to a consortium of local investors for a gross consideration of £17.6 million. The gain on disposal of £14.2 million has been shown in the Statement of Total Recognised Gains and Losses given the vendor financing structure of the disposal. It is anticipated that the loan will be repaid over a 10 year period. The repayment of the loan will be dependent upon future dividends generated by the business.

The company has previously announced its intention to exit the loss making linen and garment activities, which form part of its UK Hygiene Services business. The activities identified for disposal have turnover of c. £55 million p.a. and utilise specific assets of c. £40 million.

As at the date of these accounts indicative offers have been received for certain parts of these activities and negotiations with the prospective acquirers, which by their very nature are commercially sensitive, are ongoing. Given the ongoing nature of these discussions and the residual uncertainty as to the final shape of the disposal/discontinuation of these operations, no further details can be given at the present time.

We continue to monitor the periodic public announcements made by the purchaser of our former US plant services business, Ashtead Group plc. In year 2000 we received from

Ashtead Group plc a £134 million convertible loan note in part consideration for the sale of this business. Fuller details of their public announcements and their relevance to the convertible loan note are more fully explained in note 20. The company continues to take all steps as may be required to protect its legal rights to the payment of interest and principal under the terms of the note.

SHARE BUY-BACK

During 2004, the company purchased 14.5 million (2003: 38.7 million) shares at a total cost of £24.2 million (2003: £73.1 million). At the 2004 AGM shareholders gave approval for the purchase of up to 15% of ordinary shares then outstanding (equivalent to some 235.4 million shares). The company subsequently announced on 26th August 2004, as part of its interim results, that given its greater future focus on acquisitions at present it does not currently intend to use the remaining shareholder share buy back authority.

PENSION SCHEME

The company closed the defined benefit sections of its UK pension scheme to new starters in 2002 and introduced a defined contribution section in its place. The company has also announced that from 1st April 2005, members contributions to the existing UK defined benefit scheme would increase by 2% p.a. In addition, from 1st April 2005 future increases in pension payments earned from that date would be reduced from 5% to 2.5% p.a. in line with recently announced UK government relaxation of the previous rules.

The next triennial valuation of the UK defined benefit pension scheme will be performed in 2005. As part of this valuation process the required level of company

contributions will be re-assessed. During the year, as a result of the outcome of the 2002 triennial valuation, a company contribution of £6.8 million was made in March 2004 (2003: £nil). In addition, a further company contribution of £9.3 million was made in March 2005. Company cash contributions for 2006 will be determined when the 2005 triennial valuation has been completed. However, and notwithstanding both the increased level of employee pension contributions and the lowering of annual pension payment increases, it is anticipated that future increases in company contributions will be necessary. It is currently anticipated that any such future contribution increases would arise largely as a result of lower mortality rates, increased inflation rates and changes to bond and investment yields since the previous 2002 triennial valuation.

In 2004 the company continued to account for pensions using SSAP 24. The pro-forma effects of FRS 17 are shown in note 28 on pages 66 to 68 of this annual report. Given the company's market capitalisation of c.£3 billion and compared to UK pension funds generally, the net deficit (after tax) at 31st December 2004 of £184 million shown under FRS 17 is considered to be a relatively low exposure.

ACCOUNTING STANDARDS

During the year the company has adopted UITF Abstract 38 "Accounting for ESOP Trusts" which superceded UITF 13 issued in 1995. UITF 38 was issued in December 2003 and became effective for all accounting periods ended on or after 22nd June 2004. As a result, shares held in the Rentokil Initial

Finance Director's Review continued

Employee Share Trust to satisfy obligations under the Rentokil Initial share option schemes were re-classified as Treasury shares and transferred from fixed asset investments to shareholders' funds. The December 2003 balance sheet has been restated accordingly. The company also adopted the related amendment to UITF Abstract 17 "Employee share schemes" as effected by the adoption of UITF 38 although this had no impact on the financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The company continues to make good progress in planning its transition to International Financial Reporting Standards (IFRS). The 2004 consolidated financial results will be the last that will be prepared under UK Generally Accepted Accounting Principles (UK GAAP). Preliminary guidance on the likely significant effects of IFRS was contained within the trading statement issued on the 30th November 2004. The company expects to further update shareholders on the main reconciling items between the 2004 UK GAAP results and the restated IFRS results early in the second half of 2005 in advance of the announcement of the 2005 interim results, which will be prepared under IFRS.

NEW HOLDING COMPANY

It is anticipated that the implementation of IFRS will have an impact on the company's distributable reserves, in particular the need to recognise (under IAS 19) the pension fund deficit as a liability. To ensure that there remain sufficient distributable reserves to support likely dividend requirements in the medium to long term, the company proposes to implement a corporate reorganisation, by way of a court approved scheme of arrangement under s.425 UK Companies

Act 1985. Under the proposed corporate reorganisation, which should not result in disruption to the company's day-to-day commercial operations, a new listed holding company would acquire the existing group and implement a reduction of capital to create additional distributable reserves. The full proposed corporate reorganisation scheme details will be sent to shareholders at the end of April. Shareholder approval will be sought at meetings which will be held on the same day as the AGM (26th May 2005). The reorganisation is currently expected to become effective prior to 1st July 2005 and a further announcement will be made in due course.

OTHER

The Audit Committee Report is set out on pages 27 to 29.



R C Payne
Finance Director
13th April 2005

Directors and Secretary

DIRECTORS **B D McGowan** Chairman

Aged 60. Chartered Accountant. Appointed a director in October 1996 and non-executive chairman in May 2004. Appointed executive chairman in July 2004. Chairman of UMECO plc and Catalyst Corporate Finance (UK) Limited. Formerly chief executive of Williams plc and chairman of House of Fraser plc.

D Flynn Chief Executive

Aged 55. Appointed a director and chief executive on 4th April 2005. He was previously chief executive of Aegis Group PLC, having joined the board as a non-executive director in 1999. Prior to this, he spent 13 years with the News Corporation Limited in the UK and Australia, latterly as managing director of News International Plc. Before joining News Corporation Limited he was with ICI for ten years working in Australia and Hong Kong in various management roles.

R C Payne Finance Director

Aged 56. Chartered Certified Accountant. Appointed a director in July 1998 and finance director in January 2001. Joined the company in December 1986 and became business development director shortly afterwards. A regional managing director from January 1991 until the end of 1999 when he became finance director designate. Before joining the company, held executive appointments with Mars Inc and Soci t  G n rale de Surveillance SA. An independent non-executive director and chairman of the audit committee of LogicaCMG plc.

E F Brown Executive Director

Aged 53. Appointed a director in July 1998. Joined Rentokil Initial in 1981 and held numerous executive positions in the company prior to his appointment as a director. Appointed marketing director in June 2002 and sector managing director in January 2003. Before joining the company, held executive appointments with British Steel plc, Kwikform Limited and Sedgwick Group plc.

I Harley Non-Executive Director

Aged 54. Chartered Accountant. Appointed a director in March 1999. A director of British Energy plc and Remploy Limited. Past President of the Chartered Institute of Bankers. Formerly chief executive of Abbey National plc. An independent non-executive director.

P J Long Non-Executive Director

Aged 52. Chartered Management Accountant. Appointed a director in October 2002. Chief executive of First Choice Holidays PLC. A director of RAC PLC. Formerly chief executive of Sunworld Limited. An independent non-executive director.

P Mason Non-Executive Director

Aged 45. Appointed a director in May 2003. President of Levi-Strauss & Co. Europe. Formerly president and managing director of Asda Wal-Mart UK and chief executive of Matalan plc. An independent non-executive director.

R R Spinney Deputy Chairman

Aged 64. Chartered Surveyor. Appointed a director in November 1997. Chairman of Hammerson plc. Chairman of Hanover Real Estate Investment Management Limited, a Crown Estates Commissioner and a non-executive director of Homestyle Group plc, Fuller, Smith & Turner plc, Kennington Oval Limited and Rockspring Property Investment Managers Limited. The senior independent non-executive director.

SECRETARY **R Ward-Jones**

Report of the Directors

DIRECTORS Information on the directors is given on page 19.

Sir Clive Thompson was a director until 19th May 2004 and Mr J C F Wilde was a director until 27th July 2004.

All directors submit themselves for re-election once every three years.

The directors retiring by rotation will be Mr B D McGowan and Mr I Harley, who are eligible and offer themselves for re-election at the 2005 annual general meeting. Neither of them has service contracts although Mr McGowan has a letter of appointment, details of which are set out in the Remuneration Report on page 35.

In March 2005, the company announced that Mr R C Payne would be retiring as a director. Mr Payne has been a director since July 1998.

On a recommendation from the Nomination Committee, Mr D Flynn was appointed to the board on 4th April 2005 and, under the company's Articles of Association, offers himself for election at the 2005 annual general meeting. The terms of Mr Flynn's contract were approved by the Remuneration Committee and details are set out in the Remuneration Report on page 35.

BOARD COMMITTEES Following the introduction of the Code on Corporate Governance by the Financial Reporting Council on 23rd July 2003, the board has reviewed in detail its procedures and practices and, in particular, has updated the terms of reference of the board committees. The principal board committees are as follows:

- Audit committee
- Nomination committee
- Remuneration committee

The terms of reference of the committees may be found on the company's website, www.rentokil-initial.com, or if a hard copy is required, by application to the company secretary's department at the company's head office.

Audit committee

The terms of reference of the committee have been modified to take account of the Smith Guidance which is appended to the Combined Code. The report of the audit committee is set out on pages 27 to 29. Its members are Mr I Harley (chairman), Mr P J Long and Mr P Mason, all of whom are independent non-executive directors.

Nomination committee

This committee is responsible for recommending board appointments. Its terms of reference take into account the Higgs Guidance which is appended to the Combined Code. Its members are Mr B D McGowan, Mr D Flynn, Mr I Harley and Mr R R Spinney.

Remuneration committee

The terms of reference of the committee take into account the Higgs Guidance. The Remuneration Report is set out on pages 30 to 40. The members of the remuneration committee are Mr R R Spinney (chairman), Mr P J Long and Mr P Mason, all of whom are independent non-executive directors.

DIRECTORS' INTERESTS The interests of the directors and their families in the share capital of the company, other than in relation to share options, on 1st January 2004, or their date of appointment if later, and 31st December 2004, are set out on page 40.

The only directors who have been granted share options in the year by the company are the executive directors, details of whose option holdings are shown in the Remuneration Report on pages 37 and 38. No director had any beneficial interest in the shares of any of the company's subsidiaries on those dates.

The interests of the directors and their families in the company and its subsidiary companies during the period from the end of the financial year to 13th April 2005 have changed only to the extent of awards of shares to executive directors under the Deferred Share Award Plan, details of which are set out on page 37.

DIRECTORS' INSURANCE The company has purchased cover for the directors against liabilities arising in relation to the company, as permitted by the Companies Act 1985.

**INTERESTS OF DIRECTORS
IN CONTRACTS**

During 2004, no director had any material interest in any significant contract to which the company or any subsidiary was a party.

**INTEREST IN
SHARE CAPITAL**

On 13th April 2005, the following were registered as being interested in the company's issued share capital:

Franklin Resources, Inc	13.00%
Janus Capital Management LLC	4.25%
Legal Et General Investment Management Limited	3.64%
Davis Selected Advisors LP	3.50%
Britel Fund Trustees Limited	3.02%

The disclosed interests of 3% and above total 27.41% (March 2004: 15.59%).

EMPLOYEES

The company attaches considerable importance to keeping its employees informed of matters affecting their jobs and the progress of the business. As well as the company's intranet there is a UK magazine and a number of other in-house publications in the UK and other countries covering local and divisional matters.

Employees have frequent opportunities to meet and have discussions with their managers. Senior executives from the United Kingdom make regular visits overseas for meetings with managers and staff. A European Forum has been established under the European Works Council Directive as a means of informing, communicating and consulting with employees across Europe and currently covers employees in all current member countries of the European Union, Norway and Switzerland.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with Rentokil Initial continues and that appropriate training is arranged. It is the policy of Rentokil Initial that the training, career developments and promotion of disabled persons should, as far as possible, be identical with that of other employees.

**POST BALANCE
SHEET EVENTS**

The company has made 10 acquisitions at a cost of £22 million since the 31st December 2004 up to 13th April 2005.

**POLICY IN RELATION TO
PAYMENT OF SUPPLIERS**

Rentokil Initial has a variety of payment terms with its suppliers in various countries. These are either negotiated along with other contract terms or conform to standard terms applied either by the relevant group company or by the supplier. It is the company's policy to pay suppliers in accordance with either negotiated or standard terms, provided that the relevant invoice is properly presented and is not the subject of dispute.

At 31st December 2004 the trade creditors of the group represented 57 days of annual purchases and the UK businesses' trade creditors represented 55 days of purchases; UK trade debtors represented 44 days of turnover. During the year the parent company did not have any trade creditors.

**CORPORATE SOCIAL
RESPONSIBILITY**

The company takes account of social, environmental and ethical considerations when managing the business and when contemplating new activities. In 2002 the board adopted a range of corporate social responsibility ('CSR') policies. In addition to the existing policies and procedures in respect of the environment and health and safety, they comprise policies on ethics, and policies in relation to the fundamental rights of employees, equal opportunities and diversity, employee remuneration, training and employee development, job security and wealth creation, relationships with customers and suppliers and community involvement.

Mr E F Brown is the director responsible for corporate social responsibility matters.

2004 saw the further development of good practice management guides and their communication to the operating businesses. During the year, we have reviewed their implementation and the degree of compliance of our business units. As is often the case, this process has highlighted areas where we need to have additional focus, as well as areas which we had not identified previously as presenting CSR challenges.

We regularly review our progress on CSR as part of the board's agenda. We believe we have made good progress on many areas over the past year, but recognise that we still have a long journey to make in the arena of CSR. This is particularly true over better communicating what we regard as responsible behaviours in the context of CSR reporting.

Report of the Directors continued

CORPORATE SOCIAL RESPONSIBILITY (continued)

The company has produced its second CSR report, which is available in the CSR pages on the company's website, www.rentokil-initial.com, as is other information on CSR including copies of policies and good practice guides. The examples of corporate responsibility actions given within the dedicated CSR annual report for 2004 demonstrate the extent to which the various parts of Rentokil Initial have taken on board the CSR issues relating to their business - they are indicative of a much wider range of activity.

In our web-based CSR report last year (still available on the website) we identified the key challenges we believed we faced in the CSR arena. Since that time, we have regularly reviewed all our areas of impact, including those areas where we believe we have significant opportunities to make positive impacts, especially with our workforce and community stakeholders. Any shareholder without access to the website who would like to have further information on CSR matters should contact the company at the address shown on the inside back cover of this report.

Over the last year, we have taken action to continue to bear down on the following risks: health & safety (occupational road risk); environmental (operational impact on the community through the further development of non-toxic pesticide procedures); workplace (developing integrity of service delivery through employee development with the initiation of basic skills training in UK Cleaning and in South Africa); marketplace (maintaining fair and open dealings with customers and suppliers and securing best value bought in products or services to the standards required through the enhancement of procurement management systems) and community (the Olivenhoutboush community development and AIDS support project).

We are pleased that the introduction in 2004 of a local investor in our business in South Africa (owning 25.1%) will be not only in the long term best interests of the company and its employees but will also play a small part in spreading economic prosperity in the wider community.

As a result of our review of CSR activities we plan ongoing activity in areas to address social, environmental and ethical risks. A detailed description of these risks and associated actions we are undertaking and planning is included in our 2004 CSR report. These actions will be reinforced through organisational changes that we have introduced during the course of the last year. Our environmental and health and safety management was repositioned to become part of our risk management directorate. Similarly, we have appointed our first group human resources director (previously there had been no professional human resources representation at the group level).

We will continue to focus our CSR attention on areas where our impact on our stakeholders is most beneficial:

- delivering an improved and more secure environment for our employees, clients and the communities in which they and we operate;
- providing strong and developing career opportunities for all our employees, based on merit; and
- operating ethically as an international business to the benefit of the clients and suppliers in the communities where we operate.

Delivering against each of these has to be set against meeting our shareholders expectations and our being satisfied that a good business case exists for the promotion of corporate responsibility initiatives. The directors believe firmly that behaving responsibly is key to protecting and enhancing the reputation and value of our brands for the benefit of all stakeholders.

The company views the processes in place to manage risk and to motivate and incentivise managers described in the report as equally relevant to an analysis of social, environmental and ethical matters. The ongoing evaluation of systems and procedures is intended to ensure that the management system (including the internal control framework) is effective in ensuring that issues of a social, environmental or ethical nature are identified and acted upon. The company has extended its internal control verification systems to ensure that businesses report periodically on their progress towards compliance with the company's CSR policies.

RESEARCH AND DEVELOPMENT

The company invests in an active programme of research and development in support of its major international business streams. This programme includes the conception, design, testing and manufacture of new products to enhance the quality and safety of the company's services and minimise their environmental impact. Where appropriate, work is sponsored at universities with expertise in specific relevant areas.

PRINCIPAL ACTIVITIES

A description of the company's activities is given on the inside front cover.

REVIEW OF THE YEAR

The review of the company's affairs is given on pages 4 to 18.

FUTURE DEVELOPMENTS Future developments are commented on by the chairman in his statement on page 5.

DIVIDENDS An interim dividend of 1.93p per share amounting to £34.5 million was paid on 29th October 2004. The board recommends the declaration of a final dividend of 4.78p amounting to £86.2 million (adjusted for the waiver of dividend in respect of the shares held by the trustees of the Rentokil Initial Employee Share Trust) payable on 3rd June 2005. The total distribution for 2004 would then be 6.71p per share (2003: 6.10p) amounting to £120.7 million.

ACQUISITIONS During the year 19 companies and businesses were acquired for a total consideration of £29.6 million, which, together with adjustments for deferred consideration, took the total spend to £27.5 million. These acquisitions contributed £7.6 million to turnover, £2.4 million to profit before interest and £1.5 million to profit after interest. Goodwill amounting to £28.9 million has been capitalised as an intangible asset on these acquisitions.

CONSOLIDATED ACCOUNTS The consolidated profit before taxation for 2004 was £297.8 million (the tax on this was £81.6 million).

The book value of the consolidated tangible fixed assets at 31st December 2004 amounted to £675.7 million (2003: £662.8 million).

Dividends declared and recommended out of 2004 profits amount to £120.7 million. Retained profits of £93.8 million have been transferred to reserves. Net consolidated capital employed is now negative £559.4 million compared to negative £624.6 million last year.

During 2004, employees exercised options to buy 0.2 million shares of 1p each in the capital of the company under the terms of the share option schemes approved by shareholders in general meeting. As a result, the company's issued share premium account increased by £0.3 million.

CORPORATE GOVERNANCE The company complies with the Code on Corporate Governance issued by the Financial Reporting Council on 23rd July 2003 ("Combined Code") save insofar as an explanation of a failure to do so is given below. The following specific disclosures are now made in accordance with Schedule C to the Combined Code:

1. Effective board

The board is responsible to shareholders for the overall direction and control of the company and specifically reserves certain matters for its consideration (such as approval of the company's financial statements, major capital expenditure and major acquisitions and disposals) in the standing board procedures and practices, which are reviewed annually. The chief executive has delegated authority from the board to manage the company, subject to the strategic direction of the board. He is also responsible for the achievement of the objectives set by the board and preparing an overall strategy for the company to achieve such objectives and the implementation of the overall strategy decided by the board through the management and organisation of the company.

The board meets routinely 9 times a year and additionally when necessary and follows an agreed formal schedule of matters which are considered at individual meetings. In 2004 the board met on 14 occasions at which all directors were present, other than for Messrs McGowan, Harley and Thompson, who each did not attend one meeting and Messrs Long and Mason, who each did not attend two meetings.

2. Composition of the board

Information on directors is set out on page 19 and membership of the board's committees is set out on page 20.

3. Board committees

Details on the audit, nomination and remuneration committees are set out respectively on page 20. In the light of the circumstances surrounding the departure of the previous chairman and chief executive in May and July 2004 respectively, the board as a whole effectively took on the role of the nomination committee and therefore there were no meetings of the nomination committee in 2004. However, the nomination committee did meet in February 2005 to consider the appointment of Mr D Flynn as chief executive and it is envisaged that, in future, it will meet at least twice a year.

4. Independent non-executive directors

The board regards Mr R R Spinney, Mr I Harley, Mr P J Long and Mr P Mason to be independent non-executive directors within the tests set out in the Combined Code.

Report of the Directors continued

CORPORATE GOVERNANCE (continued)

5. Further significant commitments of the chairman

The external commitments of Mr B D McGowan have remained the same since his appointment as chairman in May 2004, although as referred to in the Remuneration Report on page 35, he took on the role of executive chairman from 27th July 2004, pending the appointment of a new chief executive.

6. Performance evaluation

The board has undertaken a formal evaluation of its own performance and that of its committees and individual directors. The directors completed detailed appraisals on matters relevant to the board, committee and director performance. A report was presented to and reviewed by the board. The review was conducted internally but with the aid of a framework developed by external specialists.

Individual director evaluation showed that each director (including those seeking re-election at the annual general meeting in 2005) continues to demonstrate commitment to the role. The non-executive directors, led by the senior independent director, carried out a performance evaluation of the chairman after taking account of the views of the executive directors. The board intends to carry out further performance evaluations but will keep under review the method and frequency.

7. Dialogue with major shareholders

The chief executive and finance director hold regular meetings with analysts and institutional shareholders to discuss the company's strategy and financial performance. In the absence of a chief executive in 2004 and 2005, the chairman took on the role in this context of the chief executive. The company has sought the views of major UK based shareholders on how members of the board and, in particular, the non-executive directors, should develop an understanding of the views of major shareholders about the company with the result that the chairman, and if so requested, non-executive directors will make themselves available for discussions with shareholders at the time of the release of the preliminary results and on other occasions if specifically requested by shareholders.

8. Accountability and audit

The board has delegated the responsibility for accountability and audit to the audit committee. See Audit Committee Report on pages 27 to 29.

9. Going concern

After reviewing group and company cash balances, borrowings and projected cash flows, the directors believe that the group and company have adequate resources to continue operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

10. Auditors' independence

The company has reviewed its relationship with its auditors, PricewaterhouseCoopers LLP and concluded that there are sufficient controls and processes in place to ensure the required level of independence. Consequently there are no plans to replace PricewaterhouseCoopers LLP, whose re-appointment is proposed as set out in the notice of annual general meeting on page 75 of this annual report.

11. Exceptions to compliance with the Combined Code

The board identified the following exceptions to full compliance with the Combined Code in 2004:

- a. The offices of chairman and chief executive were combined in the person of Mr B D McGowan following the stepping down of Mr J C F Wilde as chief executive in July 2004. The board believed that it was important that Mr McGowan should take on executive responsibilities to provide the necessary leadership for the company while an active search for a new chief executive was undertaken. The search continued during the remainder of 2004 and early 2005 and an announcement was made on 6th February 2005 that Mr D Flynn would be joining the company as chief executive in April 2005.
- b. As mentioned above, because of the significant changes to the board which occurred in 2004, the nomination committee's role was effectively assumed by the board as a whole.

**CHARITABLE AND
POLITICAL DONATIONS**

Donations for UK charitable purposes in 2004 amounted to £130,000 and a further £44,000 was donated in other countries. There were no payments to political organisations. Payments are made to a wide range of charitable organisations both in the UK and overseas. Encouragement is given to a matched giving scheme whereby the company matches donations made by employees.

AUDITORS

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors of the company will be proposed at the annual general meeting to be held on 26th May 2005.

**AUTHORITY TO MAKE
PURCHASES OF
OWN SHARES**

Shareholders approved an authority for the company to make market purchases of its own shares at the annual general meeting held on 27th May 2004, when authority was given to purchase up to 235 million shares. This represented 15% of the company's issued share capital at the time, being the maximum which the Listing Rules of the UK Listing Authority permit to be bought by way of market purchases under a single authority.

Since 27th May 2004 the company has purchased a further 7.1 million shares by way of market purchases, which represents 0.4% of the company's issued share capital at the date of this report.

In line with current practice, the company intends to seek an authority to purchase up to 5% of its issued shares, compared with the 15% authority received in previous years. The proposed authority is dealt with in resolution 7 contained in the notice of annual general meeting on page 75. If given, it will replace the current authority granted on 27th May 2004.

The minimum price payable per share under the proposed authority in resolution 7 is 1p (the nominal amount of each share) and the maximum price (exclusive of expenses) is 5% above the average market price per share for the five business days immediately preceding any purchase.

In the event that the board used this authority, purchases would be made only from funds not required for other purposes and in the light of prevailing market conditions. No purchase would be made unless the board was of the opinion that it would result in an increase in earnings per share. The board would also take into account the company's cash resources and bank facilities, the effect on gearing and other possible investment opportunities before deciding whether to exercise this authority.

Any purchase of shares pursuant to this authority would be made on market. Shares purchased would be cancelled and will not be available for reissue.

**AUDIT COMMITTEE REPORT,
REMUNERATION REPORT AND
STATEMENT OF DIRECTORS'
RESPONSIBILITIES**

The Audit Committee and Remuneration Reports, which have been adopted by the board, are set out on pages 27 to 29, and 30 to 40 respectively and the Statement of Directors' Responsibilities is set out on page 41.

RECOMMENDATION

The board believes that the proposed resolutions to be put to the annual general meeting to be held on 26th May 2005 are in the best interests of shareholders as a whole and, accordingly, recommends that shareholders vote in favour of the resolutions, as the directors intend to do in respect of their own beneficial shareholdings in the company.

By the order of the board.



R Ward-Jones
Secretary
13th April 2005

Report of the Directors continued

DOCUMENTS AVAILABLE FOR INSPECTION

A copy, or a memorandum of the terms, of every service contract or letter of engagement between the company or any of its subsidiaries and any director of the company is available for inspection at the company's registered office and at the offices of Denton Wilde Sapte, One Fleet Place, London EC4M 7WS during normal business hours on any weekday (Saturdays and public holidays excepted) until 26th May 2005 and will also be available for inspection at the place of the annual general meeting for at least fifteen minutes prior to and during the meeting.

NOTE REGARDING PURCHASES OF OWN SHARES

As at the close of business on 13th April 2005, there were options remaining to be satisfied by subscription for shares in the company in respect of 49 million shares, which represents 2.7% of the current issued share capital of the company. This would represent 3.3% of the issued share capital of the company after the purchase and subsequent cancellation of both the remaining 228 million shares, which as at 13th April 2005 the company had authority to purchase under the authority referred to above granted on 27th May 2004, and the maximum 79 million shares which the company would then have authority to purchase under the authority being proposed in resolution 7.

Audit Committee Report

TERMS OF REFERENCE The company's audit committee ("Committee") is constituted in accordance with the recommendations of the Combined Code and its terms of reference were updated at the beginning of 2004 to reflect the Smith Guidance. The terms of reference of the Committee may be found on the company's website, www.rentokil-initial.com or, if a hard copy is required, by application to the company secretary's department at the company's head office.

The Committee is authorised by the board to investigate any activity within its terms of reference and to seek any information that it requires from any employee of the company and its subsidiaries and all employees are directed to co-operate with any request made by the Committee. The Committee has the right to consult the company's professional advisors or, if it is not satisfied with the advice received, seek further independent professional advice at the company's expense in the furtherance of its duties.

MEMBERS The members of the Committee during the year were Mr I Harley (chairman), Chartered Accountant, Mr P J Long, Chartered Management Accountant, Mr P Mason and, until 25th May 2004, Mr R R Spinney.

Membership of the Committee is reviewed by the nomination committee and recommendations are made by the nomination committee to the board. The Committee is normally comprised of three or more independent non-executive directors and two members constitute a quorum.

In common with other members of the board, the members of the Committee are provided with an induction programme when they join the board. Ongoing training includes attendance at board seminars and briefings by external advisors. Particular attention is paid to the understanding of the members of the Committee of the principles of and developments in financial reporting and related company law and, in particular at the present time, the introduction and implementation of new accounting standards.

The Committee has agreed that particular attention should be given to appropriate induction training programmes for new members of the Committee, which are designed to ensure that the Committee properly considers all issues which fall within its terms of reference.

MEETINGS The Committee meets four or more times each year. The agenda for each meeting is set out in standing board procedures, which are designed to ensure that the Committee properly considers all issues which fall within its terms of reference, but the Committee and each member of it has the right to require reports on matters of interest in addition to the standing items.

The Committee invites the chief executive, the finance director, director – risk management, treasury, tax and property, director – corporate accounting and control, director – corporate internal audit and senior representatives of the external auditors to attend its meetings. The company secretary attends meetings in his role as secretary of the Committee. The four committee meetings held during the year were attended by all Committee members save that Mr Mason was unable to attend one meeting by reason of prior business commitments.

PROCEEDINGS In order to fulfil its terms of reference, the Committee reviews, challenges and approves, as the case may be, presentations or reports from senior management, consulting as necessary with the external auditors. During the year, the Committee specifically considered the following issues:

- In order to fulfil its responsibilities relating to external financial reporting, the Committee reviewed the interim and annual financial statements and the two trading statements issued on 19th May and 30th November 2004 and the associated Stock Exchange announcements in accordance with its terms of reference.
- Changes proposed to accounting principles, policies and practices.
- Other significant accounting issues.
- The level of provisions and reserves.
- Litigation and contingent liabilities affecting the company and its subsidiaries.
- Potential tax contingencies and the company's compliance with statutory tax obligations.
- The review of the company's internal control systems and risk management systems in the light of reports submitted by management, internal audit department and the external auditors (see also "Accountability and Audit" below).

Audit Committee Report continued

PROCEEDINGS (continued)

- Reports on the system of internal controls and risk management reporting.
- Reports on treasury policies, procedures and delegated authorities.
- To fulfil its responsibilities regarding the independence of the external auditors, the Committee reviewed the changes in key audit staff in the external auditors' plan for the current year, the arrangements for day-to-day management of the audit relationship and a report from the external auditors describing their arrangements for the identification, reporting and management of any conflicts of interest and the overall extent of non-audit services provided by the external auditors.
- To assess the effectiveness of the external auditors and to fulfil its responsibilities for oversight of the external audit process, the Committee reviewed the following:
 - the terms, areas of its responsibility, associated duties and scope of audit as set out in the external auditors' engagement letter for the forthcoming year
 - the external auditors' overall work plan for the forthcoming year, quality control procedures and steps taken by external auditors to respond to changes in regulatory and other requirements
 - the external auditors' fee proposal
 - the major issues that arose during the course of the audit and their resolution (including key accounting and audit judgements)
 - the level of unadjusted misstatements identified during the audit
 - the recommendations made by the external auditors in their management letter and the adequacy of management's response
- To fulfil its responsibilities relating to the adequacy of resourcing and standing of the internal audit function, the Committee has reviewed the following:
 - the internal audit department's terms of reference, reporting lines and access to the Committee and its plans and its achievement of the planned activity
 - the effectiveness of the internal audit function
 - the appointment of a new director - corporate internal audit
- The Committee has adopted a whistleblowing policy which was implemented by the company and all its subsidiaries during the year under which each company in the group is obliged to adopt a whistleblowing procedure under which employees are encouraged to report an abuse of company rules or the law to either the senior manager of their employer or to the company's director - corporate internal audit. The director - corporate internal audit is required to report to the Committee bi-annually on the monitoring of whistleblowing procedures, the receipt of complaints and the state of ongoing investigations and conclusions reached. Specific reports will be made by the director - corporate internal audit in relation to significant matters.
- The Committee has and will continue to review the implementation of International Financial Reporting Standards (IFRS) by the company.

ACCOUNTABILITY AND AUDIT

The annual report provides information on and an assessment of the company's business, operations, financial position and prospects. The board is responsible for maintaining a sound system of internal controls, including financial, operational and compliance controls and risk management, and reviews the effectiveness of the system at least annually in order to safeguard shareholders' investment and the company's assets. The system is designed to manage, rather than eliminate, risk and can only provide reasonable, and not absolute assurance against material misstatement or loss.

The Committee assists the board in the performance of its responsibilities by reviewing the board procedures for review of internal controls, internal and external auditors' reports on internal control issues and reports on internal controls and risk management systems.

The board has established procedures necessary to implement the requirements of the Combined Code relating to internal controls as reflected in the guidance on the review of companies' systems of internal control, in accordance with the Combined Code, which has been prepared by a working party established by the Institute of Chartered Accountants in England and Wales. The risk

Remuneration Report

INTRODUCTION The Remuneration Report (the 'Report') sets out the company's remuneration policy and details the remuneration of each director.

The Report has been prepared in accordance with Schedule 7A to the Companies Act 1985 (as amended by the Directors' Remuneration Report Regulations 2002) ("Schedule 7A") and to comply with the provisions of the Combined Code. A resolution to approve the report will be proposed at the annual general meeting to be held on 26th May 2005.

The company's auditors, PricewaterhouseCoopers LLP are required to report to the company's members on the matters set out in part 3 of Schedule 7A and to state, in their opinion, whether that part of the report has been properly prepared in accordance with the Companies Act 1985. In accordance with Schedule 7A, paragraphs 1 to 4 of the section entitled "Pay and Benefits" has been audited.

THE REMUNERATION COMMITTEE The company's remuneration committee (the 'Committee') is responsible for making recommendations to the board on the company's remuneration policy and, within the terms of the agreed policy, determining the individual remuneration packages of the executive directors and other members of the Company Executive Board (CEB). The full terms of reference of the Committee are available on the company's website.

The Committee consists wholly of independent non-executive directors: Mr R R Spinney, Mr P J Long and Mr P Mason. Mr B D McGowan ceased to be a member of the Committee on 25th May 2004, following his appointment as chairman of the company, and Mr Spinney was appointed chairman of the Committee on the same date. The Committee met four times in 2004. The meetings were fully attended, except that Mr Mason was unable to attend one meeting.

None of the members of the Committee participate in company incentive arrangements or has any personal interest (other than as a shareholder) in the matters under consideration, conflicts of interest arising from cross-directorships, or any day-to-day involvement in running the business. No director plays a part in any discussion about his or her own remuneration.

The Company Secretary, Mr R Ward-Jones, acts as secretary to the Committee.

Ms J Cowley joined the company as human resources director on 24th August 2004 and, as part of her responsibilities, she attends meetings of the Committee to provide views and advice on remuneration matters.

The Committee authorised the appointment of two independent external consultants, Watson Wyatt and Towers Perrin. Watson Wyatt provided advice on the discretionary share option schemes and the Deferred Share Award Plan, including the measurement of the company's total shareholder return. Towers Perrin provided external market data on levels of senior executive remuneration. At the request of the Committee, Deloitte & Touche LLP provided advice in relation to the terms of appointment and remuneration package of the new chief executive.

REMUNERATION POLICY The company's current remuneration policy is to provide remuneration packages that enable the company to attract and retain the best people, reward individual and company performance and align executives' interests with those of shareholders.

During 2005, the company will be undertaking a review of the effectiveness and competitiveness of the total remuneration packages of executive directors and senior executives including the company's share option schemes.

COMPONENTS OF REMUNERATION Each executive director's total remuneration consists of base salary, annual bonus, share options, pension and other benefits.

It is the company's policy that the total remuneration of each executive director should comprise a balance between fixed remuneration and variable performance-related remuneration. The variable performance-related remuneration comprises remuneration elements linked to both short term financial performance and longer term shareholder value creation. The policy is that a significant proportion (currently between 24.0% and 53.3%) of the total package should be variable performance-related remuneration.

COMPONENTS OF
REMUNERATION
(continued)

The relative importance of these elements for 2004 is summarised below:

	BASE SALARY AND BENEFITS	PERFORMANCE BONUS ¹	SHARE OPTIONS ²	TOTAL
R C Payne	79.9%	nil	20.1%	100%
E F Brown	82.7%	nil	17.3%	100%

Notes:

1. Includes entitlements under the Bonus and Deferred Share Award Plan and the Senior Executive Bonus Scheme.
2. The value of share options have been calculated using Black-Scholes.

Summaries of the executive directors' contracts are set out on pages 34 and 35.

Base Salaries

Executive directors' base salaries are reviewed annually with effect from 1st January. External market data for companies of comparable size, company performance, individual performance and changes in position or responsibilities are taken into consideration when setting base salary levels each year.

Bonuses

At the start of each financial year, the Committee sets the performance measures that must be met if a bonus is to be paid under the Senior Executive Bonus Scheme or under the Bonus and Deferred Share Award Plan. The performance measures are designed to focus senior management on the business priorities for the coming financial year and align executives' interests with those of shareholders.

With regard to the Senior Executive Bonus Scheme 2004, approximately 500 senior executives (including the sector managing directors), other than the chief executive and the finance director, were eligible to participate in the scheme. The performance measures were profit and for those executives based in the businesses, profit and turnover. A threshold performance level must have been achieved below which no bonus is paid. For the sector managing directors (including Mr E F Brown), the bonus entitlement under this scheme was subject to a maximum of 50% of basic salary.

With regard to the Bonus and Deferred Share Award Plan 2004, the performance measure was the growth in the company's earnings per share ('eps') over the eps for the previous year in excess of the rate of inflation. For every 1% increase (and pro rata for lesser percentages) in the company's eps over the eps for the previous year over 2% in excess of the rate of inflation Mr R C Payne would receive 6.65% of base salary (maximum 53.3%) and the sector managing directors (including Mr E F Brown) would receive 3% of base salary (maximum 24.0%).

Bonuses are awarded on or about 1st March following the end of the financial year to which they relate. In accordance with the company's Bonus and Deferred Share Award Plan, 50% of the annual bonus as calculated above is paid in cash with the remaining 50% being paid in the form of company shares. The number of shares awarded is calculated by reference to the two prices shown in the quotations for the company's shares immediately preceding the date of the award plus one quarter of the difference between these two prices. These shares are held in trust on a conditional basis for a period of one year from the date of award. The directors' interests in shares awarded under the Deferred Share Award Plan in respect of 2002 and 2003 are summarised in the Pay and Benefits section of this report starting on page 36.

No bonuses were made to executive directors under either the Bonus and Deferred Share Award Plan 2004 or the Senior Executive Bonus Scheme 2004.

For 2005, the Bonus and Deferred Share Award Plan will not be operated and the company will operate a cash bonus scheme for the executive directors and other members of the CEB. The Committee is currently reviewing the bonus and other incentive arrangements but it envisages that the performance measures under the scheme will include corporate (and, where applicable, business unit) financial measures and other performance measures. The financial measures will be profit, and for the sector managing directors will be profit and contract portfolio net gain. Under the scheme, a cash bonus of 40% of base salary will be paid for on-target financial performance with the opportunity to earn up to 80% of base salary for exceptional performance. Details of the remuneration arrangements for Mr Flynn are set out on page 35.

Remuneration Report continued

COMPONENTS OF REMUNERATION (continued)

The Committee has awarded the finance director, Mr R C Payne, a special bonus of £100,000 in recognition of his exceptional efforts and commitment following Mr Wilde stepping down as chief executive in July 2004 until Mr D Flynn joined the company as chief executive in April 2005.

Share options

Each year, a grant of options to purchase shares in the future is made to executive directors and other senior executives. The option price is the mid-market closing price immediately preceding the date of grant. The company has share option schemes for approximately 500 senior executives worldwide.

Grants of share options up to and including 1999 were based upon individual performance and conditional on the achievement of a 15% increase in basic earnings per share in the financial year preceding the date of grant, which was duly achieved. Share options granted in the period 1996 to 1999 (inclusive) were subject to an exercise condition under which the company's earnings per share needed to be at least 2% (3% in 1999) in excess of the UK rate of inflation over a period of three years, which was duly achieved.

From 2000 onwards, grants of share options were made under the Discretionary Approved and Discretionary schemes ("Discretionary Schemes") and the levels of grant were based on base salary and company grade. The Committee believes that the performance measures set out below best satisfy the alignment of shareholders' interests with those of executive directors in particular and executives in general by ensuring that benefits under the schemes are only realisable if there has been a material real growth in earnings per share. Under the Discretionary Schemes there are two levels of option award; Level 1 awards apply to all senior executives (including executive directors) and Level 2 awards apply to executive directors and sector managing directors.

Level 1:

In 2004, the grant levels awarded were in the range of 16.7% to 66.66% of base salary.

For the option to be exercisable, the company's annual, average earnings per share growth for a three year performance period needs to be at least 4% per annum higher than the UK rate of inflation over the same period. Failing this, the company's annual growth in earnings per share on average over a greater period (up to a maximum of ten years) needs to be at least 4% in excess of the UK rate of inflation for the option to be exercisable. For Level 1 options granted in 2005, retesting will be permitted for one year only, making a maximum period of four years.

Level 2:

In 2004, the grant levels awarded were in the range of 33.33% to 44.44% of basic salary.

The performance condition for Level 2 option awards is the company's total shareholder return (TSR) performance compared with the TSR performance of the FTSE 100 Index and a defined group of comparator companies which comprises support services companies over the same three year period (no retesting is permitted). TSR is defined as the appreciation of the share price (including reinvested dividends) and is calculated by a firm of external consultants, Watson Wyatt. The performance condition is as follows:

	FTSE 100 Index	Comparator Companies
TSR Position	% of option that will vest	
Below median	0%	0%
Median	25%	25%
Upper Quartile	50%	50%

Where TSR performance is between median and upper quartile, the proportion that will vest is calculated pro rata, on a straight line basis.

The selected comparator group for the Level 2 share options granted in 2004 was as follows:

- The Capita Group plc
- Cintas Corporation
- Compass Group plc
- The Davis Services Group Plc
- Group 4 Securicor plc
- Grupo Ferrovial Servicios SA
- Hays plc
- International Service Systems A/S
- Rentokil Initial plc
- Securitas AB
- Serco Group plc
- The Servicemaster Company
- Sodexho Alliance SA

COMPONENTS OF REMUNERATION
(continued)

The comparator groups for Level 2 share option awards prior to 2004 (i.e. since the introduction of the Discretionary Schemes in 2000), are similar to the list on page 32, save that, from time to time, changes are required to reflect acquisitions and mergers of comparator companies. The Committee believes that the composition of the comparator group fairly reflects those companies in the support services sector which would be regarded as a legitimate peer group for the company.

A summary of the progress towards satisfaction of the performance targets for Level 1 share options, granted since 2000 is set out in the following table:

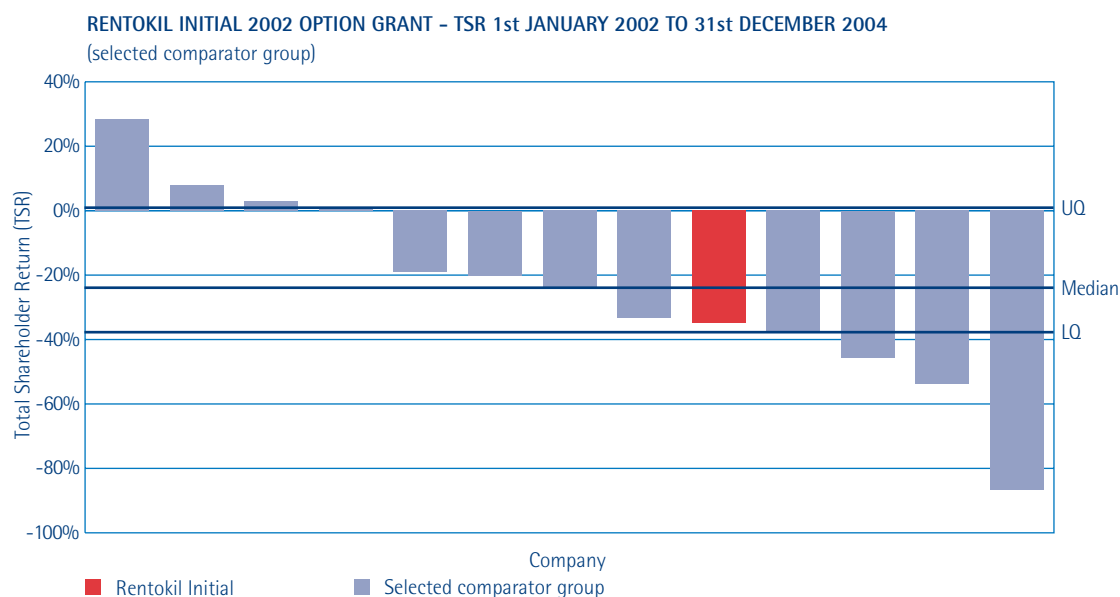
GRANT	EXERCISE PRICE (PENNY)	PERIOD	AVERAGE TARGET GROWTH (%)	AVERAGE EPS GROWTH (%)
2000	156.5	2000 to 2003	6.6	-1.2
2001	205.25	2001 to 2003	6.1	10.6
2002	266.75	2002 to 2004	7.1	-2.2
2003	204.5	Minimum period has yet to elapse	N/A	N/A
2004	152.0	Minimum period has yet to elapse	N/A	N/A

The performance condition for Level 2 share options granted has been satisfied as follows:

GRANT	EXERCISE PRICE (PENNY)	PERIOD (FIXED PERIOD OF YEARS)	PERCENTAGE EXERCISABLE (ANY BALANCE WILL HAVE LAPSED)
2000	156.5	2000 to 2002	85%
2001	205.25	2001 to 2003	100%
2002	266.75	2002 to 2004	0%
2003	204.5	2003 to 2005	To be established
2004	152.0	2004 to 2006	To be established

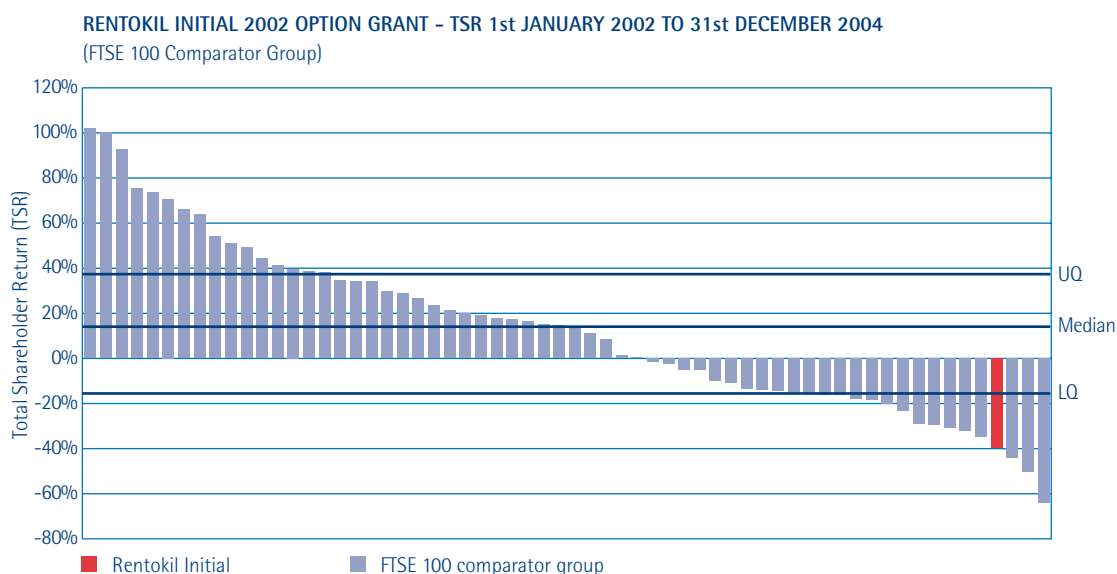
Note: The exercise price for Level 2 share options will be adjusted to reflect the cost of holding the shares less the dividend income thereon.

TSR Charts



Remuneration Report continued

COMPONENTS OF REMUNERATION (continued)



The above charts show the company's TSR performance against a selected comparator group and the FTSE 100 for the period 1st January 2002 to 31st December 2004 for the purpose of illustrating the satisfaction of performance measures in relation to Level 2 share options granted in March 2002.

PENSIONS Mr R C Payne and Mr E F Brown are members of the Rentokil Initial Pension Scheme. Their dependants are eligible for dependants' pensions and the payment of a lump sum in the event of death in service. The pension arrangements provide for a pension at normal retirement date of 2/3 basic annual salary after 20 years' eligible service. No other payments to directors are pensionable and there are no unfunded pension promises or similar arrangements to directors. Messrs Payne and Brown and Mr Wilde (as a person who accrued benefit during the year) are members of the company's defined benefit pension scheme and their accrued entitlements under the scheme are as set out on page 39. Mr D Flynn is entitled to receive a contribution from the company equivalent to 22% of his base salary into a pension arrangement.

CONTRACTS **Executive Directors**
It is the company's policy that executive directors should have rolling contracts subject to one year's notice by the company. The executive directors, other than Mr B D McGowan (see below), have rolling contracts which are subject to one year's notice by the company and six months' notice by the relevant director and are dated as follows: Mr R C Payne, 7th March 2002; and Mr E F Brown, 6th April 1999. Mr Flynn's contractual arrangements are referred to below. The company's policy in respect of the notice periods for the termination of executive directors' contracts conforms with the Combined Code. The Committee is fully aware that, under the Combined Code it should take a robust line in reducing compensation to reflect departing directors' obligations to mitigate loss. Mr J C F Wilde stepped down as chief executive and as a director of the company on 27th July 2004 on the basis that he would continue in employment for the period of notice which the company was obliged to give him under his service agreement and, thus, be paid his salary and his other benefits until 31st July 2005 (the cost of honouring the contractual termination commitment to Mr Wilde is shown in the table on page 36). In the event that he obtains alternative employment before 31st July 2005, then Mr Wilde's employment will cease and he will be entitled to the balance of his basic salary until 31st July 2005 but, by way of mitigation, all his benefits will cease with immediate effect. Executive directors are entitled to accept one non-executive directorship or similar appointment outside the company, provided that the board's permission is obtained. The finance director, Mr R C Payne, was appointed a non-executive director of LogicaCMG plc on 10th September 2004 for which he is paid and entitled to retain fees at a rate of £36,000 per annum.

Chief Executive

Mr Flynn joined as chief executive of the group on 4th April 2005. The principal terms of employment of Mr Flynn were set out in an offer of employment made on 4th February 2005 and are as follows:

Mr Flynn's employment is for an indefinite period and is subject to termination by Mr Flynn on 6 months' written notice or by the employer on the making of a payment in lieu of notice (PILON) equal to 12 months' basic salary and 12 months' benefits (excluding bonus). If a change of control of the company occurs within 24 months of the commencement date, Mr Flynn is entitled to resign on one month's notice within 12 months of the change of control and if he does so the employer must make

**CONTRACTS
(continued)**

a PILON to him equal to 12 months' basic salary and benefits (excluding bonus). If a change of control occurs at any time following the commencement date and the employer terminates Mr Flynn's employment within 12 months of that change of control then the employer is also obliged to make a PILON equal to 12 months' basic salary and benefits (excluding bonus). Mr Flynn's base salary is £800,000 per annum inclusive of fees and other remuneration relating to his position as an officer of the company. He is entitled to participate in an annual cash bonus arrangement with a maximum bonus entitlement of 100% of base salary, with a target entitlement of 50% of base salary. He is entitled to receive an amount equal to 22% of his base salary by way of pension contributions each year. He is entitled to a fully expensed company car, private medical insurance for himself, his wife and dependant children under the age of 21 (or 25 if in full-time education), participation in a disability plan, and life assurance with cover up to 4 times his base salary. He is entitled to 25 working days paid holiday per calendar year.

With effect from the third anniversary of the commencement date, Mr Flynn will be eligible to participate in any executive long term incentive plan which the company introduces. In addition, a one-off cash and share award has been agreed between Mr Flynn and the company in order to compensate Mr Flynn for the loss of his long term incentive benefits with his previous employer and which comprise the following elements:

- (a) the first element is the compensatory award which is made up as follows: a cash award of £800,000 payable in two equal instalments during Mr Flynn's first year of employment and an award of shares, or an award which is to be held in shares by Mr Flynn (or by a retirement benefit fund or trustee of such a fund on his behalf) equal to 2 times Mr Flynn's base salary as at the commencement date, released in 3 equal tranches on the first, second and third anniversaries of the start date, subject to his continued employment, and
- (b) the second element is an incentive award to be delivered in restricted shares or other form determined by the company which entitles Mr Flynn to acquire shares equivalent to 5 times his base salary as at the start date calculated by reference to the average closing middle market quotation for a share as derived from the Daily Official List of the London Stock Exchange plc over the five dealing days prior to 4th February 2005 vesting in 3 equal tranches on the third, fourth and fifth anniversaries of the start date (subject to his continued employment). The award will be split into two, with vesting subject to the following different TSR conditions: 75% of the award will be dependent on TSR against the constituents of the FTSE 100 excluding financial services companies; and 25% of the award will be dependent on TSR against a selected group of business support service companies. There is nil vesting if performance is less than median with 25% of shares vesting on median performance and 100% of shares vesting on upper quartile performance with pro-rata vesting for performance in between.

Mr Flynn is subject to post termination covenants which apply for 6 months following the termination of his employment and which prohibit him from soliciting or dealing with clients and customers of the company or any group company, carrying on any competitive business, and poaching senior employees of the company or any group company.

Chairman

Mr McGowan has a letter of appointment dated 24th August 2004 under which he will act as executive chairman until the appointment of a new chief executive, when he will cease to have executive responsibilities. As executive chairman, his fees are at a rate of £750,000 per annum and, as non-executive chairman, at a rate of £350,000 per annum. Mr McGowan's appointment as chairman may be ended by the company giving him summary notice or by him giving 6 months' notice to the company.

Sir Clive Thompson stepped down as non-executive chairman of the company on 18th May 2004 and he received the sum of £445,000, in lieu of 12 months' notice, and the use of his fully expensed company car for a period of twelve months.

Mr McGowan succeeded Sir Clive Thompson as non-executive chairman on 18th May 2004 and, on Mr Wilde stepping down on 27th July 2004, assumed the role of executive chairman. Mr McGowan will revert to being non-executive chairman on 1st May 2005 when Mr Flynn takes day-to-day responsibility for the running of the company.

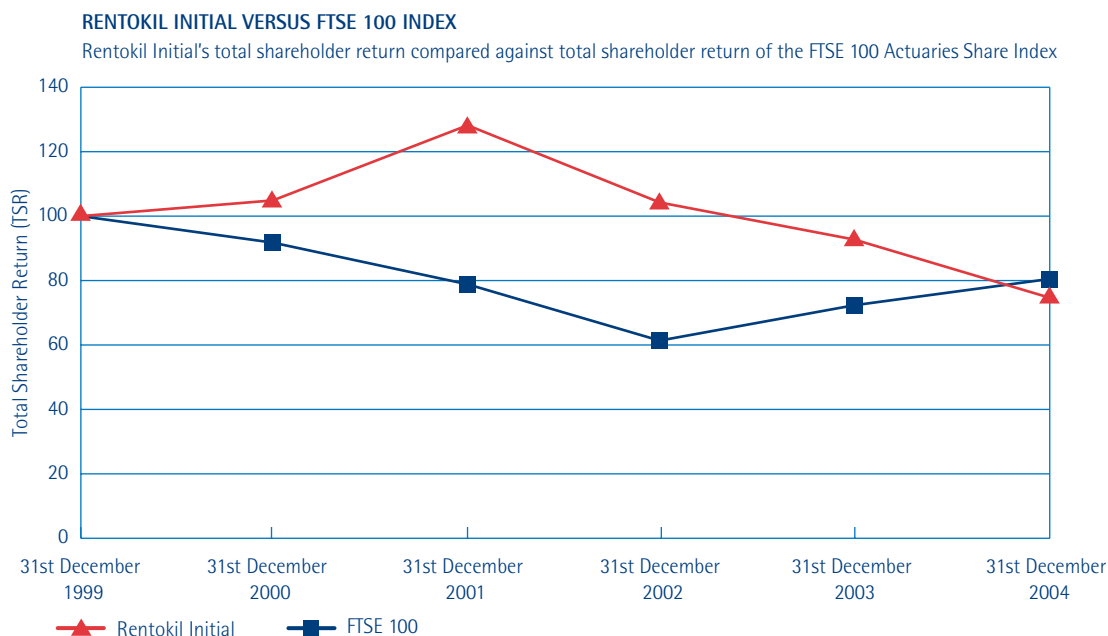
Non-Executive Directors

All non-executive directors have specific terms of engagement and their remuneration is determined by the board on the recommendation of the non-executive directors' fees committee within the limits set by the Articles of Association and based on independent surveys of fees paid to non-executive directors of similar companies. The basic fee paid to each non-executive director in the year was £35,000. The chairmen of the remuneration and audit committees are each paid an additional £5,000 per annum. Also, the deputy chairman receives additional fees of £10,000 per annum for fulfilling that role. Non-executive directors do not have service contracts and they do not participate in any of the company's share option schemes and are not eligible to join the company's pension scheme as active members.

Remuneration Report continued

TSR PERFORMANCE GRAPH

The following graph shows the company's total shareholder return (TSR) performance relative to the FTSE 100 Index, of which the company is a constituent. The graph has been prepared in accordance with Schedule 7A.



PAY AND BENEFITS

Paragraphs 1 to 4 below have been audited.

1. Emoluments

The following table sets out the emoluments of directors for the year ended 31st December 2004:

	FEES £000	SALARY £000	COMPENSATION FOR LOSS OF OFFICE £000	BONUS £000	BENEFITS £000	TOTAL £000	2003 £000
B D McGowan	410	-	-	-	-	410	50
R C Payne	-	475	-	100	26	601	491
E F Brown	-	350	-	-	24	374	368
R R Spinney	44	-	-	-	-	44	35
I Harley	40	-	-	-	-	40	40
P J Long	35	-	-	-	-	35	35
P Mason	35	-	-	-	-	35	21
Sir Clive Thompson	152	-	478	-	13	643	631
J C F Wilde	-	379	675	-	7	1,061	678
2004	716	1,204	1,153	100	70	3,243	
2003	473	1,728	-	37	111		2,349

Notes:

- No deferred shares have been awarded to the executive directors under the Deferred Share Award Plan (2004).
- Executive directors are provided with private health cover and a company car. The value of the benefits is included under "Benefits" in the above table.
- No director waived emoluments in respect of the year ended 31st December 2004 (2003: the same).
- The compensation for loss of office made to Mr Wilde and Sir Clive Thompson are described under "Contracts" on pages 34 and 35.

PAY AND BENEFITS
(continued)

2. Deferred Share Award Plan ('the Plan')

The following table sets out the shares in which directors are currently interested under the Deferred Share Award Plan:

	PLAN	DATE OF AWARD	NUMBER OF SHARES AWARDED	VESTING DATE OF DEFERRED SHARES	NUMBER OF SHARES VESTED IN 2004	VALUE OF SHARES VESTED IN 2004 (£)	NUMBER OF SHARES VESTED IN 2005	VALUE OF SHARES VESTED IN 2005 (£)
Sir Clive Thompson	2002	3rd March 2003	236,699	3rd March 2004	236,699	448,545	-	-
J C F Wilde	2002	3rd March 2003	65,128	3rd March 2004	65,128	123,418	-	-
	2003	1st March 2004	11,196	1st March 2005	-	-	11,196	17,746
R C Payne	2002	3rd March 2003	62,265	3rd March 2004	62,265	117,992	-	-
	2003	1st March 2004	5,435	1st March 2005	-	-	5,435	8,614
E F Brown	2002	3rd March 2003	48,667	3rd March 2004	48,667	92,224	-	-
	2003	1st March 2004	1,827	1st March 2005	-	-	1,827	2,896
					412,759	782,179	18,458	29,256

Notes:

1. The performance criterion for a bonus to be paid and deferred shares awarded under the Plan is established by the Committee at the commencement of the relevant financial year.
2. The value of shares vested in 2005, in respect of deferred shares awarded on 1st March 2004, reflects the mid-market closing price for the company's shares of 158.5p on the last trading day before the vesting of the shares.
3. The Plan will not be operated in 2005.

3. Share Options

The following table sets out the share options held by directors:

	DATE OF GRANT	EARLIEST EXERCISE DATE	EXPIRY DATE	EXERCISE PRICE (PENCE)	NUMBER AT 1ST JANUARY 2004 (1P SHARES)	GRANTED/ (LAPSED) IN YEAR	EXERCISED IN YEAR	NUMBER AT 31ST DECEMBER 2004 (1P SHARES)
* Mr E F Brown								
	29.05.96	29.05.99	28.05.06	201.135	60,674	-	-	60,674
	18.04.97	18.04.00	17.04.07	204.634	96,824	-	-	96,824
	20.04.98	20.04.01	19.04.08	371.670	145,000	-	-	145,000
†	01.10.98	01.12.03	30.11.04	356.000	4,845	(4,845)	-	-
	14.05.99	14.05.02	13.05.09	270.000	250,000	-	-	250,000
	10.05.00	10.05.03	09.05.10	156.500	425,299	-	-	425,299
	01.03.01	01.03.04	28.02.11	205.250	355,318	-	-	355,318
	01.03.02	01.03.05	29.02.12	266.750	284,172	-	-	284,172
	29.08.03	29.08.06	28.08.13	204.500	155,169	-	-	155,169
	31.08.04	31.08.07	30.08.14	152.000	-	215,027	-	215,027
					1,777,301	210,182	-	1,987,483
* Mr R C Payne								
	26.09.95	26.09.98	25.09.05	156.867	200,000	-	-	200,000
	30.05.96	30.05.99	29.05.06	201.135	180,000	-	-	180,000
	18.04.97	18.04.00	17.04.07	204.634	240,000	-	-	240,000
	20.04.98	20.04.01	19.04.08	371.670	186,211	-	-	186,211
†	01.10.98	01.12.03	30.11.04	356.000	4,845	(4,845)	-	-
	14.05.99	14.05.02	13.05.09	270.000	216,000	-	-	216,000
	10.05.00	10.05.03	09.05.10	156.500	330,191	-	-	330,191
	01.03.01	01.03.04	28.02.11	205.250	332,794	-	-	332,794
	01.03.02	01.03.05	29.02.12	266.750	271,681	-	-	271,681
	29.08.03	29.08.06	28.08.13	204.500	248,141	-	-	248,141
	31.08.04	31.08.07	30.08.14	152.000	-	347,201	-	347,201
					2,209,863	342,356	-	2,552,219

Remuneration Report continued

	DATE OF GRANT	EARLIEST EXERCISE DATE	EXPIRY DATE	EXERCISE PRICE (PENCE)	NUMBER AT 1ST JANUARY 2004 (1P SHARES)	GRANTED/ (LAPSED) IN YEAR	EXERCISED IN YEAR	NUMBER AT 31ST DECEMBER 2004 (1P SHARES)	
PAY AND BENEFITS (continued)	** Sir Clive Thompson								
		29.09.95	29.09.98	28.09.05	156.867	1,322,788	-	-	1,322,788
		01.06.96	01.06.99	31.05.06	201.135	77,212	-	-	77,212
		18.04.97	18.04.00	17.04.07	204.634	1,400,000	-	-	1,400,000
	†	01.10.98	01.12.03	30.11.04	356.000	4,845	-	-	4,845
		14.05.99	14.05.02	13.05.09	270.000	630,000	-	-	630,000
		10.05.00	10.05.03	09.05.10	156.500	1,497,843	-	-	1,497,843
		01.03.01	01.03.04	28.02.11	205.250	1,275,731	-	-	1,275,731
					6,208,419	-	-	6,208,419	
	** Mr J C F Wilde								
		02.06.96	02.06.99	01.06.06	201.135	90,000	-	-	90,000
		18.04.97	18.04.00	17.04.07	204.634	120,000	-	-	120,000
		20.04.98	20.04.01	19.04.08	371.670	148,904	-	-	148,904
	†	01.10.98	01.12.03	30.11.04	356.000	4,845	-	-	4,845
		14.05.99	14.05.02	13.05.09	270.000	200,000	-	-	200,000
		10.05.00	10.05.03	09.05.10	156.500	245,527	-	-	245,527
		01.03.01	01.03.04	28.02.11	205.250	208,038	-	-	208,038
	01.03.02	01.03.05	29.02.12	266.750	196,813	-	-	196,813	
	29.08.03	29.08.06	28.08.13	204.500	509,352	-	-	509,352	
					1,723,479	-	-	1,723,479	

- * On 24th March 2005, Mr E F Brown and Mr R C Payne were granted a further 203,639 and 328,814 share options respectively. These options may be exercised between 24th March 2008 and 23rd March 2015 at an exercise price of 160.50p.
- ** The interests of Sir Clive Thompson and Mr J C F Wilde shown above are at 1st January 2004 and the date of their ceasing to be directors on 19th May 2004 and 27th July 2004 respectively. In accordance with the rules of the share option schemes, Sir Clive Thompson (who is in receipt of a pension from the Rentokil Initial Pension Scheme) has 18 months from 19th May 2004 to exercise outstanding options. Under the rules of the share option schemes, performance conditions are waived when a holder of options retires. Mr J C F Wilde will have 6 months to exercise outstanding options from the date his employment ceases, or 18 months from the date he commences a pension under the Rentokil Initial Pension Scheme.
- † Share options granted under the Share Option Scheme for UK Employees, which is a S.A.Y.E. scheme.
- Market price: at 31st December 2004 147.75p
2004 low/high 136.13p /208.50p

Notes:

- All share options granted before 2000 are exercisable.
- Level 1 share options granted under the Discretionary Schemes in 2000 and subsequently cannot yet be exercised as the performance criteria have yet to be satisfied, save for those granted in 2001 where the performance criteria have been satisfied. 85% of Level 2 share options granted in 2000 and 100% of Level 2 share options granted in 2001 are exercisable (see table on page 33). Level 2 share options granted in 2003 and 2004 cannot yet be exercised as the relevant performance criteria have yet to be satisfied.
- As a result of the company's total shareholder return in 2002 to 2004, the Level 2 options granted in 2002 have lapsed since the year-end (E F Brown 113,601, R C Payne 108,608, J C F Wilde 70,291).
- No other directors were granted options in the shares of the company or any other group entities.
- None of the terms and conditions of share options granted were varied during the year.
- All share options must be exercised by the expiry of ten years from their date of grant.

4. Pensions

Accrued entitlements for directors under the company's pension scheme are as follows:

	Additional accrued benefits earned in the year £000 p.a.	Accrued entitlement at 31st December 2004 £000 p.a.	Transfer value at 31st December 2004 £000	Transfer value at 31st December 2003 £000	Increase in transfer value less directors' contributions £000
J C F Wilde	56	195	2,250	1,398	812
R C Payne	25	253	3,749	2,978	742
E F Brown	10	226	2,836	2,392	423

	Additional accrued pension earned in the year (excluding inflation) £000p.a.	Accumulated total accrued pension at 31st December 2004 £000p.a.	Transfer value of increase in accrued pension less directors' contributions £000p.a.
J C F Wilde	51	195	558
R C Payne	17	253	232
E F Brown	2	226	11

Notes:

- The accrued pension entitlements shown are those that would be paid annually on retirement based on years of service to date. The increase in accrued pension entitlement during the year reflects additional service. There were no changes to accrued benefits during the year.
- All transfer values have been calculated on the basis of actuarial advice in accordance with the Actuarial Guidance Note GN11 as published by the Institute of Actuaries and the Faculty of Actuaries. The transfer values disclosed above represent the value of assets that the pension scheme would need to transfer to another pension provider on transferring the scheme's liability in respect of the directors' pension benefits. They do not represent sums payable to individual directors and, therefore, cannot be added meaningfully to annual remuneration.
The transfer value of the increase in accrued benefits, required by the Listing Rules, discloses the current value of the increase in accrued benefits that the director has earned in the period, whereas the change in his/her transfer value, required by the Companies Act 1985 discloses the absolute increase or decrease in his/her transfer value and includes the change in value of the accrued benefits that results from market volatility affecting the transfer value at the beginning of the period, as well as the additional value earned in the year.
- Members of the scheme have the option to pay Additional Voluntary Contributions; neither the contributions nor the resulting benefits are included in the above tables.
- No director is a member of a money purchase scheme sponsored by the company.

Remuneration Report continued

INTEREST IN SHARES The following table sets out the interests of directors, who were directors on 31st December 2004, in the shares of the company:

Rentokil Initial plc ordinary shares of 1p each

	31ST DECEMBER 2004 BENEFICIAL INTERESTS	1ST JANUARY 2004 BENEFICIAL INTERESTS
E F Brown	390,376	562,056
I Harley	2,000	2,000
P J Long	-	-
P Mason	-	-
B D McGowan	5,000	5,000
R C Payne	192,774	130,509
R R Spinney	2,000	2,000
Sir Clive Thompson	2,034,302	6,797,603
J C F Wilde	103,647	38,519

Notes:

1. The interests of executive directors include beneficial interests in shares held in trust under an Inland Revenue approved profit sharing scheme under which the last distribution was made in 2002.
2. In addition to the interests in shares noted above, on 1st March 2005 the shares awarded on 1st March 2004 under the Deferred Share Award Plan 2003, set out in sub-section 2 above, vested unconditionally in the executive directors. There have been no further changes in the interests set out above between 31st December 2004 and 13th April 2005.
3. The interests of Sir Clive Thompson and Mr J C F Wilde shown above are at 1st January 2004 and the dates of their ceasing to be directors on 19th May 2004 and 27th July 2004 respectively.
4. Mr E F Brown sold 20,347 shares on 2nd April 2004 at £1.865 per share and 200,000 shares on 29th April 2004 at £1.90 per share. Sir Clive Thompson sold 4,000,000 shares on 13th April 2004 at £1.853 per share and a further 1,000,000 on the same day at £1.8375 per share.

APPROVAL This report was approved by the board of directors on 13th April 2005 and signed on its behalf by Mr R R Spinney.



R R Spinney
Deputy Chairman and Chairman of the Remuneration Committee
13th April 2005

Statement of Directors' Responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit and loss and cash flows of the group for that period. In preparing these accounts, the directors are required to adopt suitable accounting policies and to apply them consistently, making judgements and estimates that are reasonable and prudent, and following applicable accounting standards.

The directors are responsible for ensuring that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the Rentokil Initial plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report of the Auditors

Independent auditors' report to the members of Rentokil Initial plc

We have audited the financial statements which comprise the Consolidated Profit and Loss Account, the Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movement in Equity Shareholders' Funds and the related Notes which have been prepared under the historical cost convention and the accounting policies set out in the Statement of Accounting Policies. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Remuneration Report ("the auditable part").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities. The directors are also responsible for preparing the Remuneration Report.

Our responsibility is to audit the financial statements and the auditable part of the Remuneration Report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the Remuneration Report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Chairman's Statement, Chief Executive's Review, the Finance Director's Review, the Report of the Directors, the Audit Committee Report and the unaudited part of the Remuneration Report.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the company's or group's corporate governance procedures or its risk and control procedures.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the Remuneration Report. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the Remuneration Report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the group at 31st December 2004 and of the profit and cash flows of the group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and,
- those parts of the Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PRICEWATERHOUSECOOPERS 

PricewaterhouseCoopers LLP
Chartered Accountants and
Registered Auditors
1 Embankment Place
London
WC2N 6RH
13th April 2005

Consolidated Profit and Loss Account

FOR THE YEAR ENDED 31ST DECEMBER

Notes	2004 Before exceptional items £m	2004 Exceptional items (note 3) £m	2004 After exceptional items £m	2003 £m
Turnover (including franchisees and share of associates)				
Continuing operations	2,427.7	-	2,427.7	2,426.2
Acquisitions	7.6	-	7.6	-
Total continuing operations	2,435.3	-	2,435.3	2,426.2
Discontinued operations	15.5	-	15.5	60.0
Turnover (including franchisees and share of associates)	2,450.8	-	2,450.8	2,486.2
Less:				
Share of turnover of associates (all continuing)	(18.5)	-	(18.5)	(18.7)
Turnover of franchisees (all continuing)	(110.2)	-	(110.2)	(101.2)
Group turnover	2,322.1	-	2,322.1	2,366.3
Cost of sales	(1,872.9)	(23.7)	(1,896.6)	(1,861.3)
Gross profit	449.2	(23.7)	425.5	505.0
Administrative expenses	(57.8)	(25.7)	(83.5)	(53.1)
Group operating profit				
Continuing operations	388.6	(49.4)	339.2	452.6
Acquisitions	2.4	-	2.4	-
Continuing operations	391.0	(49.4)	341.6	452.6
Discontinued operations	0.4	-	0.4	(0.7)
Group operating profit	391.4	(49.4)	342.0	451.9
Share of profit of associates (all continuing)	4.1	-	4.1	3.6
Total operating profit	395.5	(49.4)	346.1	455.5
Loss on disposal of businesses	-	-	-	(11.7)
Profit on ordinary activities before interest	395.5	(49.4)	346.1	443.8
Interest payable (net)	(48.3)	-	(48.3)	(47.0)
Profit on ordinary activities before taxation	347.2	(49.4)	297.8	396.8
Tax on profit on ordinary activities			(81.6)	(105.2)
Profit on ordinary activities after taxation			216.2	291.6
Equity minority interests			(1.7)	(1.5)
Profit for the financial year attributable to shareholders			214.5	290.1
Equity dividends			(120.7)	(110.1)
Profit retained for the financial year			93.8	180.0
Basic earnings per 1p share			11.87p	15.83p
Adjusted earnings per 1p share			14.30p	16.47p
Diluted earnings per 1p share			11.87p	15.81p
Dividends per 1p share			6.71p	6.10p

Statement of Total Recognised Gains and Losses

FOR THE YEAR ENDED 31ST DECEMBER

	2004 £m	CONSOLIDATED		PARENT
		2003 £m	2004 £m	2003 £m
Profit for the financial year	214.5	290.1	216.1	233.6
Gain on sale of interest in South African business (note 32)	14.2	-	-	-
Adjustment to goodwill (note 10)	(16.4)	-	-	-
Currency translation adjustments	(4.7)	(3.6)	2.9	(8.2)
Total gains recognised in the financial year	207.6	286.5	219.0	225.4

Reconciliation of Movements in Equity Shareholders' Funds

FOR THE YEAR ENDED 31ST DECEMBER

	2004 £m	CONSOLIDATED		PARENT
		2003 (restated) £m	2004 £m	2003 (restated) £m
Profit for the financial year	214.5	290.1	216.1	233.6
Equity dividends (note 7)	(120.7)	(110.1)	(120.7)	(110.1)
Profit retained for the financial year	93.8	180.0	95.4	123.5
New share capital issued (note 22)	0.3	2.9	0.3	2.9
Own shares purchased (note 21)	(24.2)	(73.1)	(24.2)	(73.1)
Goodwill written back on disposals (notes 3 & 32)	(2.4)	(1.7)	-	-
Deferred share awards and share options (note 24)	0.9	0.4	0.9	0.4
Other recognised gains and (losses) in the financial year	(6.9)	(3.6)	2.9	(8.2)
Net change in equity shareholders' funds	61.5	104.9	75.3	45.5
Equity shareholders' funds at 1st January as originally reported	(631.1)	(723.6)	483.6	450.5
Prior year adjustment on adoption of UITF 38	-	(12.4)	-	(12.4)
Equity shareholders' funds at 1st January as restated	(631.1)	(736.0)	483.6	438.1
Equity shareholders' funds at 31st December	(569.6)	(631.1)	558.9	483.6

Balance Sheets

AT 31ST DECEMBER

	Notes	CONSOLIDATED		PARENT	
		2004 £m	2003 (restated) £m	2004 £m	2003 (restated) £m
FIXED ASSETS					
Intangible assets	10	192.9	195.7	-	-
Tangible assets	11	675.7	662.8	5.0	4.6
Investments	12	9.6	11.7	1,686.7	1,626.1
		878.2	870.2	1,691.7	1,630.7
CURRENT ASSETS					
Stocks	13	40.4	45.2	-	-
Debtors due within one year	14	455.7	451.8	152.3	199.2
Debtors due after one year	14	184.9	167.6	0.3	2.6
Short term deposits and cash		206.1	272.8	96.5	201.1
		887.1	937.4	249.1	402.9
CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR					
Creditors	15	(763.1)	(754.9)	(141.0)	(123.5)
Bank and other borrowings	16	(203.2)	(82.9)	(132.8)	(58.5)
		(966.3)	(837.8)	(273.8)	(182.0)
Net current (liabilities)/assets		(79.2)	99.6	(24.7)	220.9
Total assets less current liabilities		799.0	969.8	1,667.0	1,851.6
CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
Creditors	17	(10.9)	(10.4)	-	-
Bank and other borrowings	18	(1,138.5)	(1,397.8)	(1,107.5)	(1,367.4)
		(1,149.4)	(1,408.2)	(1,107.5)	(1,367.4)
PROVISIONS FOR LIABILITIES AND CHARGES					
Provisions for liabilities and charges	19	(209.0)	(186.2)	(0.6)	(0.6)
Net (liabilities)/assets		(559.4)	(624.6)	558.9	483.6
EQUITY CAPITAL AND RESERVES					
Called up share capital	21	18.1	18.2	18.1	18.2
Share premium account	22	49.5	49.2	49.5	49.2
Capital redemption reserve	23	19.7	19.6	19.7	19.6
Treasury shares	24	(11.1)	(12.0)	(11.1)	(12.0)
Other reserves	25	9.2	8.9	-	-
Profit and loss account	26	(655.0)	(715.0)	482.7	408.6
Equity shareholders' funds		(569.6)	(631.1)	558.9	483.6
Equity minority interests		10.2	6.5	-	-
Capital employed		(559.4)	(624.6)	558.9	483.6

The 2003 balance sheet has been restated due to the adoption of UITF 38 as explained in Accounting Policies on page 48.

These financial statements were approved by the board on 13th April 2005 and were signed on its behalf by:



B D McGowan



R C Payne

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31ST DECEMBER

		Notes	2004 £m	2003 £m
OPERATING ACTIVITIES	Net cash inflow from operating activities	30	552.1	610.3
ASSOCIATES' DIVIDENDS	Dividends received from associates		3.8	1.3
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	Interest received		55.5	49.3
	Interest paid		(99.7)	(104.7)
	Interest element of finance lease payments		(1.7)	(1.9)
	Dividends paid to minority interests		(0.7)	(0.6)
	Net cash outflow from returns on investments and servicing of finance		(46.6)	(57.9)
TAXATION	Tax paid		(98.1)	(111.9)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	Purchase of tangible fixed assets		(191.4)	(187.8)
	Less: financed by leases		11.0	13.1
			(180.4)	(174.7)
	Sale of tangible fixed assets		12.0	15.3
	Net cash outflow for capital expenditure and financial investment		(168.4)	(159.4)
ACQUISITIONS AND DISPOSALS	Purchase of companies and businesses	31	(27.5)	(21.2)
	Disposal of companies and businesses	32	6.7	6.4
	Net cash outflow from acquisitions and disposals		(20.8)	(14.8)
EQUITY DIVIDENDS PAID	Dividends paid to equity shareholders		(113.5)	(104.4)
	Net cash inflow before use of liquid resources and financing		108.5	163.2
MANAGEMENT OF LIQUID RESOURCES	Movement in short term deposits with banks		126.5	13.0
FINANCING	Issue of ordinary share capital		0.3	2.9
	Own shares purchased		(24.2)	(75.9)
	Net loan movement		(195.9)	(9.8)
	Capital element of finance lease payments		(13.6)	(12.8)
	Net cash outflow from financing		(233.4)	(95.6)
NET CASH	Increase in net cash in the year	33	1.6	80.6

Accounting Policies

ACCOUNTING CONVENTION

The accounts have been prepared under the historical cost convention and comply with the Companies Act 1985 ("Act"), except for the departure noted under intangible assets below, as amended by the Companies Act 1989 and applicable accounting standards.

NEW ACCOUNTING POLICIES

During the year the company has adopted UITF Abstract 38 "Accounting for ESOP Trusts" which superseded UITF 13 issued in 1995. UITF 38 was issued in December 2003 and became effective for all accounting periods ending on or after 22nd June 2004. As a result, shares held in the Rentokil Initial Employee Share Trust to satisfy obligations under the Rentokil Initial share option schemes were reclassified as Treasury shares. Therefore, £12.0 million has been transferred from fixed asset investments to shareholders' funds and the December 2003 balance sheet restated accordingly.

The company also adopted the related amendment to UITF Abstract 17 "Employee share schemes" as effected by the adoption of UITF 38. This had no impact on the financial statements.

CONSOLIDATION

The consolidated accounts comprise those of the parent company and its subsidiary undertakings ("subsidiaries" or "subsidiary companies") together with the group's share of profits and net assets of the associated undertakings ("associates" or "associated companies").

The results of newly acquired companies and businesses are consolidated from the date of acquisition. The results of companies and businesses disposed of during the year are consolidated until the date of disposal.

For acquisitions involving deferred consideration, estimated deferred payments are accrued in the balance sheet. Interest due to vendors on deferred payments is charged to the profit and loss account as it accrues. For disposals involving deferred consideration, estimated deferred receipts are prepaid in the balance sheet. Interest from buyers on deferred receipts is credited to the profit and loss account as it accrues.

FOREIGN CURRENCIES

The results of overseas subsidiary and associated undertakings are translated at the average exchange rates for the year. The assets and liabilities of such undertakings are translated at year-end exchange rates. Exchange differences on the results for the year, opening net assets and on foreign currency loans which relate to overseas investments are recorded as movements on reserves in accordance with SSAP 20. Foreign currency transactions in the year and balances in the year-end balance sheet are translated at the average and closing rates of exchange respectively. Any exchange differences arising are taken to the profit and loss account, with the exception of exchange gains and losses in respect of loans which hedge against foreign currency investments which are recorded as movements in reserves.

TURNOVER

Turnover excludes VAT and other similar sales based taxes and represents the amounts receivable for services rendered (including franchisee fees) and goods sold outside the group. For non-contract based businesses, turnover represents the value of goods delivered or services performed. For contract based businesses, turnover represents the value of services carried out for customers during the period. Contract income is recognised in accounting periods on a straight-line basis over the life of the contract. For long term contracts involving the installation of equipment, turnover is recognised using the stage of completion method and represents the value of work executed during the year. All rental income received or receivable in respect of rental assets is recognised on a straight-line basis over the period of the lease.

COST OF SALES & ADMINISTRATIVE EXPENSES

Production, service, selling and other direct branch costs are classified as cost of sales. Administrative expenses comprise head office costs and research and development expenditure which is written off as incurred.

PENSION COSTS

The cost of pensions in respect of the group's defined benefit pension schemes is charged to the profit and loss account so as to spread the cost of pensions over the average expected service lives of employees in the schemes. Actuarial surpluses or deficits from the regular costs are spread over the average future service lives of employees in the schemes using the projected unit credit method. Differences between the amount charged in the profit and loss account and payments made to the schemes are treated as assets or liabilities in the balance sheet. Contributions to defined contribution schemes are charged to the profit and loss account as incurred.

The notes to the accounts continue to include the required disclosures in accordance with the transitional provisions of FRS 17 "Retirement Benefits".

INTANGIBLE ASSETS

Goodwill represents the excess of the fair value of the consideration given over the aggregate of the fair values of the identifiable net assets acquired.

Goodwill in respect of acquisitions made prior to 1st January 1998 remains eliminated against reserves. This will be charged in the profit and loss account on subsequent disposal of the business to which it relates.

INTANGIBLE ASSETS
(continued)

Goodwill in respect of acquisitions made since 1st January 1998 is shown as an asset and (in accordance with FRS 10) each acquisition is assessed to determine the useful economic life of the business and the goodwill. For the types of business normally acquired by the company, the board considers that the goodwill is an inseparable part of the total value of the relevant business. These are service businesses which are not subject to high volatility in fashions or markets and demand for these services is likely to continue for the foreseeable future. Such businesses, if properly managed, should grow in value over the years and hence neither the value of the business nor the goodwill have a measurable useful economic life and the goodwill is not amortised. This treatment of goodwill represents a departure from the Act which requires goodwill to be amortised over its useful economic life. However, such departure is permitted under the Act in order to give a true and fair view. The directors believe that it is not possible to identify a finite life for goodwill in respect of acquisitions and accordingly, the treatment of goodwill identified above is necessary in order to give a true and fair view. In view of the inability to identify a finite life for goodwill in respect of acquisitions, it is not possible to quantify the effects of such departure from the Act. In the event that it could be considered that the value of the business or its goodwill does have a measurable economic life, then the goodwill would be amortised through the profit and loss account by equal instalments over such useful economic life. The potential lives of the businesses and goodwill are reviewed annually and revised where appropriate.

In the event that the useful economic life did not exceed 20 years, goodwill would be subject to an impairment review at the end of the year of acquisition and at any other time in the event that the directors believe that an impairment may have occurred. Where the goodwill is assigned a useful economic life which is in excess of 20 years or is indefinite, the value of the relevant businesses and goodwill are assessed for impairment against carrying values on an annual basis in accordance with FRS 11. Any impairment would be charged to the profit and loss account in the period in which it arises, calculated using the methodology described in the "Tangible Assets" section below.

TANGIBLE ASSETS

Provision for depreciation of freehold buildings is made in equal annual instalments of 1% to 2% of cost. Leasehold land and buildings are amortised in equal annual instalments over the periods of the leases subject to a minimum annual provision of 1% of costs. No depreciation is charged on freehold land or fixed assets under construction. When properties are sold, the difference between sales proceeds and net book value is dealt with in the profit and loss account. In accordance with FRS 15, annual impairment reviews are performed for properties with a useful economic life of greater than 50 years at the balance sheet date.

Other tangible fixed assets are stated at cost less depreciation. Provision for depreciation is made in equal annual instalments over the estimated useful lives of the assets as follows:

4 to 5 years	-	Vehicles
3 to 10 years	-	Plant, machinery and equipment, tropical plants and their containers on rental
3 to 10 years	-	Office equipment, furniture and fittings.

The company selects its depreciation rates carefully and reviews them regularly to take account of any changes in circumstances. When setting useful economic lives, the principal factors the company takes into account are expected technological developments, expected market requirements and the intensity of which assets are used.

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds the higher of an asset's net realisable value and value-in-use.

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

LEASED ASSETS

Where the group retains substantially all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease. Other leases are treated as operating leases. Future instalments payable under finance leases, net of finance charges, are included in borrowings with the corresponding asset values recorded in fixed assets and depreciated over the shorter of their estimated useful lives or their lease terms. Lease payments are apportioned between the finance element, which is charged to the profit and loss account as interest, and the capital element, which reduces the outstanding obligation for future instalments.

Payments under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

STOCKS

Stocks and work in progress are stated at the lower of cost and net realisable value.

Accounting Policies continued

PROVISIONS Provision is made in accordance with FRS 12 for:

Vacant property	-	In respect of vacant and partly sub-let leasehold properties to the extent that future rental payments are expected to exceed future rental income.
Environmental	-	For all known liabilities to remediate contaminated land on the basis of management's best estimate of the costs of these liabilities.
Self insurance	-	For all claims incurred as at the balance sheet date based on actuarial assessments of these liabilities.
Other provisions	-	For all other known liabilities which exist at the year-end based on management's best estimate as to the cost of settling these liabilities.

DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The derivative instruments used by the group, which are used solely for hedging purposes (i.e. to offset foreign exchange and interest rate risks), comprise currency and interest rate swaps, forward rate agreements and forward foreign exchange contracts. Such derivative instruments are used to alter the risk profile of an existing underlying exposure of the group in line with the group's treasury policies.

Interest rate differentials under swap arrangements and forward rate agreements used to manage interest rate exposures are recognised by adjustment to net interest payable. Premiums or discounts arising on the purchase of derivative instruments are amortised over the shorter of the life of the instrument and the underlying exposure.

Currency swap agreements and forward foreign exchange contracts are valued at closing rates of exchange. Where the borrowings are used to finance net overseas investments, exchange differences are taken to reserves in accordance with SSAP 20. Resulting gains and/or losses are offset against foreign exchange gains or losses on the related borrowings or, where the instrument is used to hedge a committed future transaction, are deferred until the transaction occurs.

DEFERRED TAX

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the taxable profits and results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all the available evidence, it can be regarded as more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

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

Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

SHARE OPTION SCHEMES

Own shares held in the Rentokil Initial Employee Share Trust to satisfy obligations under the Rentokil Initial share option schemes, which were carried at cost as part of fixed asset investments, have been transferred to shareholders' funds in accordance with UITF 38, published in December 2003 and effective for accounting periods ending on or after 22nd June 2004. If the cost of these shares were to exceed the anticipated proceeds on exercise of the options by employees, the excess will be written off to the profit and loss account in accordance with UITF 17 "Employee share schemes".

Notes to the Accounts

	TURNOVER				PROFIT	
	2004	2003	2004	2004	2004	2003
	£m	£m	Profit before exceptional items £m	Exceptional items (note 3) £m	Profit after exceptional items £m	£m
1. SEGMENTAL ANALYSIS						
Geographic analysis						
Continuing operations:						
United Kingdom	1,214.9	1,200.8	177.8	(21.9)	155.9	219.5
Continental Europe	819.5	806.3	160.7	(3.7)	157.0	171.1
North America	265.1	284.4	12.5	(22.9)	(10.4)	17.2
Asia Pacific & Africa ¹	135.8	134.7	44.1	(0.9)	43.2	48.4
Total continuing operations	2,435.3	2,426.2	395.1	(49.4)	345.7	456.2
Discontinued operations	15.5	60.0	0.4	-	0.4	(0.7)
	2,450.8	2,486.2	395.5	(49.4)	346.1	455.5
Less:						
Associate (Asia Pacific & Africa)	(18.5)	(18.7)	-	-	-	-
Franchisees (UK)	(110.2)	(101.2)	-	-	-	-
	2,322.1	2,366.3	395.5	(49.4)	346.1	455.5
Loss on disposal of businesses (note 3)	-	-	-	-	-	(11.7)
Interest (note 4)	-	-	(48.3)	-	(48.3)	(47.0)
	2,322.1	2,366.3	347.2	(49.4)	297.8	396.8
¹ Includes associates	18.5	18.7	4.1	-	4.1	3.6
Business analysis						
Continuing operations:						
Hygiene Services ²	759.3	758.1	168.7	(3.7)	165.0	202.6
Pest Control	224.2	224.4	76.8	(0.3)	76.5	84.8
Hygiene	983.5	982.5	245.5	(4.0)	241.5	287.4
Security	574.1	584.0	52.2	-	52.2	58.2
Facilities Management Services ²	453.8	452.7	28.9	(9.3)	19.6	35.6
Tropical Plants	105.1	112.6	11.9	(10.4)	1.5	17.8
Conferencing	91.1	85.8	25.3	-	25.3	26.4
Facilities Management	650.0	651.1	66.1	(19.7)	46.4	79.8
Parcels Delivery	227.7	208.6	31.3	-	31.3	30.8
Central exceptional items (note 3)	-	-	-	(25.7)	(25.7)	-
Total continuing operations	2,435.3	2,426.2	395.1	(49.4)	345.7	456.2
Discontinued operations	15.5	60.0	0.4	-	0.4	(0.7)
	2,450.8	2,486.2	395.5	(49.4)	346.1	455.5
Less:						
Associate (Hygiene)	(18.5)	(18.7)	-	-	-	-
Franchisees (Parcels Delivery)	(110.2)	(101.2)	-	-	-	-
	2,322.1	2,366.3	395.5	(49.4)	346.1	455.5
Loss on disposal of businesses (note 3)	-	-	-	-	-	(11.7)
Interest (note 4)	-	-	(48.3)	-	(48.3)	(47.0)
	2,322.1	2,366.3	347.2	(49.4)	297.8	396.8
² Includes associates						
Hygiene Services	18.5	18.7	3.5	-	3.5	3.2
Facilities Management Services	-	-	0.6	-	0.6	0.4

Notes to the Accounts continued

1. SEGMENTAL ANALYSIS (continued)

The analysis of turnover is based on the country in which the order is received and would not be materially different if based on the country in which the customer is located. Turnover from franchisees and from an associate in Asia have been included to reflect the involvement by management in these businesses. Interest is managed by the central treasury function and therefore it is not considered appropriate to analyse this by segment.

	2004 £m	NET ASSETS 2003 (restated) £m
Geographic analysis		
United Kingdom	104.7	126.8
Continental Europe	365.1	352.6
North America	46.0	64.3
Asia Pacific & Africa ¹	60.4	39.6
	576.2	583.3
Net debt (note 33)	(1,135.6)	(1,207.9)
	(559.4)	(624.6)
¹ Includes associates	9.5	11.6
Business analysis		
Hygiene Services ²	346.4	322.1
Pest Control	31.7	25.9
Hygiene	378.1	348.0
Security	27.9	25.8
Facilities Management Services ²	6.7	27.7
Tropical Plants	38.0	52.4
Conferencing	128.9	127.3
Facilities Management	173.6	207.4
Parcels Delivery	(3.4)	2.1
	576.2	583.3
Net debt (note 33)	(1,135.6)	(1,207.9)
	(559.4)	(624.6)
² Includes associates		
Hygiene Services	8.3	7.7
Facilities Management Services	1.2	3.9

Net debt is managed by the central treasury function and therefore it is not considered appropriate to analyse this by segment.

2. COST OF SALES & ADMINISTRATIVE EXPENSES

Cost of sales and administrative expenses include, in respect of businesses acquired during 2004, £4.6m and £0.6m respectively.

3. EXCEPTIONAL ITEMS

The exceptional items charged against operating profit in 2004 represent one-off significant items occurring in the year (2003: £nil). These comprise:

	2004 £m	CONSOLIDATED 2003 £m
Impairment of goodwill (note 10)	14.4	-
Impairment of fixed assets in a US Facilities Management business (note 11)	9.3	-
Additional vacant property and environmental provisions* (note 19)	19.7	-
Potential uninsured loss on a discontinued business* (note 19)	6.0	-
	49.4	-

* These items are managed centrally and relate to businesses that have been sold in prior years. These have therefore not been allocated to a business segment (note 1).

3. EXCEPTIONAL ITEMS
(continued)

The impairment of goodwill was made following the deterioration in performance experienced during the year in six businesses, namely US Tropical Plants (£9.8m), German Hospital Services (£3.6m) and four other businesses in the Hygiene and Facilities Management sectors, mainly in Asia Pacific & Africa (£1.0m). The impairment of fixed assets was made in a US Facilities Management business following continuing losses and other developments in that business during the year. Increases in vacant property and environmental provisions were made in the UK and the US in respect of specific properties relating to businesses disposed of in prior years. The provision for the potential uninsured loss was made in respect of product supply by a discontinued business following further developments in the year.

The exceptional items charged below operating profit comprise the following:

	CONSOLIDATED	
	2004 £m	2003 £m
Loss on net assets of business sold	(1.2)	(1.5)
Negative goodwill written back from reserves (note 32)	3.3	1.7
Provisions (note 32)	(2.1)	(0.4)
	-	(0.2)
Charge against recoverability of deferred consideration	-	(11.5)
	-	(11.7)

The above represents the disposal of three non-core businesses with net assets of £4.6m, for a net consideration of £3.4m, realising a loss on disposal of £nil after the write back of £3.3m of negative goodwill and providing £2.1m against deferred consideration and restructuring costs. The loss in the prior year represents the disposal of five businesses together with a charge of £11.5m against the recoverability of deferred considerations in respect of two businesses disposed of in the year 2000.

The total tax impact of exceptional items was £5.3m (2003: £nil).

4. INTEREST

Interest payable on bank loans and overdrafts	(68.1)	(72.7)
Interest payable on other loans	(33.7)	(26.9)
Interest payable on finance leases	(1.8)	(1.9)
	(103.6)	(101.5)
Interest receivable	55.3	54.5
Interest payable (net)	(48.3)	(47.0)

**5. PROFIT ON ORDINARY
ACTIVITIES BEFORE
TAXATION**

Profit before tax is arrived at after charging/(crediting):

Staff costs (note 27)	1,115.4	1,137.8
Depreciation of tangible fixed assets - owned assets	154.6	152.1
- under finance leases	9.9	9.5
Excess depreciation written back on disposal of fixed assets	(4.1)	(4.6)
Hire of machinery and equipment	13.0	12.7
Other operating lease rentals	37.1	36.8

Services provided by the group's auditor and network firms

During the year the group (including its overseas subsidiaries) incurred fees from auditors for services detailed below:

Audit services		
- Statutory audit	2.7	2.5
- Audit-related regulatory reporting	0.5	0.2
Tax services		
- Compliance services	0.1	0.1
- Advisory services	0.3	-
Other services	0.5	0.1
	4.1	2.9

Included in the group audit fees and expenses paid to the group's auditor, £0.5m (2003: £0.4m) was paid in respect of the parent company.

Also included above are fees paid to the group's auditor in respect of non-audit services in the UK of £0.9m (2003: £0.1m).

Notes to the Accounts continued

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (continued)

In addition to the above services, the group's auditor acted as auditor to the Rentokil Initial Pension Scheme. The appointment of auditors to the group's pension scheme and the fees paid in respect of the audit are agreed by the trustees of the scheme, who act independently from the management of the group. The aggregate fees paid to the group's auditor for audit services to the pension scheme during the year were £46,000 (2003: £46,000).

		CONSOLIDATED	
		2004 £m	2003 £m
6. TAX ON PROFIT ON ORDINARY ACTIVITIES	Analysis of charge in the year		
	Current tax		
	UK Corporation tax at 30% (2003: 30%)	38.4	55.9
	Double tax relief	(2.4)	(2.8)
		36.0	53.1
	Overseas taxation	64.4	69.3
	Share of associates	1.7	1.7
	Adjustment in respect of previous periods	(20.6)	(17.4)
		81.5	106.7
	Deferred taxation		
	Originating and reversal of timing differences	-	4.8
	Adjustment in respect of previous periods	0.1	(6.3)
		0.1	(1.5)
	Total tax on profit on ordinary activities	81.6	105.2
	Factors affecting the current tax charge		
Profit on ordinary activities before tax	297.8	396.8	
Taxation on ordinary activities at relevant standard rates	94.1	127.4	
Disallowable expenses	1.5	2.0	
Non-deductible exceptional items	9.5	3.4	
Tax losses brought forward	(2.0)	(1.0)	
Goodwill amortisation	2.2	(4.0)	
Adjustment in respect of previous periods	(20.6)	(17.4)	
Capital allowances in excess of depreciation	(2.2)	(3.0)	
Other timing differences	(1.0)	(0.7)	
Current tax charge for the year	81.5	106.7	

As a substantial proportion of profits are generated outside the UK, the standard rate of tax has been determined as the weighted average of the standard rates of tax in each of the different countries where profits are generated. The relevant rates were 31.6% in 2004 and 32.1% in 2003.

Based on current capital investment plans, the group expects to continue to be able to claim capital allowances and goodwill deductions in excess of depreciation in future years.

		CONSOLIDATED AND PARENT	
		2004 £m	2003 £m
7. EQUITY DIVIDENDS	Interim dividend paid : 1.93p (2003: 1.75p) per 1p share	34.5	31.1
	Final dividend proposed : 4.78p (2003: 4.35p) per 1p share	86.2	79.0
		120.7	110.1

The trustees of the Rentokil Initial Employee Share Trust have waived their right to receive dividends on shares held by the Trust for the benefit of participants in employee share schemes. Accordingly, dividends amounting to £0.5m (2003: £0.5m) in respect of the company's shares held by the Trust have been deducted in arriving at the aggregate of dividends paid and proposed.

8. PROFITS OF HOLDING COMPANY

Of the profit attributable to shareholders, a surplus of £216.1m (2003: £233.6m) is dealt with in the accounts of Rentokil Initial plc. Under s.230 of the Companies Act 1985 a profit and loss account for the company alone is not presented.

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to shareholders 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 (note 24) where dividends have been waived.

For adjusted earnings per share, the profit attributable to shareholders is adjusted for the exceptional items (note 3), and is presented to reflect the ongoing performance of the group.

For diluted earnings per share, the weighted average number of shares in issue is adjusted to assume conversion of all dilutive potential shares. The company has only one category of dilutive potential 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.

	BASIC EPS	
	2004	2003
Profit attributable to shareholders	£214.5m	£290.1m
Weighted average number of shares	1,807.8m	1,832.6m
Basic earnings per share	11.87p	15.83p

	ADJUSTED EPS	
	2004	2003
Profit attributable to shareholders	£214.5m	£290.1m
Add back exceptional items (note 3)	£49.4m	£11.7m
Less tax effect of exceptional items (note 3)	(£5.3m)	-
Adjusted profit attributable to shareholders	£258.6m	£301.8m
Weighted average number of shares	1,807.8m	1,832.6m
Adjusted earnings per share	14.30p	16.47p

	DILUTED EPS	
	2004	2003
Profit attributable to shareholders	£214.5m	£290.1m
Weighted average number of shares	1,807.8m	1,832.6m
Effect of share options	-	2.5m
Adjusted weighted average number of shares	1,807.8m	1,835.1m
Diluted earnings per share	11.87p	15.81p

10. INTANGIBLE ASSETS

	CONSOLIDATED	
	2004	£m
Goodwill at 1st January	195.7	
Exchange adjustments	(0.9)	
Businesses acquired (note 31)	28.9	
Impairment losses (note 3)	(14.4)	
Consideration adjustment to an acquisition made in 2000	(16.4)	
Goodwill at 31st December	192.9	

Under the provisions of the accounting policy set out on pages 48 and 49, goodwill is carried as an intangible asset on the balance sheet. The directors have reviewed these acquisitions and have determined that, as service businesses which are not subject to high volatility in fashions or markets, demand for these services is likely to continue for the foreseeable future. Hence neither the value of these businesses nor the associated goodwill have a measurable useful economic life and the goodwill is therefore not being amortised. The useful economic lives and values of the businesses and goodwill were re-assessed as at 31st December 2004.

The impairment of goodwill was made following the deterioration in performance experienced during the year in six businesses, namely US Tropical Plants (£9.8m), German Hospital Services (£3.6m) and four other businesses in the Hygiene and Facilities Management sectors, mainly in Asia Pacific & Africa (£1.0m). Value-in-use calculations were used to determine the amount of the impairment using risk-adjusted interest rates ranging from 10% to 11%.

Notes to the Accounts continued

10. INTANGIBLE ASSETS (continued)

The consideration adjustment to an acquisition made in 2000 was made following a detailed review of the goodwill balance in preparation for transition to IFRS. This review revealed that the consideration and goodwill in respect of one acquisition made in 2000 necessitated an adjustment. The position has been corrected through the Statement of Total Recognised Gains and Losses to be consistent with the original accounting.

	LAND AND BUILDINGS	PLANT, EQUIPMENT & TROPICAL PLANTS	VEHICLES AND OFFICE EQUIPMENT	TOTAL
	£m	£m	£m	£m
11. TANGIBLE FIXED ASSETS				
Consolidated				
Cost				
At 1st January 2004	311.4	665.8	361.9	1,339.1
Exchange adjustments	(0.5)	2.8	(0.4)	1.9
Additions at cost	10.8	138.9	45.0	194.7
On acquisition (note 31)	1.7	1.7	0.3	3.7
Disposal of businesses (note 32)	(3.0)	(1.3)	(4.2)	(8.5)
Disposals	(3.2)	(106.4)	(36.8)	(146.4)
At 31st December 2004	317.2	701.5	365.8	1,384.5
Aggregate depreciation				
At 1st January 2004	49.9	407.1	219.3	676.3
Exchange adjustments	(0.2)	1.7	(0.2)	1.3
Disposal of businesses (note 32)	(0.1)	(0.9)	(3.1)	(4.1)
Depreciation	5.2	122.2	37.1	164.5
Impairment losses (note 3)	9.3	-	-	9.3
Disposals	(1.2)	(104.9)	(32.4)	(138.5)
At 31st December 2004	62.9	425.2	220.7	708.8
Net book value at 31st December 2004	254.3	276.3	145.1	675.7
Net book value at 31st December 2003	261.5	258.7	142.6	662.8
Fixed assets held under finance leases:				
Cost	23.3	6.8	41.0	71.1
Aggregate depreciation	4.5	5.1	18.7	28.3
Net book value at 31st December 2004	18.8	1.7	22.3	42.8
Parent				
Cost				
At 1st January 2004	2.1	6.2	4.8	13.1
Additions at cost	-	0.1	2.0	2.1
Disposals	-	(0.2)	(1.4)	(1.6)
At 31st December 2004	2.1	6.1	5.4	13.6
Aggregate depreciation				
At 1st January 2004	1.1	4.2	3.2	8.5
Depreciation	0.1	-	1.3	1.4
Disposals	-	(0.1)	(1.2)	(1.3)
At 31st December 2004	1.2	4.1	3.3	8.6
Net book value at 31st December 2004	0.9	2.0	2.1	5.0
Net book value at 31st December 2003	1.0	2.0	1.6	4.6
Fixed assets held under finance leases:				
Cost	-	-	1.2	1.2
Aggregate depreciation	-	-	0.6	0.6
Net book value at 31st December 2004	-	-	0.6	0.6

	2004 £m	CONSOLIDATED		PARENT
		2003 £m	2004 £m	2003 £m
11. TANGIBLE FIXED ASSETS (continued)				
Analysis of net book value of land and buildings				
Freehold	214.6	224.5	-	-
Leasehold - Over 50 years unexpired	4.7	3.8	-	-
- Under 50 years unexpired	35.0	33.2	0.9	1.0
	254.3	261.5	0.9	1.0

The impairment loss of £9.3m was recognised in a US Facilities Management Services business. Value-in-use calculations were performed to measure the level of impairment using a risk-adjusted discount rate of 9.0%.

	2004 £m	CONSOLIDATED		PARENT
		2003 (restated) £m	2004 £m	2003 (restated) £m
12. INVESTMENTS				
Subsidiary undertakings				
At 1st January	-	-	1,626.1	1,624.5
Additions in the year	-	-	60.6	1.6
At 31st December	-	-	1,686.7	1,626.1
Associated undertakings				
At 1st January	11.6	11.3	-	-
Exchange adjustments	(0.7)	(0.3)	-	-
Share of profits retained	2.4	1.9	-	-
Dividends	(3.8)	(1.3)	-	-
At 31st December	9.5	11.6	-	-
Other investments	0.1	0.1	-	-
Total investments	9.6	11.7	1,686.7	1,626.1

A list of principal subsidiary undertakings is given on pages 71 and 72. A full list of subsidiary and associated undertakings, as at 31st December 2004, will be annexed to the company's next annual return.

The associates principally comprise the group's 49% interest in the common stock of Nippon Calmic Limited, Japan and a 49% interest in Rezayat Sparrow Arabian Crane Hire Co Ltd, Saudi Arabia.

	2004 £m	CONSOLIDATED		PARENT
		2003 £m	2004 £m	2003 £m
13. STOCKS				
Raw materials	11.5	9.6	-	-
Work in progress	2.5	3.2	-	-
Finished products	26.4	32.4	-	-
	40.4	45.2	-	-
14. DEBTORS				
Amounts falling due within one year:				
Trade debtors	368.1	369.3	-	-
Amounts owed by subsidiaries	-	-	123.5	171.5
Other debtors	37.7	33.8	15.1	15.0
Prepayments and accrued income	49.9	48.7	13.6	12.6
Dividends due from subsidiaries	-	-	0.1	0.1
	455.7	451.8	152.3	199.2
Amounts falling due after more than one year:				
Convertible loan note	141.7	143.0	-	-
Pension scheme prepayments (note 28)	17.9	14.9	-	-
Other debtors	25.3	9.7	0.3	2.6
	184.9	167.6	0.3	2.6

Notes to the Accounts continued

14. DEBTORS (continued)

The convertible loan note was received in 2000 as part consideration for the disposal of a business (note 20). The classification of the loan note as a debtor due after more than one year reflects the continuing intention to hold the loan note to maturity in 2008 and the likelihood that the equity conversion option will not be exercised. The pension scheme prepayments reflect the difference between contributions paid and pension costs charged to date.

Included within other debtors falling due after more than one year is a ZAR220.6m (£17.6m) (2003: £nil) loan note received in 2004 as deferred consideration from the disposal of a 25.1% interest in the South African business (note 32).

	CONSOLIDATED		PARENT	
	2004 £m	2003 £m	2004 £m	2003 £m
15. CREDITORS DUE WITHIN ONE YEAR				
Trade creditors	132.3	133.6	-	-
Corporation tax	138.4	155.4	8.1	2.0
Other tax and social security payable	79.3	82.8	3.4	3.6
Other creditors	102.8	90.5	40.9	38.0
Accruals and deferred income	222.0	212.6	2.4	0.9
Deferred consideration on acquisitions	2.1	1.0	-	-
Dividends payable	86.2	79.0	86.2	79.0
	763.1	754.9	141.0	123.5
16. BANK AND OTHER BORROWINGS DUE WITHIN ONE YEAR				
Unsecured bank loans and overdrafts	58.2	12.8	-	-
Other unsecured loans	132.5	58.2	132.5	58.2
Finance lease obligations	12.5	11.9	0.3	0.3
	203.2	82.9	132.8	58.5

Interest on bank loans and overdrafts, and on other loans due within one year, which are denominated in a number of currencies, is payable at normal commercial rates appropriate to the country in which the borrowing is made.

Other unsecured loans include £132.5m (2003: £58.2m) of notes issued under the company's €2.5bn Euro Medium Term Note programme which are more fully described in note 20.

17. CREDITORS DUE AFTER MORE THAN ONE YEAR				
Deferred consideration on acquisitions	0.2	0.2	-	-
Other creditors	10.7	10.2	-	-
	10.9	10.4	-	-
18. BANK AND OTHER BORROWINGS DUE AFTER MORE THAN ONE YEAR				
Secured bank loans and overdrafts	0.8	0.8	-	-
Unsecured bank loans and overdrafts	479.7	712.5	467.4	703.9
	480.5	713.3	467.4	703.9
Other unsecured loans	639.8	663.1	639.8	663.1
Finance lease obligations	18.2	21.4	0.3	0.4
	1,138.5	1,397.8	1,107.5	1,367.4
Borrowings are repayable by instalments:				
Between one and two years	524.4	229.3	503.7	213.7
Between two and five years	611.9	1,165.7	603.8	1,153.7
Over five years	2.2	2.8	-	-
	1,138.5	1,397.8	1,107.5	1,367.4

Other unsecured loans include £639.8m (2003: £663.1m) of notes issued under the company's €2.5bn Euro Medium Term Note programme which is more fully described in note 20.

Interest on borrowings, which are denominated in a number of currencies, is payable at normal commercial rates appropriate to the country in which the borrowing is made. The last repayment on all borrowings falls due in the year 2009.

Bank loans amounting to £0.8m (2003: £0.8m) are secured on certain assets of the group.

Borrowings repayable by instalments over five years include £1.2m (2003: £1.8m) in respect of finance leases.

19. PROVISIONS FOR
LIABILITIES AND CHARGES

	VACANT PROPERTIES	ENVIRON- MENTAL	SELF INSURANCE	OTHER	DEFERRED TAX	TOTAL
	£m	£m	£m	£m	£m	£m
Consolidated						
At 1st January 2004	38.6	28.3	43.9	8.2	67.2	186.2
Exchange adjustments	-	(0.8)	(1.3)	(0.1)	0.3	(1.9)
Additions during the year	2.8	(0.9)	18.0	3.8	5.5	29.2
Exceptional increases to provisions (note 3)	6.2	13.5	-	6.0	(5.3)	20.4
Utilised in year	(2.1)	(4.4)	(15.2)	(1.6)	-	(23.3)
Transfer to current taxation	-	-	-	-	(1.6)	(1.6)
At 31st December 2004	45.5	35.7	45.4	16.3	66.1	209.0
Parent						
At 1st January 2004 and 31st December 2004	-	-	0.6	-	-	0.6

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. It is expected that the provision will be utilised over the remaining head lease period (up to 2020).

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. Utilisation of the provision is estimated to be made over the next 25 years.

Self insurance

The company purchases external insurance from a portfolio of international insurers for its key insurable risks in order to limit the maximum potential loss that the company could suffer in any one year. Individual claims are met in full by the company up to agreed self insured limits in order to limit volatility in claims. The utilisation period of this provision is difficult to determine as claims are rolled forward each year.

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. The annual review of these provisions by external actuaries resulted in an increase in the reserves and in the insurance charge to the profit and loss account in the year of £3.1m (2003: £1.1m).

Other provisions

Other provisions principally comprise amounts required to cover obligations arising, warranties given and costs relating to disposed businesses. This includes the provision made in respect of product supply by a discontinued business (note 3). Utilisation of the provision is expected over the next 5 years.

	CONSOLIDATED		PARENT	
	2004 £m	2003 £m	2004 £m	2003 £m
Deferred tax				
Provision for deferred tax comprises:				
Accelerated capital allowances	58.9	54.2	-	-
Other	7.2	13.0	-	-
	66.1	67.2	-	-

Unprovided deferred tax assets in respect of unutilised tax losses amount to £8.9m (2003: £9.1m). Deferred tax assets have not been recognised due to the uncertainty regarding their utilisation.

Notes to the Accounts continued

20. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The group's objectives, policies and strategy for holding financial instruments are discussed in the financing strategy and structure section of the Finance Director's Review on page 14.

Short term debtors and creditors

In accordance with FRS 13, short term debtors and creditors have been excluded from all the following disclosures, other than the currency disclosures.

Interest rate risk profile of financial liabilities

After taking account of the various interest rate and currency swaps entered into by the group, the interest rate risk profile of the group's financial liabilities was:

	FLOATING RATE	FIXED RATE	NON INTEREST BEARING	TOTAL	FLOATING RATE	FIXED RATE	NON INTEREST BEARING	TOTAL
	£m	£m	£m	2004 £m	£m	£m	£m	2003 £m
Sterling	920.1	1.6	45.2	966.9	1,071.5	1.6	38.2	1,111.3
Other European currencies	378.3	1.8	0.3	380.4	367.9	0.9	0.2	369.0
US and Canadian dollars	32.2	0.2	-	32.4	31.7	0.2	-	31.9
Other currencies	7.2	-	-	7.2	6.9	-	-	6.9
	1,337.8	3.6	45.5	1,386.9	1,478.0	2.7	38.4	1,519.1

The currency and interest rate swaps undertaken by the company have the effect of reclassifying the underlying borrowings' currency and/or its interest rate basis as follows:

	2004 £m	CURRENCY SWAP 2003 £m	INTEREST RATE SWAP FIXED RATE TO FLOATING RATE 2004 £m	2003 £m
Sterling	153.5	120.2	250.0	250.0
Other European currencies	(116.6)	(109.7)	353.8	351.1
Other currencies	(36.9)	(10.5)	-	-
	-	-	603.8	601.1

Financial liabilities on which no interest is paid comprise leases on vacant properties and deferred consideration. All creditors falling due within one year (other than bank and other borrowings) and provisions (other than contracted future vacant properties costs) are excluded from the above table either because they are short term items or they are not financial liabilities (as defined in FRS 13).

Weighted average interest rate and period of financial liabilities

	FIXED RATE FINANCIAL LIABILITIES WEIGHTED AVERAGE INTEREST RATE		FIXED RATE FINANCIAL LIABILITIES WEIGHTED AVERAGE PERIOD FOR WHICH RATE IS FIXED*		NON INTEREST BEARING FINANCIAL LIABILITIES WEIGHTED AVERAGE PERIOD UNTIL MATURITY	
	2004 %	2003 %	2004 No. of years	2003 No. of years	2004 No. of years	2003 No. of years
Sterling	4.9	4.9	-	-	6.3	5.3
Other European currencies	3.6	6.8	0.6	0.4	0.3	1.7
US and Canadian dollars	7.0	7.0	3.0	3.3	-	-
	-	-	0.8	1.0	6.2	5.2

*Perpetual debentures issued in the name of BET Ltd, with a value of £1.6m (2003: £1.6m), have been excluded from the above average period analysis due to their perpetual nature.

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

Interest rate risk profile of financial assets

	FLOATING RATE	FIXED RATE	NON INTEREST BEARING	TOTAL	FLOATING RATE	FIXED RATE	NON INTEREST BEARING	TOTAL
	£m	£m	£m	2004 £m	£m	£m	£m	2003 £m
Sterling	59.9	151.4	1.0	212.3	186.2	158.0	1.9	346.1
Other European currencies	101.5	-	0.4	101.9	46.6	-	0.4	47.0
US and Canadian dollars	25.5	0.5	-	26.0	13.9	0.5	-	14.4
Other currencies	30.8	-	0.3	31.1	12.1	-	0.4	12.5
	217.7	151.9	1.7	371.3	258.8	158.5	2.7	420.0

Floating rate cash earns interest at commercial rates in line with local market practice. Central treasury companies invest all significant cash surpluses in major currencies (£, US\$ and Euro) at money market rates.

Fixed rate cash deposits include £6.6m (2003: £13.5m) invested in UK and US Government bonds which are held by the group's insurance operations in accordance with local insurance regulations and are used to meet insurance liabilities as they fall due. The weighted average interest rate earned is 7.1% (2003: 6.0%) and the weighted average rate is fixed for 3.4 years (2003: 1.0 years).

Short term deposits are placed with banks usually for maturities of up to six months and earn interest at market rates related to the currency and the sums invested.

Fair values of financial assets and financial liabilities

	BOOK VALUE	FAIR VALUE	BOOK VALUE	FAIR VALUE
	2004 £m	2004 £m	2003 £m	2003 £m
Primary financial instruments held or issued to finance the group's operations:				
Short term borrowings:				
Medium term notes issued	(132.5)	(135.7)	(58.2)	(61.5)
Other borrowings	(70.7)	(70.7)	(24.7)	(24.7)
	(203.2)	(206.4)	(82.9)	(86.2)
Long term borrowings:				
Medium term notes issued	(639.8)	(644.8)	(663.1)	(679.7)
Other borrowings	(498.7)	(498.7)	(734.7)	(734.7)
	(1,138.5)	(1,143.5)	(1,397.8)	(1,414.4)
Other financial liabilities	(45.2)	(45.2)	(38.4)	(38.4)
Other debtors - convertible note	143.4	124.9	143.0	114.6
Other debtors - South Africa loan note	17.6	17.6	-	-
Fixed rate deposits - government gilts	6.6	6.6	13.5	13.5
Cash and short term deposits	199.2	199.2	259.1	259.1
Debtors - deferred consideration/disposal notes	4.5	4.5	4.4	4.4

Derivative financial instruments held or issued to hedge the interest rate on existing borrowings and currency exposure on expected future sales and purchases:

Net interest rate and currency swaps	-	23.1	-	30.6
Forward foreign currency contracts	-	-	-	-

The table above provides a comparison by category of the carrying amounts and the fair values of the group's financial assets and financial liabilities at 31st December 2004 and 2003. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties (other than a forced or liquidation sale) and excludes accrued interest. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at relevant interest and exchange rates.

Notes to the Accounts continued

20. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

The company has issued the following medium term notes under its €2.5bn Euro Medium Term Note programme:

CURRENCY/AMOUNT	INTEREST COUPON	MATURITY DATE
¥2,000m	Fixed rate - 0.40% pa	24.03.05
€20m	Floating rate - 3 month EURIBOR +0.20%	10.05.05
\$10m	Floating rate - 3 month USD LIBOR +0.24%	16.09.05
€150m	Floating rate - 3 month EURIBOR +0.35%	17.11.05
£15m	Floating rate - 6 month GBP LIBOR +0.35%	13.02.06
¥3,000m	Fixed rate - 0.60% pa	13.04.07
\$10m	Floating rate - 3 month USD LIBOR +0.35%	17.05.07
€500m	Fixed rate - 5.75% pa	21.05.07
£250m	Fixed rate - 6.125% pa	19.11.08

The aggregate book and fair values for these notes are reflected in the table on page 61.

The fair value of other short term borrowings and long term borrowings (under which short term drawings are made under committed credit facilities which mature in October 2006) approximate to their book values given their short term maturity.

Other debtors include a balance of £143.4m (2003: £143.0m) in respect of a convertible loan note issued by Ashtead Group plc ("Ashtead") in partial consideration for their purchase of our former US plant services business. The note has a final maturity date of 31st March 2008 and interest accrues at 5.25% per annum. At 31st December 2004 £9.4m (2003: £9.0m) of this balance is represented by accrued interest.

During 2004 Ashtead announced that it successfully completed both the refinancing of its senior secured bank credit facilities and then issued a 10 year £120m high yield bond in the capital markets. Ashtead stated that in taking such actions they had refinanced approximately 75% of their debt during 2004 and extended their debt maturities to 5.5 years. The new \$675m asset based senior syndicated loan facility is committed to November 2009 subject only to the convertible loan note being repaid prior to November 2007.

As a result of the above refinancing arrangements, certain consequential amendments were made to the terms of the convertible note. As a result of these amendments, Ashtead agreed to pay the noteholder, BET Ltd, £3.5m of accrued interest for the period of 1st October 2003 to 16th April 2004 on 16th April 2004. In addition it was agreed that all other previously deferred interest, totalling £7.4m, would become payable at the earlier of the note repayment date or 31st March 2008. Interest will accrue on this deferred interest sum at the Barclays Bank PLC UK base rate plus 2%.

The original note principal amount, maturity date and interest rate have been unchanged by these amendments. The noteholder has also subsequently received £3.5m of interest on its normal due dates in October 2004 and April 2005, together with a £2m fee in November 2004 upon the full refinancing of Ashtead's senior secured debt.

On 15th March 2005, Ashtead announced its interim results for the nine months to 31st January 2005 and updated the market on its trading prospects. These indicated that the company had performed strongly in the third quarter and that trading conditions in all its markets remained good. Since their latest trading announcement, the Ashtead share price has risen from 99.75p to 105.20p as at the latest practical date prior to the publication of this report.

In accordance with FRS 13 disclosure requirements, a fair value of £124.9m (2003: £114.6m) has been ascribed to the convertible note. This has been calculated after discounting the cash flows of the note in accordance with the conditions prevailing at 31st December 2004 at the then market interest rates and after due adjustments for credit risk. Included within the 2004 fair value sum is an amount of £4.6m which has been ascribed to the equity conversion option (2003: £nil). This sum has been calculated using recognised market option pricing methodology, an Ashtead share price as at 31st December 2004 of 77.25p (2003: 15.5p), and historic share price volatility data.

The company has noted the gradually improving trading outlook of Ashtead, together with the positive refinancing actions that have been undertaken during 2004. The company will continue to monitor any further announcements by Ashtead and take any actions as may be required in the future to protect the noteholder's legal rights.

Also included within other debtors is a ZAR220.6m (£17.6m) loan note that was received in 2004 as deferred consideration from the disposal of a 25.1% interest in the South African business (note 32). This loan note currently bears interest at a variable rate of 9.5% pa, a rate that will vary over time with movements in the South African prime interest rates. It is anticipated that the loan will be repaid over a period of 10 years.

**20. DERIVATIVES AND
OTHER FINANCIAL
INSTRUMENTS (continued)**

Debtors include £20.6m (2003: £1.9m) of interest bearing and £1.5m (2003: £2.5m) of non interest bearing notes and deferred consideration received in respect of non-core business disposals. The notes/deferred consideration have final maturities between 2005 and 2008, although earlier repayments may be precipitated under the terms of the respective disposal notes/sale agreements.

The group does utilise foreign currency short term and long term borrowings to hedge overseas acquisitions and investments. Any differences between the book values and the fair values for these borrowings are shown on page 61.

Currency exposures

As explained in the Finance Director's Review on pages 14 and 15, the group's currency borrowings (including those held in its main operating businesses) are used to hedge the exchange effects arising from the retranslation of its net overseas investments. Gains and losses arising on net overseas investments and the currency borrowings used to hedge the currency exposures are recognised in the Statement of Total Recognised Gains and Losses in accordance with SSAP 20.

The group's businesses provide goods and services in their local economies, sourced predominately from the local economies. As a consequence the group's businesses do not have any material transactional currency exposures nor any material foreign currency assets or liabilities by reference to their reporting currencies. Such foreign exchange differences which do arise on retranslation of these assets and liabilities are taken to the profit and loss account of the group companies and the group (2004: £nil, 2003: £nil).

Hedges

Other than the gains and losses on net interest rate and currency swaps noted in the fair value table on page 61, there are no material unrecognised or deferred gains or losses at either year-end in respect of financial instruments used as hedges.

Maturity of financial liabilities

The maturity profile of the carrying amount of the group's financial liabilities, other than short term trade creditors and accruals, at 31st December was as follows:

	LOANS	FINANCE LEASES	OTHER FINANCIAL LIABILITIES	TOTAL	LOANS	FINANCE LEASES	OTHER FINANCIAL LIABILITIES	TOTAL
	£m	£m	£m	2004 £m	£m	£m	£m	2003 £m
Within one year, or on demand	190.7	12.5	4.7	207.9	71.0	11.9	5.7	88.6
Between one and two years	515.2	9.2	7.9	532.3	219.6	9.7	8.5	237.8
Between two and five years	603.8	7.8	10.7	622.3	1,155.8	9.9	9.8	1,175.5
Over five years	1.0	1.2	22.2	24.4	1.0	1.8	14.4	17.2
	1,310.7	30.7	45.5	1,386.9	1,447.4	33.3	38.4	1,519.1

Other financial liabilities include £45.2m (2003: £38.2m) in respect of vacant property provisions related to underlying onerous lease contracts.

Borrowing facilities

The group had the following undrawn committed borrowing facilities available at 31st December in respect of which all continuing conditions precedent had been met at that date.

	2004 £m	CONSOLIDATED 2003 £m
Expiring between one and two years	753.9	411.1
Expiring between two and five years	-	0.7
	753.9	411.8

Notes to the Accounts continued

		2004 £m	CONSOLIDATED AND PARENT 2003 £m
21. SHARE CAPITAL	Ordinary shares of 1p each		
	Authorised - 4,100,000,000 shares	41.0	41.0
	Issued and fully paid		
	At 1st January - 1,824,370,403 shares (2003: 1,860,943,836)	18.2	18.6
	Own shares purchased and cancelled - 14,487,787 shares (2003: 38,686,220)	(0.1)	(0.4)
	Share options exercised - 234,292 shares (2003: 2,112,787)	-	-
	At 31st December - 1,810,116,908 shares (2003: 1,824,370,403)	18.1	18.2

The company purchased 14.5m (2003: 38.7m) of its own shares in the market under the authorities conferred by shareholders. The total consideration paid, including £0.1m (2003: £0.4m) of expenses, was £24.2m (2003: £73.1m) which has been charged against the company's distributable reserves. These shares were cancelled after purchase and an amount equal to the nominal value of the share capital has been transferred to a capital redemption reserve (note 23).

At 31st December 2004 the following options had been granted and remain outstanding in respect of the company's ordinary shares of 1p each under the company's share option schemes:

	GRANTED	EXERCISE PRICE (PENCE)	EXERCISE PERIOD	NUMBER OF SHARES
Savings-related scheme (UK)	2001	204.000	2004 - 2007	770,911
Executive schemes	1995	121.984 - 156.867	1998 - 2005	1,967,278
	1996	201.135	1999 - 2006	1,680,914
	1997	204.634	2000 - 2007	3,725,286
	1998	371.670	2001 - 2008	2,884,135
	1999	270.000	2002 - 2009	4,114,700
	2000	156.500	2003 - 2010	7,097,701
	2001	205.250	2004 - 2011	6,274,859
	2002	266.750	2005 - 2012	4,905,828
	2003	204.500	2006 - 2013	4,508,973
	2004	152.000	2007 - 2014	6,123,914
Total				44,054,499

Total consideration of £0.3m (2003: £2.9m) was received by the company during 2004 on the exercise of options.

		2004 £m	CONSOLIDATED AND PARENT 2003 £m
22. SHARE PREMIUM ACCOUNT	At 1st January	49.2	46.3
	Premium on shares issued during the year under the share option schemes	0.3	2.9
	At 31st December	49.5	49.2
23. CAPITAL REDEMPTION RESERVE	At 1st January	19.6	19.2
	Own shares purchased and cancelled (note 21)	0.1	0.4
	At 31st December	19.7	19.6

		CONSOLIDATED AND PARENT	
		2004 £m	2003 (restated) £m
24. TREASURY SHARES	At 1st January	(12.0)	(12.4)
	Shares released under Deferred Share Award Plan	0.7	0.4
	Level 2 share options issued	0.2	-
	At 31st December	(11.1)	(12.0)

Treasury shares represents 7.4m (nominal value £0.1m) shares held by the Rentokil Initial Employee Share Trust. These shares were originally carried at cost as part of fixed asset investments and during the year have been reclassified as Treasury shares and transferred to shareholders' funds in accordance with UITF 38, which was published in December 2003 and effective for accounting periods ending on or after 22nd June 2004. The December 2003 balance sheet has been restated accordingly. These shares are deductible from distributable reserves (note 26).

The market value of these shares as at 31st December 2004 was £11.0m (2003: £15.3m). Dividend income from, and voting rights on, the shares held by the Trust have been waived. The dividend charge and the earnings per share have been adjusted accordingly.

		CONSOLIDATED		PARENT	
		2004 £m	2003 £m	2004 £m	2003 £m
25. OTHER RESERVES	At 1st January	8.9	8.2	-	-
	Exchange adjustments	0.1	0.5	-	-
	Transfer from profit and loss account (note 26)	0.2	0.2	-	-
	At 31st December	9.2	8.9	-	-

Other reserves represent amounts set aside in compliance with local laws in certain countries where the group operates.

26. PROFIT AND LOSS ACCOUNT	At 1st January	(715.0)	(815.9)	408.6	366.4
	Exchange adjustments	(4.8)	(4.1)	2.9	(8.2)
	Profit for the year retained	93.8	180.0	95.4	123.5
	Gain on sale of interest in South African business (note 32)	14.2	-	-	-
	Consideration adjustment to goodwill (note 10)	(16.4)	-	-	-
	Own shares purchased/cancelled (note 21)	(24.2)	(73.1)	(24.2)	(73.1)
	Transfer to other reserves (note 25)	(0.2)	(0.2)	-	-
	Negative goodwill written back on disposals (notes 3 & 32)	(2.4)	(1.7)	-	-
	At 31st December	(655.0)	(715.0)	482.7	408.6

Included in exchange adjustments are losses amounting to £0.6m (2003: £24.0m) arising from borrowings denominated in foreign currencies designated as hedges of net overseas investments.

The balance of goodwill previously written off against consolidated reserves is £2,423.2m (2003: £2,420.8m).

		CONSOLIDATED	
		2004 £m	2003 £m
27. EMPLOYEES	Staff costs of the group during the year		
	Wages and salaries	959.7	981.0
	Social security costs	140.8	141.6
	Other pension costs (note 28)	14.9	15.2
		1,115.4	1,137.8
	Average monthly numbers of people employed by the group during the year		
	Service	81,543	84,752
	Selling	3,503	3,322
	Administration	5,948	5,990
		90,994	94,064

Notes to the Accounts continued

27. EMPLOYEES (continued)

Emoluments of directors of Rentokil Initial plc, included in the staff costs above, are summarised below. Further details are given in the Remuneration Report on pages 36 to 40.

	2004 £000	2003 £000
Fees	716	473
Remuneration as managers, costs of pension and life assurance schemes and compensation for loss of office	2,527	1,876
	3,243	2,349

28. PENSION COMMITMENTS

The group operates a number of pension schemes around the world covering many of its employees. The major schemes are of the defined benefit type with assets held in separate trustee administered funds.

The principal scheme in the United Kingdom is the Rentokil Initial Pension Scheme, which has a number of defined benefit sections which are now closed to new entrants, and a defined contribution section.

Actuarial valuations of the UK scheme are carried out every three years. The most recent actuarial valuation was at 1st April 2002. It was carried out using the projected unit credit method and the principal assumptions made by the independent professional actuary were that pensions would increase by either 2.7% per annum or 3.6% per annum, pensionable salaries would increase by 3.8% per annum and pensions would be discounted back to the valuation date using discount rates of 6.7% per annum for the period after retirement and 7.2% per annum for the period before retirement.

The market value of the scheme's assets totalled £613.9m as at 1st April 2002. However, for the purposes of the valuation, the assets were adjusted by £55.6m to reflect the underperformance of the scheme's actual investments relative to a portfolio of bonds over the preceding three years. The combined value of the assets and the above smoothing adjustment represented 115% of the value of the benefits accrued to members after allowing for expected future increases in pensionable salaries and pensions.

In light of the results of the 2002 actuarial valuation, the company resumed contributions to the defined benefit sections of the scheme with effect from March 2004. A contribution of £6.8m was made in March 2004 and a further £9.3m in March 2005. Future contributions will be known once the 2005 triennial actuarial valuation has been completed.

The world wide pension cost for the group was £14.9m (2003: £15.2m), of which £3.8m (2003: £4.5m) related to the group's total UK pension cost, which was calculated using the same assumptions as above. The above UK pension cost makes allowance for a credit of £4.9m in respect of experience surpluses that are being recognised over 11 years, the average future service lives of employees in the scheme. There is a prepayment of £17.9m (see note 14) in the group's balance sheet (2003: £14.9m) in respect of the UK scheme resulting from the difference between contributions paid and pension costs charged to date.

The additional disclosures required under FRS 17 are shown below. These relate only to the main UK scheme but they would not be materially different if they included the defined benefit schemes which operate in other countries.

The numbers shown in this disclosure have been based on the most recent actuarial valuation of the UK scheme as at 1st April 2002, updated by an independent qualified actuary to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31st December 2004. Scheme assets are stated at their market values at 31st December 2004.

Actuarial assumptions

	2004 %pa	2003 %pa	2002 %pa
Discount rate	5.3%	5.6%	5.75%
Rate of increase in salaries (excluding promotion)	3.5%	3.0%	3.3%
Rate of price inflation	2.8%	2.5%	2.3%
Rate of increase to pensions in payment	3.6%	3.5%	3.5%

28. PENSION
COMMITMENTS
(continued)

Assets in the scheme and their expected rates of return

	LONG TERM RATE OF RETURN EXPECTED AS AT 31ST DECEMBER	VALUE AS AT 31ST DECEMBER	LONG TERM RATE OF RETURN EXPECTED AS AT 31ST DECEMBER	VALUE AS AT 31ST DECEMBER	LONG TERM RATE OF RETURN EXPECTED AS AT 31ST DECEMBER	VALUE AS AT 31ST DECEMBER
	2004 %pa	2004 £m	2003 %pa	2003 £m	2002 %pa	2002 £m
Equities	7.6	453.5	8.3	421.0	8.0	386.4
Government Bonds	4.6	116.0	4.8	115.9	4.5	96.6
Total Market Value		569.5		536.9		483.0

Value of scheme assets and liabilities

	2004 £m	2003 £m	2002 £m
Market value of scheme assets	569.5	536.9	483.0
Present value of scheme liabilities	(832.9)	(724.2)	(639.0)
Deficit in the scheme	(263.4)	(187.3)	(156.0)
Related deferred tax asset	79.0	56.2	46.8
Net pension liability	(184.4)	(131.1)	(109.2)

If the amounts in the previous table had been recognised in the financial statements, the group's net assets and profit and loss account reserve at 31st December would be as follows:

	2004 £m	2003 (restated) £m	2002 (restated) £m
Net liabilities			
Net liabilities	(559.4)	(624.6)	(729.7)
Adjust for SSAP 24 prepayment (net of deferred tax)	(12.5)	(10.4)	(13.6)
Net liabilities excluding SSAP 24 pension asset	(571.9)	(635.0)	(743.3)
FRS 17 pension liability (net of deferred tax)	(184.4)	(131.1)	(109.2)
Net liabilities including FRS 17 pension liability	(756.3)	(766.1)	(852.5)
Reserves			
Profit and loss account reserve	(655.0)	(715.0)	(815.9)
Adjust for SSAP 24 prepayment (net of deferred tax)	(12.5)	(10.4)	(13.6)
Profit and loss account reserve excluding SSAP 24 pension asset	(667.5)	(725.4)	(829.5)
FRS 17 pension liability (net of deferred tax)	(184.4)	(131.1)	(109.2)
Profit and loss account reserve including FRS 17 pension liability	(851.9)	(856.5)	(938.7)

The amount charged to operating profit and finance costs had FRS 17 been operative is as follows:

	2004 £m	2003 £m
Operating costs		
Current service cost	(12.6)	(13.8)
Other finance items		
Interest on scheme liabilities	(40.2)	(35.9)
Expected return on scheme assets	39.9	34.3
	(0.3)	(1.6)
Net pension cost under FRS 17	(12.9)	(15.4)

Notes to the Accounts continued

28. PENSION COMMITMENTS (continued)

The amount recognised in the Statement of Total Recognised Gains and Losses had FRS 17 been operative is as follows:

	2004 £m	% OF SCHEME ASSETS/ LIABILITIES AS APPLICABLE	2003 £m	% OF SCHEME ASSETS/ LIABILITIES AS APPLICABLE	2002 £m	% OF SCHEME ASSETS/ LIABILITIES AS APPLICABLE
Actual return less expected return on scheme assets	12.3	2.2	46.5	8.7	(144.2)	(29.9)
Experience gains and losses arising on scheme liabilities	10.9	1.3	(1.3)	(0.2)	(25.5)	(3.9)
Changes in assumptions underlying the present value of the scheme liabilities	(93.2)	(11.2)	(61.1)	(8.4)	(1.9)	(0.3)
Actuarial loss recognised in the STRGL	(70.0)		(15.9)		(171.6)	

Movement in deficit during the year

	2004 £m	2003 £m
Deficit in scheme at 1st January	(187.3)	(156.0)
Current service cost	(12.6)	(13.8)
Contributions	6.8	-
Past service cost	-	-
Other finance cost	(0.3)	(1.6)
Actuarial loss	(70.0)	(15.9)
Deficit at 31st December	(263.4)	(187.3)

29. OPERATING LEASE COMMITMENTS

The group has lease agreements in respect of properties, vehicles, plant and equipment, the payments for which extend over a number of years. The minimum annual rentals are:

	LAND AND BUILDINGS	OTHER OPERATING LEASES	TOTAL	TOTAL
	2004 £m	2004 £m	2004 £m	2003 £m
Operating leases which expire:				
Within one year	3.7	3.3	7.0	5.0
Between two and five years	13.8	10.3	24.1	23.8
After five years	17.2	1.8	19.0	17.0
	34.7	15.4	50.1	45.8

30. CONSOLIDATED CASH FLOW FROM OPERATING ACTIVITIES

	CONSOLIDATED	
	2004 £m	2003 £m
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	342.0	451.9
Non cash items	50.2	-
Depreciation charge (net of recovery on disposals)	160.4	157.0
Decrease/(increase) in stocks	0.6	(0.2)
(Increase)/decrease in debtors	(7.3)	13.8
Increase/(decrease) in creditors and provisions	6.2	(12.2)
Net cash inflow from operating activities	552.1	610.3

31. ACQUISITIONS

The group purchased 19 companies and businesses, as set out on page 73, for a total consideration of £29.6m, which together with adjustments for deferred consideration, resulted in a cash outflow of £27.5m as shown below. Also shown below are the adjustments made to the asset values acquired in order to bring these into line with the group's own accounting policies. These adjustments are provisional and will be finalised next year. There were no adjustments required in respect of acquisitions made last year.

	CONSISTENCY OF ACCOUNTING POLICY		NET ASSETS
	BOOK VALUE	2004	2004
	2004	2004	2004
	£m	£m	£m
31. ACQUISITIONS (continued)			
Tangible fixed assets	3.7	-	3.7
Stocks	0.6	(0.2)	0.4
Cash	1.0	-	1.0
Debtors	3.7	-	3.7
Tax	(0.3)	0.1	(0.2)
Creditors	(7.5)	-	(7.5)
Debt	(0.4)	-	(0.4)
Net assets acquired	0.8	(0.1)	0.7
Goodwill (note 10)			28.9
Consideration			29.6
Consideration deferred to future periods			(2.7)
Consideration deferred from prior periods			1.6
Cash acquired			(1.0)
Cash outflow			27.5

From the dates of acquisition to 31st December 2004 these acquisitions contributed £7.6m to turnover, £2.4m to profit before interest and £1.5m to profit after interest.

32. DISPOSALS The group disposed of 3 businesses during the year, as set out on page 73, for gross proceeds of £4.3m, £3.4m after costs paid of £0.9m but before provisions of £2.1m. The group also received proceeds of £4.0m in advance for the sale of part of the German Hygiene Services business after the year-end. These proceeds are held within other creditors due within one year on the balance sheet (note 15).

	CONSOLIDATED
	2004
	£m
Tangible fixed assets	4.4
Stocks	0.2
Cash	0.6
Debtors	5.4
Creditors	(3.3)
Debt	(2.7)
Net assets disposed	4.6
Negative goodwill written back from reserves (note 3)	(3.3)
Loss on disposal (note 3)	-
Provisions (note 3)	2.1
Consideration	3.4
Consideration deferred to future periods	(1.5)
Consideration deferred from prior periods	1.5
Consideration received in advance	4.0
Cash disposed	(0.6)
Cash outflow on disposal of a 25.1% interest in the South African business (see below)	(0.1)
Cash inflow	6.7

As part of a "black economic empowerment" (B.E.E.) initiative, a 25.1% interest in the South African business was disposed of on 30th November 2004. Net assets of £2.4m were disposed for gross proceeds of £17.6m, £17.5m after costs paid of £0.1m, realising a gain on disposal of £14.2m after the write back of £0.9m of goodwill. The gain on disposal of £14.2m is included in the Statement of Total Recognised Gains and Losses on page 45 as it has not been realised due to the vendor financed nature of the transaction.

Net assets disposed	2.4
Goodwill written back from reserves	0.9
Gain on disposal (note 26)	14.2
Consideration	17.5
Consideration deferred to future periods (note 14)	(17.6)
Cash outflow	(0.1)

Notes to the Accounts continued

	CASH AND DEPOSITS	BORROWINGS UNDER 1 YEAR	BORROWINGS OVER 1 YEAR	NET DEBT
	£m	£m	£m	£m
33. RECONCILIATION OF MOVEMENT IN NET DEBT				
At 1st January 2004	272.8	(82.9)	(1,397.8)	(1,207.9)
Change in net cash in the year	60.6	(59.0)	-	1.6
Acquisitions (note 31)	-	(0.4)	-	(0.4)
Disposals (note 32)	-	2.7	-	2.7
Movements in deposits and loans	(126.5)	(79.9)	275.8	69.4
Finance lease movements	-	(0.5)	3.1	2.6
Exchange adjustments	(0.8)	16.8	(19.6)	(3.6)
At 31st December 2004	206.1	(203.2)	(1,138.5)	(1,135.6)

34. CONTINGENT LIABILITIES

The group has contingent liabilities of £2.4m (2003: £3.0m) relating to guarantees in respect of third parties and the company has guaranteed bank and other borrowings of subsidiaries amounting to £5.9m (2003: £0.8m). The group has commitments, amounting to £nil (2003: £6.7m), under forward foreign exchange contracts entered into in the ordinary course of business.

The company and certain subsidiary companies have, in the normal course of business, given performance guarantees in respect of the group's own contracts and, in connection with the disposal of businesses, have assumed certain contingent obligations. In addition, there are contingent liabilities in respect of litigation. None of these matters is expected to give rise to any material loss.

	CONSOLIDATED		PARENT	
	2004 £m	2003 £m	2004 £m	2003 £m
35. COMMITMENTS FOR CAPITAL EXPENDITURE				
Expenditure authorised by the directors:				
Contracts placed	14.2	10.9	-	-
Contracts not yet placed	26.8	15.6	1.6	-
	41.0	26.5	1.6	-

36. RELATED PARTIES

The company has taken advantage of the exemption not to disclose transactions with 90-100% owned subsidiaries.

Initial Catering Services Ltd (75%), Retail Cleaning Services Ltd (51%) and Yu Yu Calmic Co Ltd (50%) are not subject to the exemption. However, the transactions between these entities and the group were in the ordinary course of business.

Nippon Calmic Ltd (49%), Rezayat Sparrow Arabian Crane Hire Co Ltd (49%) and Rezayat Deborah Saudi Arabia Co Ltd (49%) are associated entities. During the year the transactions between these entities and the group were in the ordinary course of business.

The group recharges the Rentokil Initial Pension Scheme with costs of administration and independent pension advice borne by the group. The total amount of recharges in the year ended 31st December 2004 was £1.3m (2003: £1.3m).

The group has extended a loan to a consortium of private investors during the year to enable them to purchase a 25.1% stake in the South African business. The group has a receivable from this consortium of £17.6m at the year-end (see note 14). It is anticipated that the loan will be repaid over a 10 year period. The repayment of the loan will be dependent upon future dividends generated by the business (see note 20).

37. POST BALANCE SHEET EVENTS

Since the end of the year, a further 10 acquisitions have been made at a cost of £22m.

Principal Operating Subsidiary and Associated Undertakings

AT 31ST DECEMBER 2004

SUBSIDIARY UNDERTAKINGS

United Kingdom

Dudley Industries Ltd *
Initial Aviation Security Ltd *
Initial Building Services Ltd *
Initial Catering Services Ltd (75%) *
Initial City Link Ltd *
Initial Electronic Security Systems Ltd *
Initial Hospital Services Ltd *
Initial Security Ltd *
Initial Style Conferences Ltd *
Initial Integrated Services Ltd *
Rentokil Initial Services Ltd *
Rentokil Initial UK Ltd *
Rentokil Initial UK Cleaning Ltd*
Rentokil Insurance Ltd
Rentokil IT Hygiene Ltd *
Rentokil Office Solutions Ltd *
Retail Cleaning Services Ltd (51%) *

Australia

Rentokil Initial Pty Ltd *

Austria

Rentokil Initial GmbH *

Bahamas

Rentokil Initial (Bahamas) Ltd

Barbados

Rentokil Initial (Barbados) Ltd

Belgium

Initial Security NV *
Initial Textiles NV *
Rentokil Initial NV *
Belgian Security Company NV *

Canada

Rentokil Initial Canada Ltd *

Czech Republic

Initial Ecotex sro *

Denmark

Rentokil Initial A/S *

Eire

Rentokil Initial Ltd *

Fiji

Rentokil Initial Ltd

Finland

Oy Rentokil Initial AB *

France

Initial BTB SA (97%) *
Initial Delta Sécurité SA *
Rentokil Initial SA *
Rentokil Plantes Tropicales SA *

French West Indies

Rentokil Initial Martinique SARL

Germany

Initial Textil Service GmbH Et Co KG *
Rentokil Initial GmbH *

Greece

Rentokil Initial Hellas EPE *

Guernsey, C.I.

Felcourt Insurance Co Ltd

Guyana

Rentokil Initial Guyana Ltd

Hong Kong

Rentokil Initial Hong Kong Ltd *

Indonesia

PT Calmic Indonesia
PT Rentokil Indonesia

Italy

Rentokil Initial Italia SpA

Jamaica

Rentokil Initial Jamaica Ltd

Kenya

Rentokil Initial Kenya Ltd

Luxembourg

Rentokil Luxembourg Sarl *

Malaysia

Rentokil Initial (M) Sdn Bhd

Netherlands

Initial Dienstverlening Nederland BV *
Initial Hokatex BV *
Initial Varel Security BV *
Rentokil Initial BV *
Rentokil Tropical Plants BV *

New Zealand

Rentokil Initial Ltd *

Norway

Rentokil Initial Norge AS *

Philippines

Rentokil Initial (Philippines) Inc

Portugal

Rentokil Initial Portugal-Servicos de Proteccao Ambiental Lda *

Singapore

Rentokil Initial Singapore Pte Ltd *

Slovakia

Initial Textiles Services sro *

South Africa

Rentokil Initial (Pty) Ltd (74.9%) *

South Korea

Yu Yu Calmic Co Ltd (50%) *

Spain

Initial Gaviota SA *
Limpiezas Initial SA *
Rentokil Initial Espana SA *

Principal Operating Subsidiary and Associated Undertakings continued

SUBSIDIARY UNDERTAKINGS (continued)

Sweden

Rentokil Initial AB *

Switzerland

Rentokil Initial AG *

Taiwan

Rentokil Initial Singapore Pte Ltd (Taiwan Branch) *

Tanzania

Rentokil Initial Tanzania Ltd

Thailand

Rentokil Initial (Thailand) Ltd*

Trinidad

Rentokil Initial (Trinidad) Ltd

USA

Initial Contract Services Inc *

Initial Healthcare Services LLC *

Initial Tropical Plants Inc *

Rentokil Inc - Pest Control Services *

Stanley Smith Security Inc *

Initial Electronics Inc *

Zimbabwe

Unifreight Ltd *

ASSOCIATED UNDERTAKINGS

Japan

Nippon Calmic Ltd (49%) *

Saudi Arabia

Rezayat Sparrow Arabian Crane Hire Co Ltd (49%) *

Rezayat Deborah Saudi Arabia Co Ltd (49%) *

The activities of the major subsidiaries are described on the inside front cover and are referred to in the Chief Executive's Review on pages 6 to 12.

NOTES

1. Rentokil Initial plc owns directly or indirectly 100% of the shares in all subsidiaries except where a lower percentage is shown.
2. Undertakings, part or all of whose share capital is owned by another subsidiary, are marked *.
3. Undertakings operate and are incorporated in the country underneath which each is shown.
4. The group's 50% interest in Yu Yu Calmic Co Ltd is consolidated as a subsidiary to reflect the group's dominant influence exercised over this company because of its shareholding and its involvement in the management and because the business is conducted under licence from the group.

Acquisitions

NAME OF BUSINESS ACQUIRED	COUNTRY	BUSINESS	EFFECTIVE DATE
Pest Control Services	Canada	Pest Control	02.01.04
Van Gorp	Netherlands	Tropical Plants	16.01.04
CMS	Belgium/France	Hygiene Services	31.01.04
Mewa	France	Hygiene Services	08.03.04
Britannia Planters	United Kingdom	Tropical Plants	07.04.04
Health Et Safety Pest Control	Australia	Pest Control	30.04.04
Alpha Alarms	United Kingdom	Security	30.04.04
Hoellstern	Germany	Pest Control	01.06.04
Protec Burglar Alarms	United Kingdom	Security	30.07.04
CRT	France	Hygiene Services	01.10.04
Anchor Pest Control	Canada	Pest Control	08.10.04
Wright Fire Et Security	United Kingdom	Security	22.10.04
KM Plant Doctor	Canada	Tropical Plants	01.11.04
Blackbridge Hire Plants	New Zealand	Tropical Plants	15.11.04
Majestic Security	United Kingdom	Security	25.11.04
Biokil	Malaysia	Pest Control	30.11.04
Marks Pest Control	USA	Pest Control	01.12.04
Prorein	Netherlands	Hygiene Services	30.12.04
Hot House Designs	USA	Tropical Plants	31.12.04

Disposals

NAME OF BUSINESS SOLD	COUNTRY	BUSINESS	EFFECTIVE DATE
North East USA Cleaning	USA	Facilities Management Services	02.04.04
Premier Resorts International Inc	USA	Facilities Management Services	22.06.04
A to Z Couriers	United Kingdom	Parcels Delivery	25.10.04

Ten Year Summary

	1995 £m	1996 £m	1997 £m	1998 £m	1999 £m	2000 £m	2001 £m	2002 £m	2003 £m	2004 £m
Turnover	874.5	2,339.7	2,874.9	2,899.3	3,039.2	2,632.1	2,242.4	2,339.5	2,486.2	2,450.8
Profit before tax	214.5	318.0	417.0	490.6	541.1	401.1	374.3	390.3	396.8	297.8
Tax	(74.9)	(97.9)	(121.4)	(139.8)	(154.5)	(114.3)	(108.2)	(104.6)	(105.2)	(81.6)
Minority interests	(0.3)	(0.9)	(1.0)	(1.2)	(1.3)	(1.2)	(0.9)	(1.1)	(1.5)	(1.7)
Profit after tax and minority interests	139.3	219.2	294.6	349.6	385.3	285.6	265.2	284.6	290.1	214.5
Dividends	(41.4)	(72.2)	(87.5)	(105.9)	(117.6)	(93.2)	(94.9)	(101.6)	(110.1)	(120.7)
Profit retained in the group	97.9	147.0	207.1	243.7	267.7	192.4	170.3	183.0	180.0	93.8
Earnings per 1p share	7.11p	8.57p	10.32p	12.22p	13.47p	11.71p	13.30p	15.00p	15.83p	11.87p
Dividends per 1p share	2.10p	2.53p	3.06p	3.70p	4.11p	4.53p	5.00p	5.53p	6.10p	6.71p
Share capital	19.7	28.5	28.6	28.7	28.7	20.8	19.5	18.6	18.2	18.1
Reserves	210.0	(158.8)	(64.2)	160.4	422.9	(548.2)	(666.2)	(742.2)	(649.3)	(587.7)
Minority interests	1.2	2.4	3.8	4.6	4.9	5.5	5.6	6.3	6.5	10.2
Capital employed	230.9	(127.9)	(31.8)	193.7	456.5	(521.9)	(641.1)	(717.3)	(624.6)	(559.4)

- Notes:
1. The turnover from 1999 includes franchisee turnover. Earlier years have not been restated.
 2. 1999 capital employed has been restated following the adoption of FRS 15 in 2000. Earlier years have not been restated.
 3. 2002 capital employed has been restated following the adoption of Application Note G which was issued as an amendment to FRS 5. Earlier years have not been restated.
 4. 2003 capital employed has been restated in accordance with UITF 38, which was published in December 2003 and effective for accounting periods ending on or after 22nd June 2004. Earlier years have not been restated.

Notice of Meeting

NOTICE OF MEETING

Notice is hereby given that the seventy-eighth annual general meeting of Rentokil Initial plc will be held at The Great Hall, Plaisterers Hall, 1 London Wall, London EC2Y 5TU on 26th May 2005 at 11.00 a.m.

AGENDA

1. To receive the Report of the Directors, the accounts for 2004 and the Independent Auditors' Report thereon.
2. To approve the Remuneration Report.
3. To declare a dividend.
4. (i) To re-elect a director retiring by rotation, Mr B D McGowan (chairman); and
(ii) To re-elect a director retiring by rotation, Mr I Harley (a non-executive director and chairman of the audit committee)
5. To elect Mr D Flynn as a director (chief executive).
6. That PricewaterhouseCoopers LLP be re-appointed auditors of the company to hold office until the conclusion of the next general meeting at which accounts are laid before the company and that their remuneration be determined by the directors.

To consider and, if thought fit, to pass the following special resolution:

7. That, in substitution for existing authorities, the company be and is hereby generally and unconditionally authorised for the purposes of Section 166 of the Companies Act 1985 to make market purchases (within the meaning of Section 163 of that Act) of Ordinary shares of 1p each in the capital of the company provided that:
 - (i) the maximum number of Ordinary shares which may be purchased is 79,095,811;
 - (ii) the minimum price which may be paid for each Ordinary share (exclusive of expenses) is 1p;
 - (iii) the maximum price which may be paid for each Ordinary share is an amount (exclusive of expenses) equal to 105 per cent. of the average of the middle market quotations for an Ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such Ordinary share is contracted to be purchased; and
 - (iv) this authority shall expire at the conclusion of the annual general meeting of the company in 2006, or, if earlier, on 26th August 2006 (except in relation to the purchase of shares the contract for which was entered into before the expiry of this authority and which might be executed wholly or partly after such expiry).
8. To transact any other business of the company.
By order of the board.



R Ward-Jones
Secretary
13th April 2005

Notice of Meeting continued

- NOTES**
1. A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the company.
 2. Only those persons who are on the share register at close of business on 24th May 2005 before the time of the meeting shall be entitled to attend and vote at the meeting.
 3. Shares held in uncertified form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual.
 4. A copy, or memorandum of the terms, of every service contract or letter of engagement between the company or any of its subsidiaries and any director of the company is available for inspection at the company's registered office and at the offices of Denton Wilde Sapte, One Fleet Place, London EC4M 7WS, during normal business hours on any weekday (Saturdays and public holidays excepted) until 26th May 2005 and will also be available for inspection at the place of the annual general meeting for at least 15 minutes prior to and during the meeting.
 5. The annual general meeting is being held at The Great Hall, Plaisterers Hall, 1 London Wall, London EC2Y 5TU (see map on proxy card). The nearest underground stations are Barbican (Circle, Hammersmith & City and Metropolitan lines) and St Paul's (Central line).

Shareholder Information

Results

2004 Half year	26th August 2004
2004 Full Year	24th February 2005
2005 Half year	25th August 2005

Dividends

2004 Interim 1.93p (2003: 1.75p)	Paid on 29th October 2004
2004 Final (proposed) 4.78p (2003: 4.35p)	Pay date 3rd June 2005 (to shareholders on the register on 6th May 2005)

Annual general meeting

Venue see page 75	26th May 2005
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Capital history

Mid market price 31st March 1982	7.5375p *
Mid market price 31st December 2004	147.75p
2004 high/low	208.50p/136.13p

* Adjusted for the 1983 bonus issue and the 1990,1992 and 1997 share splits.

Registrars

Capita Registrars	Telephone (in UK): 08770 1623100
The Registry	Telephone (from overseas): +44 20 8639 2157
34 Beckenham Road	Fax: +44 (0) 20 8639 2342
Beckenham	Email: ssd@capitaregistrars.com
Kent BR3 4TU	DX 91750 Beckenham West

Shareholder services

To receive shareholder communications (including the annual report), in electronic form, go to the address opposite and through <<Shareholder Services>>, then <<Quick Link Login to online services>> and go to the Rentokil Initial plc pages where you can register your email address.

www.capitaregistrars.com

The services opposite are available on line at www.capitaregistrars.com. Some on line services require you, for security reasons, to register for a User ID before proceeding.

- * Balance enquiry
 - * Register/Change email address
 - * Proxy voting
 - * Change dividend payment instructions
 - * Change address
-

Company

Rentokil Initial plc	Telephone: +44 (0) 1342 833022
Felcourt	Fax: +44 (0) 1342 826229
East Grinstead	Web: www.rentokil-initial.com
West Sussex RH19 2JY	Contact: investor@rentokil-initial.co.uk

These financial statements may be downloaded in pdf format from the company's website, which also contains additional general information on the company.

