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RENTOKIL INITIAL SERVICES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2001



REGISTERED NUMBER: 293397

RENTOKIL INITIAL SERVICES LIMITED

REPORT OF THE DIRECTORS

The directors submit their report and audited accounts for the year ended 31st December 2001.

Business and Financial Review

The principal activities of the Company consist of the provision of washroom services, linen, workwear, dust control mats, air freshening, air cleaning and a number of ancillary and allied services. The directors do not expect any change in the Company's activities during the next financial year.

Results and Dividend

A summary of the results for the year is given in the profit and loss account on page 6. The directors do not recommend the payment of a dividend (2000 : £29,240,000). The retained profit for the year of £13,516,000 (2000 : loss £727,000) will be transferred to reserves.

Fixed Assets

The movements in fixed assets during the year are set out in Note 9 to the Financial Statements.

Policy in Relation to Payment of Suppliers

It is the Company's policy to pay suppliers in accordance with either negotiated or standard terms (60 days), provided that the relevant invoice is properly presented and is not the subject of dispute.

At 31st December 2001 the trade creditors of the Company represented 69 days of annual purchases (2000 : 65 days).

Directors

The Directors who served during the year were as follows:-

Mr A S Young

Mr J M Smith

Mr S J Fretwell (resigned 2 January 2001)

RENTOKIL INITIAL SERVICES LIMITED

REPORT OF THE DIRECTORS CONTINUED

Directors' Interests

None of the directors had any beneficial interest in the share capital of the Company. The beneficial interests of the directors in ordinary shares of Rentokil Initial plc at 31st December 2000 and 31st December 2001 were:-

Rentokil Initial plc

	<u>Ordinary Shares</u>		<u>Option Scheme</u>		<u>Employee Share Scheme</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
J M Smith	5,850	4,631	221,073	176,991	2,111	4,151
A S Young	48,330	46,177	941,281	765,642	12,207	10,226

Changes in options during the year

	<u>Option Scheme</u>		<u>Employee Share Scheme</u>	
	<u>Granted</u>	<u>Exercised</u>	<u>Granted</u>	<u>Exercised</u>
J M Smith	44,082	nil	nil	2,040
A S Young	175,639	nil	4,134	2,153

Employee Involvement

The Company has held meetings at intervals during the year in accordance with established practice at which all staff have been represented and at which there has been dissemination and exchange of financial, trading and general information of particular concern to them. The nature and extent of employee communication is an important matter which is under continuous review.

Employment of Disabled Persons

The Company has continued its policy of giving disabled persons full and fair consideration for all job vacancies for which they offer themselves, having regard to their particular aptitudes and abilities.

The Company has an excellent safety record and over many years disablement through injury at work has been minimal and almost always only temporary. Training and career development opportunities are available to all employees and the Company endeavours to retrain any member of staff who develops a disability during their employment.

RENTOKIL INITIAL SERVICES LIMITED

REPORT OF THE DIRECTORS CONTINUED

Donations

The Company donated £nil (2000 : £nil) for charitable purposes during the year. No amounts were donated to political organisations.

Statement of Directors' Responsibilities

Company law requires directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed, and are explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Auditors

An elective resolution was passed on 23 May 1994 to dispense with the requirement to appoint auditors annually.

BY ORDER OF THE BOARD


G. T. BROWN
Secretary

Date: 19th August 2002

RENTOKIL INITIAL SERVICES LIMITED

REPORT OF THE AUDITORS

AUDITORS' REPORT TO THE MEMBERS OF RENTOKIL INITIAL SERVICES LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses 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.

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.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report 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 directors' report.

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. 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 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 the Company's affairs at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Harman House, 1 George Street
Uxbridge UB8 1QQ

19 August 2002

[Date]

RENTOKIL INITIAL SERVICES LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2001**

	<u>Notes</u>	<u>2001</u> <u>£,000</u>	<u>2000</u> <u>£,000</u>
Turnover	2	129,361	132,215
Cost of Sales		(80,995)	(73,070)
Gross Profit		48,366	59,145
Operating Expenses	3	(25,872)	(24,056)
Operating Profit	3	22,494	35,089
Income from Shares in Group Undertakings		-	4,352
Profit on Ordinary Activities before Interest and Taxation		22,494	39,441
Interest Payable and Similar Charges	6	(1,098)	(915)
Profit on Ordinary Activities before Taxation		21,396	38,526
Tax on Profit on Ordinary Activities	7	(7,880)	(10,013)
Profit for the Financial Year		13,516	28,513
Dividends	8	-	(29,240)
Retained profit/(loss) for the Financial Year	19	13,516	(727)

All results were derived from continuing operations.

The notes on pages 9 to 21 form part of these financial statements.

There is no material difference between the profit on ordinary activities before taxation and the retained loss for the Financial Year stated above, and their historical cost equivalents.

RENTOKIL INITIAL SERVICES LIMITED

STATEMENT OF RECOGNISED GAINS AND LOSSES

	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
Profit for the Financial Year	13,516	28,513
Total Recognised Gains for the Year	13,516	28,513
Prior Year Adjustment	-	2,747
Total Gains Recognised since last Annual Report	13,516	31,260

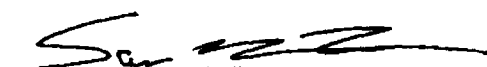
RENTOKIL INITIAL SERVICES LIMITED

BALANCE SHEET AS AT 31ST DECEMBER 2001

	<u>Notes</u>	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
Fixed Assets			
Tangible Assets	9	71,102	69,130
Investments	21	-	-
		<u>71,102</u>	<u>69,130</u>
Current Assets			
Stocks	10	3,083	3,398
Debtors	11	168,726	152,105
Cash at Bank and in Hand		18	60
		<u>171,827</u>	<u>155,563</u>
Current Liabilities			
Creditors: Amounts falling due within one year	12	(172,817)	(167,812)
Bank and Other borrowings	13	(21,250)	(20,189)
		<u>(194,067)</u>	<u>(188,001)</u>
Net Current Liabilities		<u>(22,240)</u>	<u>(32,438)</u>
Total Assets less Current Liabilities		<u>48,862</u>	<u>36,692</u>
Creditors: Amounts falling due after more than one year	14	(1,552)	(1,477)
Provisions for Liabilities and Charges			
Deferred Taxation	16	(4,792)	(5,898)
Other Provisions	17	(3,930)	(4,245)
		<u>(8,722)</u>	<u>(10,143)</u>
Net Assets		<u>38,588</u>	<u>25,072</u>
Capital and Reserves			
Called-up Share Capital	18	1,250	1,250
Profit and Loss Account	19	37,338	23,822
		<u>38,588</u>	<u>25,072</u>
Equity Shareholders' Funds	20	<u>38,588</u>	<u>25,072</u>

The notes on pages 9 to 21 form part of these financial statements.

These financial statements were approved by the Board of Directors on 19th August 2002 and signed on its behalf by :


A S Young

RENTOKIL INITIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

- a) Basis of preparation of financial statements - The financial statements are prepared according to the historical cost convention.

During the year the company has implemented (in whole) Financial Reporting Standard (FRS) 18 'Accounting Policies' as issued by the Accounting Standards Board (ASB) in 2000. In addition, the company has implemented (in part) FRS 17 'Retirement Benefits', also issued by the ASB in 2000, under transitional arrangements which will require full adoption in the year ended 31st December 2003. Neither FRS had any financial effect on the results contained within the financial statements for the year ended 31st December 2001.

FRS 19 'Deferred Tax' issued by the Accounting Standard Boards in December 2000 will be adopted by the company in the financial year ended 31st December 2002.

- b) Consolidation - The Company does not prepare consolidated accounts because it is an intermediate holding Company wholly owned by another Company incorporated in Great Britain. Consequently these Financial Statements present information about the Company as an individual undertaking and not about its group.
- c) Turnover - turnover excludes VAT and other similar sales based taxes and represents the value of services rendered and goods sold outside the group. Contract income is recognised in accounting periods on a time apportionment basis.
- d) Tangible Fixed Assets and Depreciation - Fixed assets are depreciated on a straight line basis by reference to cost and to the anticipated useful lives of the assets concerned.

The main rates of depreciation used are:

Freehold Buildings	- 2% on cost
Leasehold Properties	- Over the term of the lease, subject to a maximum of 50 years.
Plant & Machinery	- 10% on cost
Office Equipment, Furniture & Fittings	- 10% to 20% on cost
Motor Vehicles	- 16.6% to 25% on cost
Service Equipment	- 14.3% to 100% on cost
Computer Equipment	- 20% to 33.33% on cost

Freehold and Leasehold land and buildings are stated at cost.

RENTOKIL INITIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1. Accounting Policies continued

- d) Service equipment includes towelling, garments, linen, machinery cleaning cloths, (cont) floor-mats, cabinets and warm air dryers in service, on hand and in the course of manufacture. Equipment in service is valued at cost plus pre-fitting costs less an allowance for wear and tear based on the anticipated life of the equipment which is reviewed every two years. The last review was carried out on the 1st January 2001. Equipment on hand and in the course of manufacture is valued at cost less provision for obsolescence where appropriate.
- e) Stock - Stock is valued at the lower of cost (on a first in, first out basis) and net realisable value. For these purposes cost is defined as being the expenditure which has been incurred in bringing the various items to their present location and condition and will thus include direct costs of labour and materials and, where appropriate, production overheads. Net realisable value is defined as being the estimated net sales value of the various items in their present location and condition.
- f) Research and Development - Expenditure on research and development is written off as it is incurred.
- g) Exchange rates - Foreign currency assets and liabilities included in the Balance Sheet are translated into sterling at the rates of exchange ruling at the balance sheet date or at the forward contracted rate where applicable. All exchange gains and losses are taken to the profit and loss account.
- h) Leasing - Where the Company 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 creditors 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 obligations for future instalments. Payments under operating leases are charged to the profit and loss account, as incurred, over the lease term.
- i) Deferred Taxation - The charge for corporation tax is based on the profit for the year and takes into account taxation deferred because of differences between the treatment of certain items for taxation and accounting purposes. Provision is made for timing differences to the extent that it is probable that the liability will crystallise in the foreseeable future.

RENTOKIL INITIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- j) Pensions - The Company participates in group pension schemes operated by Rentokil Initial plc. The pension schemes are of the defined benefit type and the assets are held in separate trustee administered funds. The funds are valued every three years by a professionally qualified independent actuary, the rates of contribution being determined by the actuary. In the intervening years, the actuary reviews the continuing appropriateness of the rates. Particulars of the valuation of the group schemes are contained in the financial statements of Rentokil Initial plc.

2. Turnover

The segmental analysis of turnover of the Company is included in the consolidated financial statements of Rentokil Initial plc, the ultimate holding Company. Consequently, the Company has taken advantage of the exemption under paragraph 4 of the Statement of Standard Accounting Practice No. 25 not to disclose this information.

3. Operating Expenses and Operating Profit

	<u>2001</u>	<u>2000</u>
	<u>£000</u>	<u>£000</u>
Selling costs	7,958	8,171
Administration and Other operating expenses	17,914	15,885
	<hr/>	<hr/>
	25,872	24,056
	<hr/>	<hr/>

The Operating Profit, all of which is generated in the United Kingdom from the principal activities of the business, is arrived at after charging/(crediting):

	<u>2001</u>	<u>2000</u>
	<u>£000</u>	<u>£000</u>
		(restated)
Depreciation of tangible fixed assets		
- Owned	24,274	23,932
- Under Finance Lease	972	1,003
Permanent diminution in value of asset	118	679
(Profit) on sale of land and buildings	-	(1,301)
Loss/(Profit) on sale of tangible fixed assets	156	112
Hire of plant and equipment	4,399	3,922
Other operating lease rentals	1,628	1,601
Auditors' remuneration - audit	86	86
Rent receivable	(534)	(561)
Exceptional Charges (Note 17)		
- Environmental and Dilapidation costs	6,285	171
- Vacant Property costs/(credit)	426	(291)

RENTOKIL INITIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4. Directors Emoluments

	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
Aggregate emoluments	132	159

Retirement benefits are accruing for 2 directors (2000 : 2) under a defined benefit pension scheme operated by the ultimate holding Company.

5. Employees

Particulars of employees (including executive directors) are shown below:

Employee costs during the year amounted to:

	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
Wages and salaries	41,148	33,689
Social security costs	2,797	2,280
Other pension costs (Note 25)	1,700	1,334
	<u>45,645</u>	<u>37,303</u>

The average number of persons employed by the Company during the year (including directors) was 3,233 (2000 : 2,725).

RENTOKIL INITIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6. Interest Payable and Similar Charges

On bank loans, overdrafts and other loans:

	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
Payable within 5 years, not by instalments	918	706
Overdrafts	180	209
Finance Leases - External		
	<u>1,098</u>	<u>915</u>

7. Taxation

The charge for taxation based on the profit for the year comprises:

	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
Corporation Tax at 30% (2000 : 30%)	8,295	8,570
(Over)/Under provision in prior year - Corporation Tax	(66)	1,161
Deferred Taxation (Note 16)	(349)	282
	<u>7,880</u>	<u>10,013</u>

8. Dividends

	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
Dividend paid	-	29,240

RENTOKIL INITIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9. Tangible Fixed Assets

	<u>Land & Buildings</u>	<u>Service Equipment, Plant Machinery & Vehicles</u>	<u>Total</u>
<u>£000</u>	<u>£000</u>	<u>£000</u>	
Cost at 31st December 2000	17,455	134,082	151,537
Additions	38	28,490	28,528
Disposals	(20)	(23,887)	(23,907)
	<hr/>	<hr/>	<hr/>
Cost at 31st December 2001	17,473	138,685	156,158
	<hr/>	<hr/>	<hr/>
Accumulated depreciation at 31st December 2000	4,328	78,079	82,407
Charge for the year	250	24,996	25,246
Disposals	(20)	(22,577)	(22,597)
	<hr/>	<hr/>	<hr/>
	4,558	80,498	85,056
	<hr/>	<hr/>	<hr/>
Net Book Value at 31st December 2000	13,127	56,003	69,130
	<hr/>	<hr/>	<hr/>
Net Book Value at 31st December 2001	12,915	58,187	71,102
	<hr/>	<hr/>	<hr/>

The net book value of tangible fixed assets includes an amount of £2,512,000 (31st December 2000 : £2,522,000) in respect of assets held under finance leases and hire purchase contracts.

The net book value of tangible fixed assets includes an amount of £35,766,000 (31st December 2000 : £34,443,000) in respect of assets held for use in operating leases.

RENTOKIL INITIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9. Tangible Fixed Assets continued

The net book value of land and buildings comprises:

	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
Freehold property	11,175	11,341
Leasehold property - Long term	1,177	1,213
Leasehold property - Short term	563	573
	<hr/>	<hr/>
	12,915	13,127
	<hr/>	<hr/>

10. Stocks

	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
Raw materials and components	323	282
Work in progress	56	49
Finished goods	2,704	3,067
	<hr/>	<hr/>
	3,083	3,398
	<hr/>	<hr/>

11. Debtors

Amounts due within one year:

	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
Trade debtors	20,768	21,757
Amounts owed by group undertakings	146,493	128,900
Other debtors	134	142
Prepayments and accrued income	1,331	1,306
	<hr/>	<hr/>
	168,726	152,105
	<hr/>	<hr/>

RENTOKIL INITIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

12. Creditors due within one year

	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
Finance Lease obligations (Note 15)	966	995
Trade creditors	14,133	10,818
Amounts owed to group undertakings	135,149	129,727
Corporation tax	10,755	12,535
Other taxation and social security	2,670	3,506
Other creditors	582	619
Accruals and deferred income	8,562	9,612
	<u>172,817</u>	<u>167,812</u>

All lease obligations are repayable by instalments and bear interest at normal commercial rates.

13. Bank and Other Borrowings due within one year

	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
Bank overdraft : unsecured	21,250	20,189
	<u>21,250</u>	<u>20,189</u>

14. Creditors: Amounts falling due after more than one year

	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
Finance Lease obligations (Note 15)	1,552	1,477
	<u>1,552</u>	<u>1,477</u>

15. Lease obligations

a) Hire purchase and finance leases :

	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
Repayments due : within one year	966	995
between two and five years	1,552	1,477
	<u>2,518</u>	<u>2,472</u>

RENTOKIL INITIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

15. Lease obligations continued

b) Operating leases

	<u>2001</u>		<u>2000</u>	
	<u>Land and</u> <u>Buildings</u> <u>£000</u>	<u>Other</u> <u>Assets</u> <u>£000</u>	<u>Land and</u> <u>Buildings</u> <u>£000</u>	<u>Other</u> <u>Assets</u> <u>£000</u>
Payments due in following year under operating leases with expiry dates:				
Within one year	26	4	62	-
Between two and five years	137	27	175	13
After five years	1,236	-	1,218	8
	<u>1,399</u>	<u>31</u>	<u>1,455</u>	<u>21</u>

16. Deferred Taxation

Provision for deferred tax comprises:

	<u>Amount Provided and</u> <u>Total Potential Liability</u>	
	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
Tax effect of timing differences because of:		
Excess of tax allowance over depreciation	4,855	5,965
Other	(63)	(67)
	<u>4,792</u>	<u>5,898</u>

RENTOKIL INITIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

16. Deferred Taxation continued

	<u>£000</u>
Movements in the year -	
Balance at 31st December 2000	5,898
Transfers with Corporation Tax	(757)
Profit and Loss account	(349)
Balance at 31st December 2001	<u>4,792</u>

17. Other Provisions

	<u>Vacant Properties</u>	<u>Environmental</u>	<u>Contract</u>	<u>Total</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
At 31st December 2000	3,626	419	200	4,245
Additions/(Releases) during the year	426	6,285	9	6,720
Transfer to Creditors		(853)		(853)
Utilised in the year	(2,539)	(3,491)	(152)	(6,182)
At 31st December 2001	<u>1,513</u>	<u>2,360</u>	<u>57</u>	<u>3,930</u>

Vacant Properties

The Company has a number of vacant and partly sub-let leasehold properties, with the majority of the head leases expiring before 2020. Provisions have 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. In accordance with FRS12, the provisions have been reviewed for movements in these properties during the year and £426,000 has been charged (2000 : credit £291,000) to the profit and loss account.

Environmental

The Company owns a number of properties in the UK, where there is land contamination and provisions are held for the remediation of this contamination. The provisions have been reviewed for this remediation activity in respect of contaminated sites during the year and £6,285,000 (2000 : £171,000) has been charged to the profit and loss account. In the prior year dilapidation accruals have been included in the Environmental provisions, which have now been re-classified and transferred to Creditors.

Contract

The Company has a contract with a Hospital Trust. The Trust has transferred stocks to the Company at no cost. In the event of contract termination, the same quantity of stock has to be returned to the Trust without charge. This provision has been reviewed during the year and £9,000 (2000 : nil) has been charged to the profit and loss account.

RENTOKIL INITIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

18. Called-up Share Capital

	<u>2001</u>	<u>2000</u>
	<u>£000</u>	<u>£000</u>
Authorised, allotted, issued and fully paid ordinary shares of £1 each	1,250	1,250

19. Reserves

	<u>Profit & Loss</u> <u>Account</u> <u>£000</u>
At 31st December 2000	23,822
Retained Profit for the period	13,516
At 31 st December 2001	37,338

20. Reconciliation of Movements in Shareholders' Funds

	<u>2001</u>	<u>2000</u>
	<u>£000</u>	<u>£000</u>
Profit for the Financial Year	13,516	28,573
Dividends	-	(29,240)
Retained Profit/(Loss) for the Financial Year	13,516	(727)
Shareholders' Funds at 1 January	25,072	25,799
Closing Shareholders' Funds	38,588	25,072

RENTOKIL INITIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21. Investment

The principal trading subsidiary of the Company is Initial Ltd which is incorporated in Great Britain and registered in England and Wales. The principal activities of Initial Ltd are the provision of staff. As at 1st April 2000 the Company stopped trading and all the staff were transferred to immediate Parent Company Rentokil Initial Services Ltd. This subsidiary's 100% ordinary issued share capital is held directly by the Company. The investment amounts to £2 being the whole of the issued share capital.

In the opinion of the Directors the value of the Company's investment in its subsidiary undertaking is not less than the amount at which they are stated in the Balance Sheet.

Financial information in respect of Initial Limited at 31 December 2001 is as follows:

	<u>£000</u>
Capital and reserves	526

22. Capital Commitments

	<u>31st December</u> <u>2001</u> <u>£000</u>	<u>31st December</u> <u>2000</u> <u>£000</u>
Capital Expenditure:		
Contracted but not provided for in the accounts	964	1,533
Authorised but not contracted for	1,062	1,824

23. Contingent Liabilities and Commitments

The Company has commitments under certain foreign exchange contracts entered into before 31st December 2001 in respect of normal trading purchases, amounting to £nil (31st December 2000 : £nil).

The Company, as part of a composite bank facility, has guaranteed the overdraft facilities of a number of companies in the Rentokil Initial plc Group. The maximum liability is £10,000,000 (2000 : £10,000,000).

RENTOKIL INITIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

24. Pensions

The Company participates in a number of group pension schemes operated by Rentokil Initial plc. The major schemes are of the defined benefit type and the assets are held in separate trustee administered funds. Full details of these schemes are given in the financial statements of Rentokil Initial plc. The latest independent actuarial assessment of those schemes was at 1st April, 1999. The total pensions cost to the Company was £1,409,000 (2000 : £1,334,000). Contributions are based on pension costs across the Rentokil Initial plc Group as a whole.

25. Ultimate Holding Company

The ultimate parent undertaking and controlling party is Rentokil Initial plc, incorporated in Great Britain and registered in England and Wales.

26. Related Party Transactions

The Company has taken advantage of the exemption under Financial Reporting Standard No. 8 not to disclose any related party transactions with entities that are part of the Rentokil Initial plc Group.

27. Group Accounts

The Company is exempt from the obligation to prepare group accounts under section 228(2) Companies Act 1985 as the Company is a 100% subsidiary. Group accounts are prepared by the ultimate holding Company, Rentokil Initial plc. In addition as a wholly owned subsidiary of Rentokil Initial plc the cash flows of the Company are included in the consolidated group cash flow statement of Rentokil Initial plc. Consequently the Company is exempt under the terms of Financial Reporting Standard No. 1 (revised 1996) from publishing a cash flow statement.

Copies of the parent's consolidated financial statements may be obtained from:

The Company Secretary
Rentokil Initial plc
Felcourt
East Grinstead
West Sussex
RH19 2JY