

**ANNUAL GENERAL
MEETING LETTER
TO SHAREHOLDERS**

DEAR SHAREHOLDER

Annual General Meeting

I have pleasure in sending you the notice of the annual general meeting of the company to be held at No. 4 Hamilton Place, London, W1J 7BQ on 14 May 2008 at 11.00am. A location map is provided on the reverse of the accompanying form of proxy together with an attendance card which you should bring with you if you attend the meeting.

Explanatory notes on all the resolutions accompany the notice of meeting.

On 20 March 2008 the company announced the resignations of Doug Flynn as Chief Executive and Brian McGowan as Chairman and the appointment of Dr John McAdam as Chairman, Alan Brown as Chief Executive and Andy Ransom as Executive Director, Corporate Development and their appointments to the board will be put to shareholders for approval under resolutions 8, 9 and 10 respectively.

Dr McAdam was until recently the Chief Executive of Imperial Chemical Industries PLC ("ICI"). He joined ICI following its acquisition of Unilever's speciality chemicals companies in 1997. In 1998 he was appointed Chairman and Chief Executive of ICI Paints and elected to the board of ICI before being appointed Chief Executive of the group in 2003. Alan Brown was appointed Chief Financial Officer of ICI plc in 2005. Prior to this, he spent 25 years with Unilever where he held numerous senior management positions, both operational and financial, latterly as executive chairman, Unilever China and Hong Kong. Andy Ransom joined ICI in 1987 and was Executive Vice President, Mergers and Acquisitions, General Counsel and Company Secretary. He also had operational responsibility for ICI's regional and industrial division operating in Pakistan and India.

The new directors join the company with a track record which speaks for itself. Their proven skills, in particular the operational and strategic rigour which they applied so successfully to the turnaround at ICI, will be brought to bear, alongside those of the existing Rentokil Initial team, on the many complex issues facing the group.

In order to facilitate the appointment of the new directors shareholder approval is being sought under resolution 12 for the Rentokil Initial 2008 Share Incentive Plan (“the Plan”), in order to provide a long-term incentive to these key individuals. These awards will have the potential to deliver significant value to participants but only in circumstances where significant value has been created for all shareholders.

The Plan is designed to retain and motivate the new team over a sufficient period to deliver a turnaround in corporate performance; and will incentivise the new executive team to deliver shareholder value, measured by reference to absolute share price growth targets.

The main terms of the Plan are summarised in the explanatory notes attached to the notice of the meeting. The key features are:

- An award to each of the Chairman, Chief Executive and Corporate Development Director of 7.5 million shares, with vesting of awards based on absolute share price performance targets.
- Until a minimum share price of £1.20 has been met over a sustained period, no shares will be earned. At £1.20, 20% of the award would be earned, rising on a straight-line basis to full vesting at a share price of £1.80.
- For achieving growth in market value between a share price of £1.80 and £2.80 further shares may be earned up to a maximum of a further 50% of the original award.
- The performance condition will only be satisfied if the share price target is achieved over a sustained period, demonstrating realisable value creation for shareholders. This will be measured on the basis of an average share price over any 60 consecutive trading days during the performance measurement period.
- Up to 1/3 of the award may vest following the end of year three, 2/3rds following the end of year four and 3/3rds following the end of year five based on the extent to which performance targets are achieved.
- Any unvested portion of the award following the end of year five will lapse.

Approval is sought to satisfy awards using newly issued shares, and provision has been made (within the limits discussed in the explanatory notes) to make awards to selected other key members of the executive management team. The Plan will be operated so that the total number of new shares that can come into issue from awards granted in any ten year period under this Plan and the company's existing share plans (and any other plans that may be established in the future) will not exceed 10% of the company's issued share capital.

In addition to the other routine matters to be considered at the meeting I would also like to draw your attention to the proposed appointment and re-election of other directors (resolutions 4 to 7) under which Andrew Macfarlane and Duncan Tatton-Brown submit themselves for re-election and our recently appointed non-executive directors, Richard Burrows and William Rucker, submit themselves for election to the board.

Andrew Macfarlane joined the group in 2005 as chief financial officer and has been at the forefront of the regeneration of the company over the last three years and the board regards his continued involvement in the development of the company as extremely important. Duncan Tatton-Brown was appointed as a non-executive director in 2005 and became chairman of the audit committee in July 2007 on the retirement of Ian Harley as a director and his contribution to the board and his increased contribution to the audit committee have been greatly valued by the board.

Richard Burrows and William Rucker were appointed directors earlier this year. Richard Burrows is Governor of the Bank of Ireland and a non-executive director of Pernod Ricard SA in France, Cityjet Limited in Ireland and Mey İçki in Turkey. William Rucker is Managing Director of the UK merchant bank, Lazard & Co., Limited. They joined the board as non-executive directors following a search conducted by external advisers for additional non-executive directors with extensive international business and financial experience and we are delighted to have secured their participation in the board. The board looks forward to their continued involvement both in the development of strategy and on the board's oversight of the company's performance.

The board believes that the proposed resolutions set out in the following notice of meeting are in the best interests of the company and shareholders and therefore recommend you to vote in favour of the resolutions to be put to the meeting as all members of the board (other than Mr Brown and Mr Ransom in respect of Resolution 12) intend to do so in respect of their own beneficial shareholdings.

I hope that you are able to attend the meeting.

Yours faithfully



PETER LONG
SENIOR INDEPENDENT DIRECTOR

14 APRIL 2008

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Rentokil Initial plc will be held at No. 4 Hamilton Place, London, W1J 7BQ on 14 May 2008 at 11.00 am for the following purposes:

1. To receive the accounts of the company for the year ended 31 December 2007 and the report of the directors and auditors thereon.
2. To approve the directors' remuneration report for the year ended 31 December 2007.
3. To declare a final dividend for the year ended 31 December 2007 of 5.25 pence per ordinary share recommended by the directors.
4. To re-elect Andrew Macfarlane as a director of the company who retires in accordance with article 114 with effect from the end of the meeting.
5. To re-elect Duncan Tatton-Brown as a director of the company who retires in accordance with article 114 with effect from the end of the meeting.
6. To appoint Richard Burrows as a director of the company in accordance with article 119 with effect from the end of the meeting.
7. To appoint William Rucker as a director of the company in accordance with article 119 with effect from the end of the meeting.
8. To appoint John McAdam as a director of the company in accordance with article 119 with effect from the end of the meeting.
9. To appoint Alan Brown as a director of the company in accordance with article 119 with effect from the end of the meeting.
10. To appoint Andrew Ransom as a director of the company in accordance with article 119 with effect from the end of the meeting.
11. To re-appoint PricewaterhouseCoopers LLP as the company's auditors until the conclusion of the next general meeting of the company at which accounts are laid, and to authorise the directors to agree the auditors' remuneration.
12. To consider the following resolution as an ordinary resolution:
"That the Rentokil Initial 2008 Share Incentive Plan ("the Plan"), the principal terms of which are summarised in the explanatory notes to this Notice of Meeting and the rules of which are produced to the Meeting initialled by the Chairman of the meeting for the purpose of identification, be and are hereby approved and the directors be authorised to do all acts and things which they may consider necessary or expedient to give effect to the Plan including the making of any amendments to the rules and the establishment of any sub-plans for the benefit of employees outside the UK (modified as necessary to take account of relevant exchange control, taxation and securities laws of the relevant jurisdiction)."
13. To consider the following resolution as an ordinary resolution:
"That the authority conferred on the directors by Article 12 of the company's articles of association be renewed for a period expiring at the end of the next annual general meeting of the company after the date on which this resolution is passed (unless previously renewed, varied or revoked by the company in general meeting) and for that period the section 80 amount is £6,049,437 (being the aggregate nominal amount)."
14. To consider the following resolution as a special resolution:
"That the power conferred on the directors by Article 13 of the company's articles of association be renewed for a period expiring at the end of the next annual general meeting of the company after the date on which this resolution is passed (unless previously renewed, varied or revoked by the company in general meeting) and for that period the section 89 amount is £907,416 (being the aggregate nominal amount)."
15. To consider the following resolution as a special resolution:
"That the company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the Companies Act 1985) of its ordinary shares of 1p each in the capital of the company, subject to the following conditions:
 - a) the maximum number of ordinary shares authorised to be purchased is 181,483,101;
 - b) the minimum price (exclusive of expenses) which may be paid for an ordinary share is 1p (being the nominal value of an ordinary share);
 - c) the maximum price (exclusive of expenses) which may be paid for each ordinary share is the higher of: (i) an amount equal to 105 per cent of the average of the middle market quotations of an ordinary share of the company as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased; and (ii) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System (SETS);
 - d) this authority shall expire at the close of the annual general meeting of the company held in 2009 or 18 months from the date of this resolution (whichever is earlier); and
 - e) a contract to purchase shares under this authority may be made prior to the expiry of this authority, and concluded in whole or in part after the expiry of this authority."
16. To consider the following resolution as an ordinary resolution:
"That Rentokil Initial plc ("the Company") and any company which is or becomes a subsidiary of the Company during the period to which this resolution relates be and is hereby authorised to: (a) make donations to political parties and independent election candidates; and (b) make donations to political organisations other than political parties; and

(c) incur political expenditure, during the period commencing on the date of this resolution and ending at the close of the annual general meeting of the Company held in 2009, provided that in each case any such donations and expenditure made by the Company and any such subsidiary shall not exceed € 50,000 per company and together with those made by any such subsidiary and the Company shall not in aggregate exceed € 200,000. Any terms used in this resolution which are defined in Part 14 of the Companies Act 2006 shall bear the same meaning for the purposes of this resolution.”

17. To consider the following resolution as a special resolution:

“That:

- a. the amended Articles of Association of the Company produced to the Meeting and initialled by the Chairman for the purpose of identification as New Articles ‘A’ be adopted as the Articles of Association of the Company, in substitution for, and to the exclusion of, the existing Articles of Association, with immediate effect;
- b. the amended Articles of Association of the Company produced to the Meeting and initialled by the Chairman for the purpose of identification as New Articles ‘B’ be adopted as the Articles of Association of the Company, in substitution for, and to the exclusion of, the Articles of Association of the Company adopted pursuant to paragraph a. of this resolution with effect on 1 October 2008;
- c. with effect from (and including) the date on which section 28 of the Companies Act 2006 (the “CA 2006”) is brought into force, the provisions of the Company’s Memorandum of Association which, by virtue of that section, are to be treated as part of the Company’s Articles of Association be removed and any limitations previously imposed on the Company’s authorised share capital whether by the Company’s Memorandum or Articles of Association or by resolution in general meeting be removed; and
- d. with effect from (and including) the first date on which all sections of Parts 17 and 18 of the Companies Act 2006 have been brought into force, the amended Articles of Association of the Company produced to the Meeting and initialled by the Chairman for the purpose of identification as New Articles ‘C’ be adopted as the Articles of Association of the Company, in substitution for, and to the exclusion of, the Articles of Association existing immediately prior to that time.”

By order of the board



PAUL GRIFFITHS
SECRETARY
RENTOKIL INITIAL PLC
14 APRIL 2008

Portland House, Bressenden Place, London SW1E 5BH
Registered in England No. 5393279

NOTES

1. Documents enclosed

This notice of meeting is being sent to all members (shareholders) who have requested to receive shareholder communications in paper form and is available at the company’s website, www.rentokil-initial.com. A proxy form incorporating an admission card will be sent to all shareholders either enclosed with this notice or with the notification that the notice of meeting is available on the company’s website.

2. Admission card

If you are attending the meeting, you should bring the admission card with you.

3. Entitlement to attend and vote

The company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members entered in the register of members of the company at the close of business on 12 May 2008, or, if this meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their name at that time. Changes to the entries in the register of members after close of business on 12 May 2008 or, if this meeting is adjourned, in the register of members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.

4. Proxies

Registered members (shareholders) who are unable to attend the meeting may appoint one or more proxies provided each proxy is appointed to exercise the rights attached to a different share or shares (who need not be a member of the company) by:

- a) completing and returning the proxy form;
- b) going to www.capitaregistrars.com/shareholders and following the instructions provided; or
- c) if you are a user of the CREST system (including CREST Personal Members), having an appropriate CREST message transmitted.
- d) To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer’s agent RO33 by 11.00 am on 12 May 2008. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer’s agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings, please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35 (5) (a) of the Uncertificated Securities Regulations 2001.

In any case your proxy form must be received by the company’s registrars no later than 11.00 am on 12 May 2008. Further details regarding the appointment of proxies are given in the notes to the proxy form.

5. Total voting rights

As at 27 March 2008, (being the last practicable date prior to the publication of this notice) the company’s issued share capital consists of 1,814,831,011 ordinary shares, carrying one vote each. Therefore, the total voting rights in the company as at 27 March 2008 are 1,814,831,011.

6. Multiple corporate representatives

In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote)

as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.

7. Documents available for inspection

The following documents are available for inspection during normal business hours at Portland House, Bressenden Place, London, SW1E 5BH from 9 am on 14 April 2008 until the conclusion of the annual general meeting and will also be available for inspection at the annual general meeting venue for at least 15 minutes prior to and during the annual general meeting itself:

- a) the register of directors' interests, together with copies of the directors' service contracts with and/or letters of appointment by the company ; and
- b) the biographies of directors seeking re-election/election; and
- c) the rules of the Rentokil Initial 2008 Share Incentive Plan; and
- d) New Articles "A"; reflecting all changes required under the Companies Act 2006 that take effect immediately; and
- e) New Articles "B"; reflecting all changes required under the Companies Act 2006 that take effect on 1 October 2008; and
- f) New Articles "C"; reflecting all changes required under the Companies Act 2006 that are due to take effect on 1 October 2009.

EXPLANATORY NOTES

ADOPTION OF REPORT AND ACCOUNTS – (RESOLUTION 1)

The directors must present the report of the directors and the accounts of the company for the year ended 31 December 2007 to shareholders at the annual general meeting. The report of the directors, the accounts, and the report of the company's auditors on the accounts and on those parts of the directors' remuneration report that are capable of being audited are contained within the annual report and accounts.

APPROVAL OF DIRECTORS' REMUNERATION REPORT – (RESOLUTION 2)

In line with best practice in corporate governance as now reflected in the Directors' Remuneration Report Regulations 2002, the board has presented its directors' remuneration report to shareholders in the annual report and accounts.

The directors' remuneration report, which may be found on pages 59 to 64 of the annual report and accounts, gives details of your directors' remuneration for the year ended 31 December 2007 and sets out Rentokil Initial plc's overall policy on directors' remuneration. As required by the Directors' Remuneration Report Regulations, the company's auditors, PricewaterhouseCoopers LLP, have audited those parts of the directors' remuneration report capable of being audited and their report may be found on page 65 of the annual report and accounts.

The board considers that appropriate executive remuneration plays a vital part in helping to achieve the company's overall objectives and, accordingly, and in compliance with the Directors' Remuneration Report Regulations, shareholders will be invited to approve the directors' remuneration report.

DECLARATION OF FINAL DIVIDEND – (RESOLUTION 3)

Subject to the declaration of the final dividend at the meeting, the dividend will be paid on 23 May 2008 to shareholders on the register at the close of business on 18 April 2008.

RE-ELECTION AND APPOINTMENT OF DIRECTORS – (RESOLUTIONS 4 TO 10)

Resolutions 4 and 5 propose the re-election of Andrew Macfarlane and Duncan Tatton-Brown who are retiring by rotation in accordance with the company's articles of association.

Andrew Macfarlane is aged 51 and a chartered accountant. He was appointed a director in August 2005. He was previously group finance director of Land Securities Group plc and prior to that he was chief financial officer of Bass Hotels and Resorts. He was formerly a non-executive director of Invensys plc. He has been at the forefront of the regeneration of Rentokil Initial over the last three years and the board regards his continued involvement in the continuing development of the company's strategy as extremely important.

Duncan Tatton-Brown is aged 43 and a chartered management accountant. He was appointed a director in July 2005 and is currently group finance director of Kingfisher plc, having been previously finance director of B&Q plc. Prior to joining Kingfisher he was chief financial officer of Virgin Entertainment Group. He is an independent non-executive director. He became chairman of the audit committee in July 2007 on the retirement of Ian Harley as a director and his contribution to the board and his increased contribution to the audit committee are greatly valued by the board.

Resolutions 6 and 7 propose the re-appointment of Richard Burrows and William Rucker who were appointed as directors since the last AGM. Richard Burrows is aged 61 and a chartered accountant. He was appointed a director in January 2008 and he is Governor of the Bank of Ireland and a non-executive director of Pernod Ricard SA (France), Cityjet Limited (Ireland) and Mey İçki (Turkey). He was formerly joint chief executive of Pernod Ricard SA and chairman and chief executive of Irish Distillers. He is an independent non-executive director.

William Rucker is aged 44 and a chartered accountant. He was appointed a director in February 2008 and is Chief Executive of Lazard & Co., Ltd in London and is also Deputy Chief Executive of European Investment Banking and a Deputy Chairman of Lazard LLC the worldwide firm. He joined Lazard in 1987 from Arthur Andersen, where he qualified as a Chartered Accountant. In 2000 he was appointed Deputy Chief Executive of Lazard London and became a member of the firm's Executive Committee. He was appointed Chief Executive of Lazard London in June 2004, and Deputy CEO of Lazard's European Investment Banking business in 2006.

Both Richard Burrows and William Rucker joined the board following a search conducted by external specialists appointed by the company for additional non-executive directors with extensive international business and financial experience. The board looks forward to their continued involvement both in the development of strategy and in the board's oversight of the company's performance.

Resolutions 8 to 10 propose the appointment of Dr John McAdam and the re-appointment of Alan Brown and Andy Ransom who were both appointed directors since the last annual general meeting.

Dr McAdam is aged 59 and was until recently the Chief Executive of Imperial Chemical Industries PLC ("ICI"). He joined ICI following its acquisition of Unilever's speciality chemicals companies in 1997. In 1998 he was appointed Chairman and Chief Executive of ICI Paints and elected to the board of ICI before being appointed chief executive of the group in 2003. He was a non-executive director of Seven Trent plc between 2000 and 2005. He is currently a non-executive director and senior independent director of J. Sainsbury plc, a non-executive director and Chairman designate of United Utilities plc, a non-executive director of Rolls-Royce Group plc, a member of the University of Cambridge Chemistry Advisory Board and formerly a member of the University of Surrey Business Advisory Board.

Alan Brown is aged 51 and qualified as a barrister and is a chartered management accountant. He was appointed Chief Financial Officer of ICI plc in 2005. In his time at ICI as well as leading the finance function, he played a central role in the ongoing implementation of its operational strategy. Prior to this, he spent 25 years with Unilever where he held numerous senior management positions, both operational and financial, latterly as executive chairman, Unilever China and Hong Kong.

Andy Ransom is aged 44 and he is a solicitor. He joined ICI in 1987 and has held various positions as a senior lawyer and head of the mergers and acquisitions team. In 2005 he was appointed to the executive management team as Executive Vice President, Mergers and Acquisitions, General Counsel and Company Secretary. He also had operational responsibility for ICI's regional and industrial division operating principally in India and Pakistan.

The above re-elections and appointments of directors shall take effect at the conclusion of the meeting.

RE-APPOINTMENT OF AUDITORS AND AUDITORS' REMUNERATION – (RESOLUTION 11)

The auditors of a company must be re-appointed at each general meeting at which accounts are laid. Resolution 11 proposes the re-appointment of the company's existing auditors, PricewaterhouseCoopers LLP, until the conclusion of the next general meeting of the company at which accounts are laid and gives authority to the directors to determine the auditors' remuneration.

2008 SHARE INCENTIVE PLAN - (RESOLUTION 12)

Introduction

In order to secure the services of Dr McAdam, Mr Brown and Mr Ransom, it was agreed that a special share incentive plan would be put in place, subject to shareholder approval. The Rentokil Initial 2008 Share Incentive Plan ("the Plan") is designed to encourage and reward participants for delivering absolute share price appreciation for shareholders. Since the awards under the Plan are a key part of the new directors' remuneration arrangements it is agreed that if the Plan is not put in place Dr McAdam is free not to take up his appointment as chairman and Mr Brown and Mr Ransom are each entitled to resign (without notice and without compensation).

Eligibility and grant procedure

Any employee or executive director of the Group is eligible to participate in the Plan at the discretion of the remuneration committee of the Company ("the Committee").

A participant will be granted awards which will take the form of rights to acquire ordinary shares in the company ("Shares") for no payment. Awards may be granted within 42 days of any of the following: the annual general meeting approving the Plan; the announcement of the company's results for any period; or the occurrence of exceptional circumstances which the Committee considers justifies the grant of awards. No payment is required for the grant of awards. No awards can be granted more than one year following the date on which the Plan is approved by shareholders.

The Committee proposes to grant awards to each of Mr McAdam, Mr Brown and Mr Ransom (the "New Director Awards") as soon as practicable following the date on which the Plan is approved by shareholders. The rules provide the flexibility for awards to be granted to other key executives and employees.

Value of awards

Award levels will be determined by the Committee but the total number of Shares over which awards can be granted and which may be satisfied with new issue Shares shall not exceed 3.0% of the Company's issued ordinary share capital from time to time.

The Plan will be subject to the limit that, in any ten year period, not more than 10% of the issued ordinary share capital of the company from time to time may be issued or issuable under all of the company's employee share plans (including the Plan).

It is proposed that each New Director Award will be over 7,500,000 Shares at 100% vesting with a maximum of 11,250,000 Shares at 150% vesting.

Performance and vesting

Awards under the Plan are subject to a performance condition determined by the Committee at the date of grant of the award.

The New Director Awards will be subject to a performance condition that relates to the share price performance of the company between 1 April 2008 and certain vesting dates. Awards will normally be exercisable in three tranches at three specified vesting dates in 2011, 2012 and 2013.

The vesting dates will be 61 dealing days after the announcement of the company's financial results in respect of the financial years ending 31 December 2010 (the "First Vesting Date"); 31 December 2011 (the "Second Vesting Date"); and 31 December 2012 (the "Third Vesting Date") (together, the "Vesting Dates").

Broadly at each Vesting Date the Committee will calculate the highest average market value of a Share that has been achieved over any period of 60 consecutive dealing days in the period between 1 April 2008 and the relevant Vesting Date ("HAMV"). The market value of a Share on any day is the closing middle market quotation for a Share derived from the Daily Official List of the London Stock Exchange for that day.

The HAMV that has been achieved at a particular Vesting Date will determine the number of Shares which will be treated as Earned Shares at that date. The number of Earned Shares at each Vesting Date for the New Director Awards will be calculated in accordance with the following table:

HAMV at a Vesting Date	Number of Earned Shares
Less than £1.20	Nil
£1.20	1,500,000
£1.80	7,500,000
£2.80	11,250,000

The number of Earned Shares will be calculated on a straight-line basis for HAMVs between £1.20 and £1.80 and between £1.80 and £2.80 and cannot exceed 11,250,000.

A participant will be entitled to exercise his award following a Vesting Date as to a proportion of the Earned Shares that have been calculated at that Vesting Date (the proportion being determined by whether the number relates to the First, Second or Third Vesting Date) less any Shares over which his award has already become exercisable at earlier Vesting Dates.

The number of Shares over which an award can be exercised is calculated as follows. At the First Vesting Date, the award will be exercisable in respect of one third of the Earned Shares calculated at that time. At the Second Vesting Date, the award will be exercisable over two thirds of the Earned Shares calculated at that time less such number of Shares as were exercisable at the First Vesting Date. At the Third Vesting Date, the award will be exercisable over all the Earned Shares calculated at that time less the number of Shares which were exercisable at the First Vesting Date and Second Vesting Date. Awards may be exercised at any time following a Vesting Date up to the date 12 months following the Third Vesting Date.

Awards made to other participants will also be subject to performance conditions which are consistent with the objective of the plan to reward absolute share price appreciation over the performance period.

On exercise, a participant will be entitled to additional Shares equal to the value of dividends (net of any tax credit) that would have been paid on the Shares that can be acquired on exercise in the period from the date of grant to the relevant Vesting Date assuming those dividends had been reinvested in the Shares at the date of the payment of the dividend.

Cessation of employment

A participant will not be entitled to exercise an award if he leaves employment before a Vesting Date unless this results from his death or his leaving for medical reasons, or, for participants who are not executive directors of the company, in other circumstances to be determined at the discretion of the committee (good leavers).

A good leaver's award will be treated as vesting on the date of cessation of employment and the Committee will calculate the number of Earned Shares under the award based on the satisfaction of the performance condition at the date of cessation of employment. For the New Director Awards that calculation is by reference to the HAMV of a Share achieved in the period from 1 April 2008 to the date of cessation of employment. The number of Earned Shares that a participant may acquire by exercising the award will, however, be reduced to reflect the early vesting. 50% of the Earned Shares may be acquired if the participant leaves employment during the first year after the date of grant, 75% of the Earned Shares may be acquired if the participant leaves employment during the second year after the date of grant and 100% of the Earned Shares may be acquired if the participant leaves during or after the third year after the date of grant. In all cases the number of Shares that a participant may acquire will be reduced by the number of any Earned Shares which he has already received from any earlier exercise of his award.

Other than in the case of death, where the award will be immediately exercisable, the Committee will retain the discretion as to whether an award will be exercisable immediately on cessation of employment, or only at the normal First, Second and Third Vesting Dates (although the performance condition will still be measured to the date of cessation of employment).

Change of control

In the event of a change of control of the company (whether by way of a takeover offer or scheme of arrangement), awards will be treated as vesting. The Committee will calculate the number of Earned Shares under the award based on the satisfaction of the performance condition at the date of the change of control. For the New Director Awards that calculation is by reference to the HAMV of a Share achieved during the period between 1 April 2008 and the date of the change of control. The number of Earned Shares that a participant may acquire by exercising the award will, however, be reduced to reflect the early vesting. 50% of the Earned Shares may be acquired if the change of control occurs during the first year after the date of grant, 75% of the Earned Shares may be acquired if the change of control occurs during the second year after the date of grant and 100% of the Earned Shares may be acquired if the change of control occurred during or after the third year after the date of grant. In all cases the number of Shares that a participant may acquire will be reduced by the number of any Earned Shares which he has already received from any earlier exercise of his award.

The Committee may in its discretion decide, if so requested by an acquiring company, that awards shall not become exercisable immediately upon a change of control of the company, but rather on a date up to six months after the change of control. A participant would only be able to exercise his award if he was still employed on that later date save if his employment had been terminated before that date by or with the agreement of his employer or the acquiring company in which case his award would vest immediately upon the termination of his employment.

Adjustment of awards

Awards shall be adjusted by the Committee, acting fairly and reasonably, if there is a variation in the share capital of the company that would affect the value of an award (for example a capitalisation issue, rights or bonus issue or sub-division, consolidation or reduction of share capital), or the company implements a transaction (for example of a demerger or payment of a special dividend or similar transaction) that would affect the value of an award.

Rights attaching to Shares

A participant will not have any voting or dividend rights in relation to Shares prior to the vesting of an award. All Shares allotted or transferred under the Plan will carry the same rights as any other issued ordinary shares in the company, and application will be made for the Shares to be listed by the UK Listing Authority and traded on the London Stock Exchange.

Benefits received under the Plan are not pensionable and may not be assigned or transferred without the Committee's consent except on a participant's death.

Alterations to the Plan

The Committee has authority to amend the rules of the Plan provided that no amendment to the advantage of participants or eligible employees may be made to provisions relating to the key features of the Plan without the prior approval of shareholders in general meeting. Key features of the Plan include: who can be a participant, the limits on the number of shares which can be issued under the Plan, the basis for determining a participant's entitlement to shares, the terms on which they can be acquired, and the provisions relating to adjustments in the event of a variation in the company's share capital. The requirement for shareholder approval will not apply to any amendment which is minor and made to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for the company or eligible employees or participants.

The Committee may establish sub-plans for the benefit of employees outside the UK with such modifications as are necessary to take account of relevant exchange control, taxation and securities laws of the relevant jurisdiction.

AUTHORITY TO ALLOT SHARES – (RESOLUTION 13)

This resolution seeks to grant the directors authority to allot authorised but unissued share capital of the company up to a maximum nominal amount of £6,049,437. This amount represents 604,943,670 ordinary shares of 1p each in the capital of the company which is one third of the company's issued ordinary share capital (excluding treasury shares) as at 27 March 2008. This authority will expire at the conclusion of the annual general meeting of the company next year. Although the board has no present intention to exercise this authority, they consider it appropriate to seek such authority in order to retain maximum flexibility to take advantage of business opportunities as they arise.

DISAPPLICATION OF PRE-EMPTION RIGHTS – (RESOLUTION 14)

Resolution 14, which will be proposed as a special resolution, seeks to confer authority on the directors to either issue equity securities of the company for cash or sell treasury shares for cash without application of the pre-emption rights pursuant to section 89 of the Companies Act 1985. Other than in connection with a rights, scrip dividend, or other similar issue, the authority contained in this resolution will be limited to an aggregate nominal value of £907,416 which represents 90,741,551 ordinary shares of 1p each in the capital of the company which is 5% of the issued ordinary share capital excluding treasury shares of the company as at 27 March 2008. This authority will expire at the conclusion of the annual general meeting in 2009.

In accordance with the guidelines issued by the Pre-emption Group, the board confirms its intention that no more than 7.5% of the issued share capital excluding treasury shares will be issued for cash on a non pre-emptive basis during any rolling three-year period.

Although the directors have no present intention of exercising this authority, they consider it appropriate to seek such authority in order to retain maximum flexibility to take advantage of business opportunities as they arise.

By virtue of the Companies Act 2006 ("CA 2006"), the section 80 and section 89 provisions relating to the authority to allot shares and to disapply pre-emption rights will, with effect from the entry into force of Part 17 of the CA 2006, be replaced by broadly equivalent provisions in sections 551 and 561 CA 2006, respectively. The amended Articles of Association which take effect from that date reflect these changes and shareholders will be asked to renew these authorities as section 551 and section 561 authorities, respectively, at subsequent annual general meetings.

AUTHORITY TO PURCHASE OWN SHARES – (RESOLUTION 15)

This resolution gives the company authority to buy back its own ordinary shares in the market as permitted by the Companies Act 1985. The authority limits the number of shares that could be purchased to a maximum of 181,483,101 (representing 10% of the issued share capital of the company as at 27 March 2008) and sets minimum and maximum prices. This authority will expire at the conclusion of the annual general meeting of the company next year.

The directors have no present intention of exercising the authority to purchase the company's ordinary shares but will keep the matter under review, taking into account the cash reserves of the company, the company's share price and other investment opportunities. The authority will be exercised only if the directors believe that so to do so would result in an increase in earnings per share and would be in the interests of shareholders generally.

Any purchases of ordinary shares would be by means of market purchases through the London Stock Exchange.

Any shares purchased under this authority may either be cancelled or held as treasury shares. Treasury shares may subsequently be cancelled, sold for cash or used to satisfy options issued to employees pursuant to the company's employees' share schemes.

As at 27 March 2008 there were options over 34,531,735 ordinary shares in the capital of the company which represent 1.9% of the company's issued ordinary share capital excluding treasury shares at that date. If the authority to purchase the company's ordinary shares was exercised in full, these options would thereafter represent 1.7% of the company's issued ordinary share capital excluding treasury shares.

The authority will only be valid until the conclusion of the next annual general meeting in 2009 or 18 months from the date of the resolution, whichever is earlier.

The current Articles of Association provide the company with the power to purchase its own shares and the company has sought the authority of the shareholders to do this by way of special resolution. With effect from the entry into force of Part 18 of the CA 2006, the company will no longer be required to make provision for this power in its Articles of Association. Accordingly no provision is made in the amended Articles of Association which take effect from that date for the company to purchase its own shares. However, the company will still retain a statutory power, under the provisions of the CA 2006, to purchase its own shares, and shareholders will, in accordance with the Listing Rules of the Financial Services Authority (in its capacity as the UK Listing Authority), be asked to approve the renewal of this power at subsequent annual general meetings.

AUTHORITY TO MAKE 'POLITICAL DONATIONS' – (RESOLUTION 16)

It is not proposed or intended to alter the company's policy of not making political donations, within the normal meaning of that expression. However, given the breadth of the relevant provisions in the CA 2006 it may be that some of the company's activities may fall within the wide definitions under the CA 2006 and, without the necessary authorisation, the company's ability to communicate its views effectively to political audiences and to relevant interest groups could be inhibited. Such activities may include briefings at receptions or conferences – when the company seeks to communicate its views on issues vital to its business interests – including, for example, conferences of a party political nature or of special interest groups.

Accordingly, the company believes that the authority contained in Resolution 16 is necessary to allow it (and its subsidiaries) to fund

activities which it is in the interests of shareholders that the company should support. Such authority will enable the company and its subsidiaries to be sure that they do not, because of any uncertainty as to the bodies or the activities covered by the CA 2006, unintentionally commit a technical breach of the CA 2006. Any expenditure which may be incurred under authority of this resolution will be disclosed in next year's annual report.

CHANGES TO ARTICLES OF ASSOCIATION – (RESOLUTION 17)

It is proposed in Resolution 17, which is being proposed as a special resolution, to adopt new Articles of Association ('Articles') for the company in order to amend the company's current Articles, primarily to take account of changes in English company law brought about by the CA 2006.

The proposed amendments to the Articles address the implementation of the CA 2006 in three main stages: firstly, amendments will be made immediately this resolution is passed to reflect those sections of the CA 2006 which have already been implemented. These amendments are reflected in the Articles initialled for identification by the Chairman as New Articles 'A'. Secondly, certain provisions including in relation to directors' interests (see paragraph (IX) below) will be brought into force when the relevant section of the CA 2006 is implemented on 1 October 2008. These amendments are reflected in the Articles initialled for identification by the Chairman as New Articles 'B'. Thirdly, as a result of the UK Government's recent announcement to delay the implementation of certain sections of the CA 2006 until October 2009, a final set of amendments will be made when Parts 17 and 18 of the CA 2006 come into force, which is expected to be 1 October 2009. These amendments are reflected in the Articles initialled for identification by the Chairman as New Articles 'C'.

The material differences between the current Articles and the proposed amended Articles are set out below. Copies of the current and amended Articles that reflect the proposed changes are available for inspection as noted in paragraph 7 of the notes to the annual general meeting notice.

PROVISIONS COMING INTO EFFECT IMMEDIATELY (NEW ARTICLES "A")

i) Articles which duplicate statutory provisions

Provisions in the current Articles which replicate provisions contained in the CA 2006 are in the main amended to bring them into line with the CA 2006. Certain examples of such provisions include provisions as to the form of resolutions, the variation of class rights, the requirement to keep accounting records and provisions regarding the period of notice required to convene general meetings. The main changes made to reflect this approach are detailed below.

ii) Form of resolution

The current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being amended, as the concept of extraordinary resolutions has not been retained under the CA 2006.

III) **Variation of class rights**

The current Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the CA 2006. The relevant provisions have therefore been amended in the amended Articles.

IV) **Convening general and annual general meetings**

The provisions in the current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the CA 2006. In particular, a general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

V) **Votes of members**

Under the CA 2006 proxies are entitled to vote on a show of hands whereas under the current Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the CA 2006 so that the Articles cannot provide that they should be received more than 48 hours before the meeting or, in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. Multiple corporate representatives may be appointed. The amended Articles reflect all of these new provisions.

The company is aware of concerns that have been raised about the effect of section 323(4) CA 2006 which provides that where a corporate shareholder appoints multiple corporate representatives and they exercise their powers to vote at a general meeting in different ways the power is treated as not exercised. The company intends to take account of best practice to allow, as far as possible, multiple corporate representatives to attend and speak at general meetings of the company and ensure their votes are counted. Please see the section entitled 'Multiple Corporate Representatives' in the notes at the foot of the notice for further details of how the company seeks to achieve this by enabling multiple corporate representatives to appoint a designated corporate representative.

VI) **Age of directors on appointment or re-election**

The current Articles contain a provision requiring a director's age to be disclosed in the notice convening a meeting at which the director is proposed to be elected or re-elected, if he has attained the age of 70 years or more. This provision has been removed from the amended Articles.

VII) **Electronic and web communication**

A resolution approved at the company's annual general meeting on 3 May 2007 allowed the company to take advantage of new CA 2006 rules for communications between companies, shareholders and

others that came into force on 20 January 2007. These rules are to be incorporated into the Articles. The amended Articles continue to allow communications to shareholders in electronic form and, in addition, they also permit the company to take advantage of the new provisions relating to website communications. Before the company can communicate with a shareholder by means of website communication, the relevant shareholder must be asked individually by the company to agree that the company may send or supply documents or information to him by means of a website, and the company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The company will notify the shareholder (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a shareholder can always request a hard copy version of the document or information.

The company has utilised the above provisions of the CA 2006 and approximately 20% of the company's shareholders have requested shareholder material in paper form.

Shareholder material will be provided in electronic form on the company's website and in paper form to those shareholders who have nominated that format. Shareholders are encouraged to make use of communications by electronic means but are entitled to continue to receive communications in paper format should they so wish.

VIII) **Directors' indemnities and loans to fund expenditure**

The CA 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies. The amended Articles reflect the wider provisions of the CA 2006.

PROVISIONS COMING INTO EFFECT ON 1 OCTOBER 2008 (NEW ARTICLES "B")

IX) **Directors' interests**

The CA 2006 sets out directors' general duties. The provisions largely codify the existing law, but with some changes. Under the CA 2006 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with a company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The CA 2006 allows directors of public companies to authorise conflicts and potential conflicts where the Articles contain a provision to this effect. The CA 2006 also allows the Articles to contain other provisions for dealing with directors'

conflicts of interest to avoid a breach of duty. The amended Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position. There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. Firstly, only independent directors (i.e. those who have no interest in the matter being considered) will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote a company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

From 1 October 2008, it is also proposed that the amended Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director from being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

PROVISIONS REFLECTING CHANGES TO THE COMPANY'S MEMORANDUM OF ASSOCIATION

X) The company's objects

The provisions regulating the operations of the company are currently set out in the company's Memorandum and Articles of Association. The company's Memorandum of Association contains, among other things, the objects clause which sets out the scope of the activities the company is authorised to undertake. This is drafted to give a wide scope.

The CA 2006 significantly reduces the constitutional significance of a company's Memorandum of Association. The CA 2006 provides that a Memorandum of Association, in the future, will record only the names of subscribers and the number of shares each subscriber has agreed to take in a company. Under the CA 2006 the objects clause and all other provisions which are currently contained in a company's Memorandum of Association will be deemed to be contained in a company's Articles but a company can remove these provisions by special resolution.

Further the CA 2006 states that unless a company's Articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. Once the relevant section of CA 2006 comes into force (which is expected to be on 1 October 2009), the company proposes to remove its objects clause and all other associated provisions contained in the Memorandum of Association to allow it to have the widest possible scope for its activities.

PROVISIONS COMING INTO EFFECT ON IMPLEMENTATION OF PARTS 17 AND 18, CA 2006 (EXPECTED 1 OCTOBER 2009) (NEW ARTICLES "C")

XI) Authorised share capital and unissued shares

The CA 2006 abolishes the requirement for a company to have an authorised share capital. The company is proposing changes to its Articles to reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the CA 2006.

XII) Redeemable shares

At present if a company wishes to issue redeemable shares, it must include in its Articles the terms and manner of redemption. When Part 18 of the CA 2006 comes into force, the CA 2006 will enable directors to determine such matters instead, provided they are so authorised by the Articles. The amended Articles contain such an authorisation. The company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way.

XIII) Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Under the law currently in force, a company requires specific enabling provisions in its Articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The current Articles include these enabling provisions. When Part 17 of the CA 2006 comes into force, a company will only require shareholder authority to do any of these things and it will no longer be necessary for Articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the amended Articles.

XIV) Further articles which duplicate statutory provisions

Certain further miscellaneous provisions in the current Articles which replicate provisions contained in the CA 2006 and which are expected to come into force on 1 October 2009 will also be amended to bring them into line with the terms of the CA 2006.



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