

**RENTOKIL INITIAL UK LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

Private company: limited by shares  
Registered in England & Wales  
Registered Number: 301044  
Registered Office:  
Compass House  
Manor Royal  
Crawley  
West Sussex  
RH10 9PY

WEDNESDAY



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11/08/2021

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**RENTOKIL INITIAL UK LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

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## **STRATEGIC REPORT**

### **Introduction**

The directors present their annual report, together with the audited financial statements of the Company for the year ended 31 December 2020.

### **Principal activity / future developments**

The company is a subsidiary within the Rentokil Initial plc group ("the Group") and its principal activity is the provision of business services to external customers and the manufacturing of products for internal sale to other Rentokil Initial plc group companies.

The directors are satisfied with the Company's financial position at the year end and its prospects for future development. The turnover of the business for 2020 was higher in comparison to 2019 by £34,815,000. This was due to a combination of business acquisitions offsetting the impact of the COVID 19 pandemic.

The directors envisage that the Company will continue with its principal activity of provision of services for the foreseeable future.

### **Principal risks and uncertainties**

The directors of Rentokil Initial plc manage the risks of the Group at a group level, rather than at an individual business unit level. For this reason, the Company's directors believe that a discussion of the Company's risks would not be appropriate for an understanding of the development, performance or position of the Company's business. The principal risks and uncertainties of the Group, which include those of the Company, are discussed in the Group's 2020 Annual Report, which does not form part of this report.

On 29 March 2017 the UK government invoked Article 50 of the Treaty of Lisbon, notifying the European Council of its intention to withdraw from the EU. The UK left the EU on 31 January 2020 and the transition period has now ended with new trading rules which came into place from 1 January 2021. As the Company operates solely within the UK, it should be largely shielded from any particular issues other than macroeconomic factors.

In early 2020 a global pandemic of a new coronavirus, COVID-19, has arisen impacting all areas of operation of the Group of which the Company is an integral member. Given the uncertainty and the unknown duration of the COVID-19 pandemic and the reduced economic outlook, the directors of Rentokil Initial plc have assessed the Group's financial position and have modelled its cash flows for the next 12 months. This includes assessing the continued impact of COVID-19, factoring in severe but plausible downside scenarios on the Group's financial position, which would result in a further reduction in revenue and earnings. Despite these projections the Group is anticipated to remain within its liquidity headroom and within its banking covenants. While the Group will not be immune to the impact of COVID-19, its strategy has positioned it well to deal with the challenges of COVID-19.

In response to the COVID-19 pandemic, management have continuously reviewed risks to ensure that performance is maximised and that cash collection procedures are optimised to ensure the liquidity of the entity. At the time of signing the financial statements, volumes have continued to return and cash collections have remained strong through the period. It is too soon to tell if the industry will return fully to pre-pandemic normality, but management believe that the actions of the Company have been extensive and successful to protect the investments.

### **Key Performance Indicators**

The Rentokil Initial plc Group manages its operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the division of Rentokil Initial plc, which includes the Company, is discussed in the Group's 2020 Annual Report which does not form part of this report.

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**Directors' statement of compliance with duty to promote the success of the Company**


Section 172(1) of the Companies Act 2006 ("section 172") requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole but having regard to a range of different matters including wider stakeholders. In discharging their section 172 duties the directors of the Company do this, although at times some factors may have been more relevant than others, and the interests of some stakeholders will have been more relevant than others.

In addition, the directors also have regard to other factors which they consider relevant to the decision being made. Whilst the directors of the company retain responsibility for the operations and interests of the Company, those factors include for example the interests of the wider Rentokil Initial group under the Company's ultimate parent Rentokil Initial plc and the Company's relationship with its lenders. By considering the Company's purpose, vision and values together with its strategic priorities (which are aligned with those of the Rentokil Initial group as a whole) and having a process in place for decision-making, the directors aim to make sure that their decisions are consistent and appropriate in all circumstances, including with regards to the wider matters contemplated under section 172.

Authority for day-to-day management of the Company is delegated to executives who then engage management in setting, approving and overseeing execution of the business strategy and related policies. Board meetings are held as required where the directors consider the Company's activities and make decisions, as appropriate. As a part of those meetings the directors, where relevant receive information on section 172 matters when making decisions. Principal decisions taken during 2020 include capital allocation, funding (including inter-company arrangements and funding of the Company's subsidiaries), M&A activity, granting powers of attorney and the review and approval of the Company's modern slavery statement and the 2019 report and accounts. In making such decisions, the directors of the Company considered a range of factors. For example, when reviewing financing options, factors included the long-term viability of the Company; its expected cash flow and financing requirements; the ongoing need for strategic investment in the business; the expected funding needs of the Company's subsidiaries and the supply of long-term equity capital to the Company.

The Company's principal activity is the provision of business services and the manufacturing of products for sale to the other Rentokil Initial plc Group companies. Further information on the Company's engagement with its employees, customers and suppliers can be found in the Directors' Report.

By order of the board

  
Grace Harris (Aug 5, 2021 15:47 GMT+1)

G E Harris  
Director  
Compass House  
Manor Royal  
Crawley  
West Sussex  
RH10 9PY  
Company number 301044

05 August 2021

## **DIRECTORS' REPORT**

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2020.

### **Directors' responsibilities statement**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework" ("FRS 101") and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and 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.
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

### **Results and dividends**

The operating profit of £32,378,000 (2019: £40,058,000) has declined in the year due to the impact of COVID 19. Following investment impairments recognised in the year, the loss for the year, after taxation, amounted to £16,182,000 (2019: £33,229,000 profit), refer to note 12 for more detail. An interim dividend of £nil was paid during the year (2019: £nil). The directors do not recommend the payment of a final dividend for 2020 (2019: £nil).

### **Disclosure of information to auditors**

Each of the persons who are Directors at the time when this Director's Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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**Directors**

D P F Fagan  
J K Hampson  
P P Wood  
G E Harris (appointed 5 August 2020)

The directors named above held office throughout the year unless stated.

**Engagement with employees**

The Company attaches considerable importance to engaging and communicating with its employees. Internal communications take place at a group, divisional, company, business and team level in order to ensure that colleagues receive accurate information in a timely manner, and a variety of structures exist for two-way communications at all levels. At a corporate level the group intranet is used to announce Company news with the support of direct email communication from the Company's executive team and functional leaders. This is supplemented by a periodic electronic magazine, The Right Way, for employees. Details on methods of engagement deployed by the Rentokil Initial group as a whole can be found in the Rentokil Initial plc 2020 Annual Report and 2020 Responsible Business Report, both of which are available on its website at [www.rentokil-initial.com](http://www.rentokil-initial.com).

Applications for employment by disabled persons are always fully considered, taking into account the aptitudes of the applicants. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate re-training is made available. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to those of other employees.

**Engagement with suppliers, customers and others**

The Company recognises the importance of engaging effectively and fostering successful business relationships with suppliers, customers and others. A comprehensive set of policies and procedures is in place to ensure high standards of professional business conduct, including the adherence to the Rentokil Initial Code of Conduct. The directors have regard for such relationships when making decisions. Details of the regard directors have had to these business relationships among other matters can be found in the section 172(1) statement on page 2. Further detail on engagement with suppliers, customers and others at a Rentokil Initial group level can be found in the Rentokil Initial plc 2020 Annual Report and 2020 Responsible Business Report at [www.rentokil-initial.com](http://www.rentokil-initial.com).

**Post balance sheet events**

No significant post-balance sheet events have taken place.

**Auditor**

Following a Group wide competitive audit tender process that concluded in December 2020, PricewaterhouseCoopers LLP has been appointed as auditor at the Annual General Meeting of the Company's ultimate parent entity, Rentokil Initial plc, on 12 May 2021.

**Corporate Governance**

The Company is part of Rentokil Initial plc group of companies and adheres to the broader governance of the Group and its policies. Rentokil Initial plc is a listed company and therefore complies with the UK Corporate Governance code. Further detail on corporate governance at a Rentokil Initial group level can be found in the Rentokil Initial plc 2020 Annual Report at [www.rentokil-initial.com](http://www.rentokil-initial.com).

No formal corporate governance code has been adopted in 2020, as codes such as the Wates Principles or the UK Corporate Governance Code are not considered appropriate for the Company to adopt at this time. However, the directors have applied the following important governance activities throughout the year and will continue to monitor the appropriateness of any formal corporate governance code:


- The entity maintains a strong board with clearly defined roles and responsibilities and a range of complementary experiences and skills. The board is also comprised of directors from both the

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executive branch and also independent of the operations.

- Any new appointees to the board are required to pass a rigorous and transparent procedure. Board members are further expected to dedicate sufficient time maintaining appropriate skills and knowledge to discharge their duties appropriately.
- The board understands its responsibility in ensuring that the financial statements present a fair, balanced and understandable assessment of the Company's position and prospects. All key risks are properly disclosed and described within the annual report and financial statements and appropriate and robust internal control mechanisms are in place. In particular a robust and independent external audit function, a strong internal audit function that reports to senior management not directly responsible for the entity, a functional reporting structure which encourages accurate reporting through key disciplines (such as finance), and a strong local control environment which is monitored through a quarterly governance review. The Company's auditors are appointed at a Group level and are appointed through a transparent and robust tender and review process.
- Directors' remuneration is linked to long term success and sustainability of the Company. Appropriate metrics are maintained and reported to ensure that the management are focused on the quality of the earnings delivered. No director is involved in the decisions regarding their own remuneration.
- The only shareholder in relation to the Company is the parent company; as such the requirement to communicate with investors is minimal. Details of the Company's engagement with other stakeholders such as employees, suppliers and customers are included in this Directors' Report and can be found on page 4.

This report was approved by the board and signed on its behalf.



Catherine Stead  
Secretary  
Compass House  
Manor Royal  
Crawley  
West Sussex  
RH10 9PY  
Company number 301044

05 August 2021

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RENTOKIL INITIAL UK LIMITED**

**Opinion**

We have audited the financial statements of Rentokil Initial UK Limited ("the company") for the year ended 31 December 2020 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

**Fraud and breaches of laws and regulations – ability to detect**

*Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RENTOKIL INITIAL UK LIMITED (Continued)**

Our risk assessment procedures included

- Enquiring of directors and internal audit and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering bonus incentive and performance targets for management, directors and sales staff
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets/ recent revisions to guidance/ our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Company's management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as provision for credit note. On this audit we do not believe there is a fraud risk related to revenue recognition because the nature of the industry or entity's operations provide limited opportunities to engage in fraudulent revenue recognition.

We also identified a fraud risk related to inappropriate recognition of credit note in response to possible pressures and incentives for fraudulent financial reporting and opportunities arising as a result of the impact of COVID19 on the operations of the company.

We performed procedures including:

- Identifying journal entries [and other adjustments] to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by Seldom posting users, those posted into Seldom used accounts, those with certain key words and those posted to unusual accounts.
- Evaluated the business purpose of significant unusual transactions.
- Assessing significant accounting estimates for bias.

*Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management as required by auditing standards, and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit

The potential effect of these laws and regulations on the financial statements varies considerably.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RENTOKIL INITIAL UK LIMITED (Continued)**

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

**Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

**Directors' responsibilities**

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RENTOKIL INITIAL UK LIMITED (Continued)**

**Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

*Emily Sills*

Emily Sills (Aug 5, 2021 18:15 GMT+1)

**Emily Sills (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL

05 August 2021

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**PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

|  | Notes | <b>2020</b><br><b>£'000</b> | <b>2019</b><br><b>£'000</b> |
|--|-------|-----------------------------|-----------------------------|
| Revenue  | 2     | 287,010                     | 252,195                     |
| Cost of sales  |       | (190,443)                   | (164,692)                   |
| <b>GROSS PROFIT</b>  |       | <b>96,567</b>               | <b>87,503</b>               |
| Administrative expenses  |       | (64,189)                    | (47,445)                    |
| <b>OPERATING PROFIT</b>  |       | <b>32,378</b>               | <b>40,058</b>               |
| Profit on sale of subsidiary   |       | -                           | 84                          |
| Dividends received from subsidiaries                                       |       | 29                          | 792                         |
| Impairment of investments  | 12    | (42,645)                    | (1,754)                     |
| <b>(LOSS)/PROFIT BEFORE INTEREST</b>                                       | 5     | <b>(10,238)</b>             | <b>39,180</b>               |
| Interest receivable and similar income                                     | 3     | 251                         | 3,117                       |
| Interest payable and similar charges                                       | 4     | (982)                       | (1,297)                     |
| <b>(LOSS)/PROFIT BEFORE TAXATION</b>                                       |       | <b>(10,969)</b>             | <b>41,000</b>               |
| Tax on profit  | 9     | (5,213)                     | (7,771)                     |
| <b>(LOSS)/PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b> |       | <b>(16,182)</b>             | <b>33,229</b>               |

The results of the year are wholly attributable to the continuing operations of the Company.


The notes on pages 13 to 37 form part of the accounts.

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**BALANCE SHEET AS AT 31 DECEMBER 2020**

|  | Notes | <u>2020</u><br>£'000 | <u>2019</u><br>£'000 |
|--|-------|----------------------|----------------------|
| <b>FIXED ASSETS</b>  |       |                      |                      |
| Contract costs   | 1     | 7,001                | 5,572                |
| Intangible assets  | 10    | 31,226               | 32,539               |
| Tangible assets  | 11    | 22,489               | 21,851               |
| ROU assets   | 21    | 25,134               | 25,365               |
| Investments - shares in subsidiary undertakings                              | 12    | 129,122              | 112,555              |
|  |       | <u>214,972</u>       | <u>197,882</u>       |
| <b>CURRENT ASSETS</b>  |       |                      |                      |
| Stocks   | 14    | 18,969               | 13,432               |
| Debtors: including £3.359m (2019: £2.669m) falling due in more than one year | 15    | 280,063              | 220,372              |
| Cash and cash equivalent   |       | 27,953               | 29,779               |
|  |       | <u>326,985</u>       | <u>263,583</u>       |
| <b>CURRENT LIABILITIES</b>   |       |                      |                      |
| Creditors: Amounts falling due within one year                               | 17    | (359,875)            | (265,952)            |
| Lease Liabilities: Amounts falling due within one year                       | 20    | (9,346)              | (9,097)              |
|  |       | <u>(369,221)</u>     | <u>(275,049)</u>     |
| <b>NET CURRENT (LIABILITIES)/ASSETS</b>                                      |       | <u>(42,236)</u>      | <u>(11,466)</u>      |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                                 |       | <u>172,736</u>       | <u>186,416</u>       |
| <b>NON-CURRENT LIABILITIES</b>   |       |                      |                      |
| Lease Liabilities: Amounts falling after one year                            | 20    | (18,454)             | (16,378)             |
| <b>PROVISIONS FOR LIABILITIES AND CHARGES</b>                                | 18    | (1,525)              | (1,099)              |
| <b>NET ASSETS</b>  |       | <u>152,757</u>       | <u>168,939</u>       |
| <b>CAPITAL AND RESERVES</b>  |       |                      |                      |
| Called up share capital  | 19    | 1,055                | 1,055                |
| Share premium account  |       | 50,313               | 50,313               |
| Profit and loss account  |       | 101,389              | 117,571              |
| <b>SHAREHOLDERS' FUNDS</b>   |       | <u>152,757</u>       | <u>168,939</u>       |

The financial statements on pages 10 to 37 were approved by the board on 05 August 2021 and were signed on its behalf by:

  
 Grace Harris (Aug 5, 2021 15:47 GMT+1)

G E Harris  
 Director  
 Company number 301044

The notes on pages 13 to 37 form part of the accounts.

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**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

|  | Share<br>Capital<br>£'000 | Share<br>Premium<br>£'000 | Profit and<br>loss<br>account<br>£'000 | Total<br>£'000 |
|--|---------------------------|---------------------------|--|----------------|
| <b>At 1 January 2019</b>   | 1,055                     | 50,313                    | 126,930                                | 178,298        |
| Total comprehensive income for the year                                  | -                         | -                         | 33,229                                 | 33,229         |
| <b><u>Transactions with shareholders recorded directly in equity</u></b> |                           |                           |  |                |
| Dividends paid   | -                         | -                         | -                                      | -              |
| Effect of common control transaction                                     | -                         | -                         | (42,588)                               | (42,588)       |
| <b>At 31 December 2019</b>   | <b>1,055</b>              | <b>50,313</b>             | <b>117,571</b>                         | <b>168,939</b> |

|  | Share<br>Capital<br>£'000 | Share<br>Premium<br>£'000 | Profit and<br>loss<br>account<br>£'000 | Total<br>£'000 |
|--|---------------------------|---------------------------|--|----------------|
| <b>At 1 January 2020</b>   | 1,055                     | 50,313                    | 117,571                                | 168,939        |
| Total comprehensive income for the year                                  | -                         | -                         | (16,182)                               | (16,182)       |
| <b><u>Transactions with shareholders recorded directly in equity</u></b> |                           |                           |  |                |
| Dividends paid   | -                         | -                         | -                                      | -              |
| Effect of common control transaction                                     | -                         | -                         | -                                      | -              |
| <b>At 31 December 2020</b>   | <b>1,055</b>              | <b>50,313</b>             | <b>101,389</b>                         | <b>152,757</b> |

The notes on pages 13 to 37 form part of the accounts.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION AND ACCOUNTING POLICIES**

Rentokil Initial UK Limited is a private company limited by shares incorporated in England and Wales and domiciled in the United Kingdom. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements. The Company is a wholly owned subsidiary of Rentokil Initial plc Group ("the Group") and operates as part of the Group's central division.

The Company is exempt, by virtue of section 400 of the Companies Act 2006, from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

#### **Basis of preparation**

The financial statements have been prepared under the historic cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International accounting standards in conformity with the requirements of the Companies Act 2006, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The presentation currency used is sterling and amounts have been presented in round thousands (£'000).

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed at the end of note 1.

#### **Financial reporting standard 101 – reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets
- Information relating to new IFRS standards which have been issued but which are not yet effective, including an assessment of the possible impact that it will have when it is adopted for the first time (IAS 8.30-31)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**1. ACCOUNTING POLICIES (CONTINUED)**

**Going concern**

These financial statements have been prepared on the going concern basis which the directors consider appropriate for the following reasons.

Notwithstanding net current liabilities of £42,236,000 as at the balance sheet date, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have performed a going concern assessment for a period of at least 12 months from the date of approval of these financial statements which indicates that, taking into account severe but plausible downside scenarios and the anticipated impact of the COVID-19, the Company will have sufficient funds through its cash balance, operating cash flows and through funding from its intermediate parent company Rentokil Initial 1927 plc to meet its liabilities as they fall due for that period. As at the balance sheet date the net asset position was £152,757,000 and cash balance of the Company was £27,953,000.

Severe but plausible scenarios considered include the social distancing measures and future lockdowns in 2021 and 2022. This downside scenario assumes a revenue decline of 30% against base budget, which is considerably worse than the Company's actual performance in 2020.

Rentokil Initial 1927 plc has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the debtor amount due at the balance sheet date of £4,486,000, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the Company will have sufficient funds to continue in operational existence and to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements, thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**Changes in accounting policies**

No significant changes in accounting policies have taken place.

**Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

**Financial instruments**

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

***Financial assets***

The Company classifies its financial assets as loans, receivables and cash and they are measured at amortised cost. The Company has not classified any of its financial assets as fair value through profit and loss or held to maturity.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**1. ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments (continued)**

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Short term debtors are measured at transaction price, less any impairment.

***Cash and cash equivalent***

Cash and cash equivalent is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

***Trade receivables***

The Company's trade receivables are recognised at the transaction price less provision for impairment. The amount of the provision is recognised in the income statement and movements on provisions for impaired trade receivables are recognised within operating expenses in the income statement. Amounts are generally charged to the provision for impairment of trade receivables when there is no expectation of recovering additional cash. Expected credit loss (ECL) calculations are performed quarterly and are used to help calculate the provision. ECL calculations are a probability weighted estimate of credit losses and are performed at country level. Credit risk factors that are considered as part of ECL calculations may include but are not limited to: payment history, customer size, customer type (national/residential/commercial/government), age of debt, industry strength, economy, product or service provided. There is limited concentration of credit risk with respect to trade receivables due to the Group's customer base being large and diverse. The amount of credit risk with respect to customers is represented by the carrying amount on the balance sheet. The Company policy is that credit facilities for new customers are approved by designated managers at regional level. Credit limits are set with reference to trading history and reports from credit rating agencies where they are available. Where this is not feasible the Company may request payment in advance of work being carried out, or settlement by credit card on completion of the work. There are no trade receivables that would otherwise be past due or impaired whose terms have been renegotiated.

***Financial liabilities***

The Company recognises its financial liabilities at amortised cost.

***Amortised cost***

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance Sheet.

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**1. ACCOUNTING POLICIES (CONTINUED)**

**Revenue recognition**

Revenue represents the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled. All revenue is considered revenue from contracts with customers as defined by IFRS 15, including job work and sale of goods. Under IFRS 15, revenue is recognised when a customer obtains control of goods or services in line with identifiable performance obligations. In the majority of cases the Company considers that the contracts it enters into are contracts for bundled services which are accounted for as a single performance obligation. Accordingly the majority of revenue across the Company is recognised on an output basis evenly over the course of the contract because the customer simultaneously receives and consumes the benefits provided by the Company's performance as it performs. Job work is short-term contract revenue whereby the period of service is typically less than one month in duration. The performance obligations linked to this revenue type are individual to each job due to their nature, with revenue being recognised at a point in time on completion. Where consumables are supplied separately from the service contract, revenue is recognised at the point the goods transfer. The transaction price reported for all contracts is the price agreed in the contract and there are no material elements of variable consideration, financing component or non-cash consideration. The Company applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations because the Company has a right to consideration from customers in an amount that corresponds directly with the value to the customer of the performance obligations completed to date. There are no circumstances in which the Company acts as an agent.

Disaggregation of revenue into major types of revenue stream is shown in Note 2. Segmental Reporting.

The Company makes a charge against revenue for credit notes not yet issued at the balance sheet date. Due to prolonged government lockdowns in the year where customer premises were forced to be closed and could not be accessed for servicing, the credit note provision has increased significantly. This charge has been estimated using data on incomplete service visits and credit notes already issued in the year. The range of estimation uncertainty affecting the reported revenue of £287,010,000 is estimated to be between £(0.6)m and £4.7m. As the pandemic subsides during 2021 and lockdowns in the UK are lifted, the estimate of the level of credit notes required to be raised will become certain which will affect the amount of revenue recognised in 2021.

***Performance obligations***

***Revenue recognised over time – contract service revenue***

These are mainly full service contracts, inclusive of equipment, maintenance and consumables as required. The inclusive service is treated as a single performance obligation.

*Pest Control:* the Company offers a range of services with by far the most common being General Pest Maintenance Contracts. Under this type of contract the Company promises to provide a pest control service for the duration of the contract. In order to fulfil this promise equipment is supplied (such as bait boxes) and a technician maintains and monitors the equipment at a set number of visits per year, plus any additional call-outs as required; so there is a stand-ready element to the service as well as an ongoing service. The Company considers that this type of contract is a bundled service as the goods and services are not distinct in the context of the contract; equipment is not supplied without service.

*Hygiene:* the Company offers a similar type of service to Pest Control, providing washroom equipment, consumables and a technician to service the washroom. This type of contract will include a set number of visits. Dispensers are replenished by the technician. Management considers that the supply of goods and services are not distinct in the context of the contract. Dispensers and other equipment would not be supplied without providing the full service; the equipment is controlled by the Company and ownership does not transfer.

*Protect & Enhance:* contracts in this business category mainly relate to Ambius (interior landscaping). In Ambius the major types of contract are for supply and maintenance of interior plants. Maintenance is only offered for plants that were supplied by the Company and therefore the services are not distinct in the context of the contract. The assets are positioned and situated by our technicians and the customer is not permitted to relocate them. At the end of the contract any assets on the customer's site are recovered.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

*Revenue recognised at a point in time – job work*

These services are short term in nature and only an immaterial amount would straddle an accounting period end. There is usually only one performance obligation with revenue recognised at the point of completion of the work.

**Pest Control:** an example of this type of revenue in the Pest Control category is bird-proofing which is a one-off installation that, depending on the size of the site, may take between a few days and several weeks to complete. There is a single performance obligation (to install bird-proofing) and the customer is billed, and revenue recognised, at the end of the job.

**Hygiene:** this type of revenue is generated by our Specialist Hygiene team who perform specialist cleaning services such as graffiti removal, deep cleaning of kitchens and washrooms, trauma cleaning, flood or fire damage cleaning. These are usually short-term jobs (under one week) and usually there is a single performance obligation with revenue recognised on completion of the job.

**Protect & Enhance:** this type of revenue is generated in our Ambius business and includes work such as Christmas installations (trees and decorations). There is usually a single performance obligation with revenue recognised at a point in time.

*Revenue recognised at a point in time – sale of goods*

Sale of products and consumables relates mainly to the pest distribution businesses which sell pest control products to retailers and the pest control industry. In the Hygiene business there are some sales of consumables to customers. In all cases, revenue is recognised at the point in time that ownership transfers to the customer.

**Contract costs**

Contract costs are mainly incremental costs of obtaining contracts (primarily sales commissions directly related to contracts obtained), and to a lesser extent costs to fulfil contracts which are not within the scope of other standards (mainly incremental costs of putting resources in place to fulfil contracts). It is anticipated that these costs are recoverable over the life of the contract to which they relate. Accordingly the Company capitalises them as contract costs and amortises them over the expected life of the contracts. The expected length of contracts across the Company and associated amortisation periods are between three and six years. The contract costs recognised in the balance sheet at the period end amounted to £7,001,000 (2019: £5,572,000).

Applying the practical expedient in paragraph 94 of IFRS 15, the Company recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Company otherwise would have recognised is one year or less.

**Contract assets**

Contract assets relate to the Company's right to consideration for performance obligations satisfied but where the customer has yet to be invoiced. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company issues an invoice to the customer. All opening balances have been invoiced in the year.

**Contract liabilities**

Contract liabilities relate to advance consideration received from customers where the performance obligations have yet to be satisfied. All opening balances have subsequently been satisfied in the year. In most business categories where revenue is recognised over time customers are invoiced in advance or simultaneously with performance obligations being satisfied.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**1. ACCOUNTING POLICIES (CONTINUED)**

**Tax**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

**Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment.

**Other intangible assets**

The following are the main categories of intangible assets with finite useful lives:

**(a) Customer lists and relationships**

Customer lists and relationships are acquired as part of business combinations. No value is attributed to internally generated customer lists or relationships.

**(b) Brands**

Brands are acquired as part of business combinations. No value is attributed to internally generated brands as expenditure incurred to develop, maintain and renew brands internally is recognised as an expense in the period incurred.

**(c) Computer software**

Costs that are directly associated with the production of identifiable and unique software products that are controlled by the Company (including employee costs and external software development costs) are recognised as intangible assets if they are expected to generate economic benefits beyond one year, in excess of their cost. Purchased computer software is initially recognised based on the costs incurred to acquire and bring it into use. Costs associated with maintaining computer software are recognised as an expense in the period in which they are incurred.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**1. ACCOUNTING POLICIES (CONTINUED)**

**Amortisation**

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

|                                  |            |
|----------------------------------|------------|
| Customer lists and relationships | 5-15 years |
| Brands                           | 2-15 years |
| Computer software                | 3-5 years  |

**Tangible fixed assets**

Tangible fixed assets are stated at cost less depreciation. Provision for depreciation of all tangible fixed assets of the company is made in equal annual instalments over their estimated useful lives, principally over the following periods:

|   |  |
|---|--|
| Motor vehicles                                      | 4 years  |
| Leasehold property improvements                     | Shorter of lease term or estimated useful life |
| Freehold buildings                                  | 100 years                                      |
| Plant and equipment incl service contract equipment | 3 – 10 years                                   |
| Office equipment, furniture and fittings.           | 5 – 10 years                                   |

**Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method and it includes all direct expenditure and related overheads incurred to the balance sheet date. Net realisable value is the estimated selling price less applicable variable selling expenses.

**Leases**

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**1. ACCOUNTING POLICIES (CONTINUED)**

**Leases (continued)**

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient

**Provisions**

The Company has Warranty/guarantee provisions and Onerous lease provisions.

Provisions are recognised when the Company has a present obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount is capable of being reliably estimated. If such an obligation is not capable of being reliably estimated it is classified as a contingent liability.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

When the effect of the time value of money is material, provision amounts are calculated on the present value of the expenditure expected to be required to settle the obligation. The present value is calculated using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The Company holds provision for costs relating to onerous lease contracts on properties it no longer occupies such as security, utilities and insurance. The majority of these contracts end within the next 12 months. On adoption of IFRS 16 Leases, all rental costs were transferred to lease liabilities.

The Company also has a provision for warranties. Provision is made for the estimated future costs of meeting claims under these warranties.

**Business combinations**

Transactions under common control are accounted for using book value accounting. The value of the net assets acquired is transferred at book value with any difference between the consideration paid and net assets acquired recorded as a dividend received or additional investment in subsidiary accordingly. Where the carrying value of the investment cannot be increased over its current carrying amount, the balance is recorded as a debit to equity in the form of a merger reserve.

Transactions to acquire the trade and assets of a business that is not already under common control are accounted for under IFRS 3. The value of the net assets acquired is transferred at fair value with any differences between consideration paid and net assets acquired being accounted for as goodwill.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**1. ACCOUNTING POLICIES (CONTINUED)**

**Judgments in applying accounting policies and key sources of estimation uncertainty**

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The only estimate and assumptions that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is discussed below.

**(a) Impairment of investments**

The Company is required to test for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. An impairment test was carried out in 2020, two full impairments and one partial impairment were recognised in the profit and loss account of £42,645,000 (2019: £1,754,000). The underlying investments have ceased trading no further return of investment is expected, see note 12.

**(b) Provisions**

The Company has an onerous contract provision which has been made for the residual lease commitments together with other outgoings.

The Company has a provision for warranties which is made for the cost of remedial works necessitated by Property Care customer claims for further or corrective work to be carried out without further charge under the Company's terms of business. (see accounting policy on 'Provisions' above). This provision is calculated on the historical claims rates over the last 30 years of trading. This assumption is that future claims will be incurred at the average rate of these historical transactions. The provision is not material to the Company.

The Company has provisions for bad debt. Due to the COVID-19 pandemic the risk of impairment of trade receivables has increased significantly in the year. ECL calculations reflect management's estimate of the increased risk that some customers will be unable to settle their debts. As the pandemic subsides the situation will become clearer and these estimates will change, which may mean a reduction or further increase in the provision over the next 12 months.

For 2020 the Company has also included a provision for hand sanitiser inventory which was bought at a higher price than usual due to the COVID 19 impact. A judgement has been made regarding this inventory to determine net realisable value.

**(c) IFRS 16 length of each lease: whether to include options to extend and/or termination options when calculating the lease liability.**

**(d) Revenue recognition**

The COVID-19 pandemic forced customer's premises to close during periods of lockdown. Although the Company remained open for servicing, and completed the vast majority of its service obligations to its usual high levels of service, where premises were forced to be closed, we were not always able to complete the service obligations and therefore the Company has made a charge against revenue and holds a credit note provision for credit notes not yet issued at the balance sheet date. The Company has been in discussion with customers over the impact of their premise closures on service delivery completion. The Company has made some key assumptions on the level of credit note provision required on where it still cannot be certain that all service obligations are caught up or resolved to the customer's satisfaction. Refer to revenue recognition accounting policies in page 16 for sensitivity disclosures.

**RENTOKIL INITIAL UK LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2. SEGMENTAL REPORTING**

| <b>Revenue</b>                                   | <b><u>2020</u></b> | <b><u>2019</u></b> |
|--|--------------------|--------------------|
|  | <b>£'000</b>       | <b>£'000</b>       |
| <b>Business analysis – continuing operations</b> |                    |                    |
| Business Services                                | 228,562            | 190,566            |
| Manufacturing and supply                         | 58,448             | 61,629             |
| <b>Total operations</b>                          | <b>287,010</b>     | <b>252,195</b>     |

Revenues are primarily generated in the United Kingdom. All revenue types are in scope of IFRS 15 Revenue from Contracts with Customers. The Company has £7,001,000 (2019: £5,572,000) of assets as at the reporting date in relation to contract costs. These relate to the costs of obtaining contracts with customers. Contract costs are amortised when the related revenues are recognised. In the current period, the amount of amortisation was £1,965,000 (2019: £986,000) and the impairment loss recognised was £nil (2019: £nil).

**3. INTEREST RECEIVABLE AND SIMILAR INCOME**

|                                | <b><u>2020</u></b> | <b><u>2019</u></b> |
|--------------------------------|--------------------|--------------------|
|                                | <b>£'000</b>       | <b>£'000</b>       |
| Intergroup interest receivable | -                  | 3,117              |
| Bank interest receivable       | -                  | -                  |
| Gain on exchange               | 251                | -                  |
|                                | <b>251</b>         | <b>3,117</b>       |

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

|                                    | <b><u>2020</u></b> | <b><u>2019</u></b> |
|------------------------------------|--------------------|--------------------|
|                                    | <b>£'000</b>       | <b>£'000</b>       |
| IFRS16 Interest payable            | 874                | 667                |
| Interest payable on bank overdraft | 69                 | 48                 |
| Loss on exchange                   | -                  | 582                |
| Other interest payable             | 39                 | -                  |
|                                    | <b>982</b>         | <b>1,297</b>       |



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**5. PROFIT BEFORE INTEREST**

|   |                      |                      |
|---|----------------------|----------------------|
| Operating profit is stated after charging:  | <u>2020</u><br>£'000 | <u>2019</u><br>£'000 |
| Employee costs                              | 95,224               | 84,403               |
| Direct materials and services               | 72,231               | 77,982               |
| Vehicle costs                               | 12,494               | 10,545               |
| Property costs                              | 5,834                | 4,616                |
| IFRS 16 depreciation (note 20)              | 11,138               | 8,217                |
| Contract costs amortisation                 | 1,965                | 986                  |
| Depreciation, amortisation and impairment   | 13,863               | 10,560               |
| Impairment of investments (note 12)         | 42,645               | 1,754                |
| One off items                               | 5,458                | (1,284)              |
| Auditors remuneration                       | 151                  | 149                  |
| Other operating expenses                    | 36,274               | 15,962               |
|   | <u>297,277</u>       | <u>213,890</u>       |
| Employee costs:                             |                      |                      |
| Wages and salaries                          | 84,824               | 75,085               |
| Social security costs                       | 7,361                | 6,717                |
| Contributions to defined contribution plans | 3,039                | 2,601                |
|   | <u>95,224</u>        | <u>84,403</u>        |

There are no other non-audit fees payable to KPMG LLP in respect of the current or prior period.

One off items relates to cost incurred in relation to restructuring activities in the year.

**6. EMPLOYEES**

|   |                       |                       |
|---|-----------------------|-----------------------|
|   | <u>2020</u><br>Number | <u>2019</u><br>Number |
| The average number of employees during the year was made up as follows: |                       |                       |
| Service and sales   | 2,563                 | 2,189                 |
| Administration  | 595                   | 539                   |
|   | <u>3,158</u>          | <u>2,728</u>          |

The costs of these employees are disclosed in note 5.

**7. GOVERNMENT GRANTS**

During 2020, in response to the global COVID-19 pandemic there were a number of government schemes made available providing wage subsidies for companies that had to shut or scale down operations. The Company received a total wage subsidy of £4,360,630 in 2020 (2019:£nil) through the Coronavirus Job Retention Scheme. The Company presents the grants by deducting from the related expense, which in this case is the employee benefit expense.

The Company deferred tax payments during 2020 for both PAYE and VAT liabilities as per government scheme guidelines. All tax liabilities were paid in full during 2020.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**8. DIRECTORS REMUNERATION**

The Company directors are also directors of fellow group subsidiaries. The remuneration stated is the best estimated allocation of Kris Hampson, Grace Harris and Phill Wood's remuneration for relevant services for the Company during 2020.

Daragh Fagan is a director of Rentokil Initial 1927 plc and provides his services primarily to that company. As such his remuneration is paid by and disclosed in the accounts of Rentokil Initial 1927 plc. These disclosures therefore exclude this director as his services to the Company were of negligible value. From 1 September 2020, Kris Hampson also provided his services primarily to Rentokil Initial 1927 plc and as such his remuneration from this date is paid by and disclosed in its accounts.

|   | <u>2020</u><br><u>£'000</u> | <u>2019</u><br><u>£'000</u> |
|---|-----------------------------|-----------------------------|
| Directors' emoluments in respect of qualifying services | 465                         | 503                         |
| Gains from the exercise of share options                | -                           | 3,744                       |
| Company contributions to defined contribution scheme    | 9                           | 5                           |
|   | <u>474</u>                  | <u>4,252</u>                |

The highest paid Director received remuneration of £301,300 (2019: £3,800,500).

No Company contributions were paid to a defined contribution pension scheme in respect of the highest paid Director (2019: £nil). £32,200 was paid in lieu of this as a cash allowance, which has been disclosed as part of the Directors' emoluments (2019: £21,100).

During the year three directors received shares under the Rentokil Initial plc Performance Share Plan (2019: 2) although no directors' exercised awards (2019: 2). Full details of the Rentokil Initial plc Performance Share Plan can be found in the annual report for Rentokil Initial plc, a copy of which can be obtained from the address given in note 23.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**9. TAXATION ON PROFIT**

|   | <u><b>2020</b></u><br><b>£'000</b> | <u><b>2019</b></u><br><b>£'000</b> |
|---|------------------------------------|------------------------------------|
| <b>Current Tax:</b>                         |                                    |                                    |
| UK corporation tax on profits of the period | 6,559                              | 7,000                              |
| Adjustment in respect of previous periods   | (714)                              | (115)                              |
| <b>Tax on profit</b>                        | <b>5,845</b>                       | <b>6,885</b>                       |
| <b>Deferred Tax:</b>                        |                                    |                                    |
| - Origination/reversal of timing difference | (550)                              | 986                                |
| - Adjustment in respect of prior periods    | (82)                               | (100)                              |
| <b>Tax on profit</b>                        | <b>5,213</b>                       | <b>7,771</b>                       |

The current tax charge for the period is higher (2019: lower) than the standard rate of corporation tax in the UK 19.00% (2019: 19.00%). The differences are explained below:

|   | <u><b>2020</b></u><br><b>£'000</b> | <u><b>2019</b></u><br><b>£'000</b> |
|---|------------------------------------|------------------------------------|
| (Loss)/Profit before tax  | (10,969)                           | 41,000                             |
| Profit multiplied by the standard rate of corporation tax in the UK at 19.00%<br>(2019: 19.00%) | (2,084)                            | 7,790                              |
| Effects of:   |                                    |                                    |
| Disallowable expenses   | 8,244                              | 403                                |
| Share based payments  | (144)                              | (57)                               |
| Income not taxed  | (6)                                | (150)                              |
| Deferred tax current year rate differential   | -                                  | -                                  |
| Prior year adjustment in respect of capital allowance disclaims                                 | -                                  | -                                  |
| Prior year adjustment (other)   | (797)                              | (215)                              |
| <b>Current tax charge for the year</b>  | <b>5,213</b>                       | <b>7,771</b>                       |

Included within disallowed expenses is £8,102,000 relating to a permanent tax difference from impairment in investment.

Included in the Finance Bill 2021, which was substantially enacted on 24 May 2021, was an increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023). The UK deferred tax asset at 31 December 2020 has been calculated based on the corporation tax rate that is expected to apply when the asset is realised.

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**10. INTANGIBLE FIXED ASSETS**

|                               | <u>Goodwill</u> | <u>Customer</u> | <u>Computer</u> | <u>Brands and</u> |              |
|-------------------------------|-----------------|-----------------|-----------------|-------------------|--------------|
|                               | <u>£'000</u>    | <u>Lists</u>    | <u>Software</u> | <u>other</u>      | <u>Total</u> |
|                               |                 | <u>£'000</u>    | <u>£'000</u>    | <u>£'000</u>      | <u>£'000</u> |
| <b>Cost</b>                   |                 |                 |                 |                   |              |
| At 1 January 2020             | 8,320           | 34,886          | 8,793           | 1,095             | 53,094       |
| Acquisition of businesses     | 3,889           | 1,691           | -               | -                 | 5,580        |
| Additions                     | -               | -               | 360             | 140               | 500          |
| Other/Reallocation            | -               | -               | 455             | -                 | 455          |
| Disposals                     | -               | -               | (1,662)         | -                 | (1,662)      |
| At 31 December 2020           | 12,209          | 36,577          | 7,946           | 1,235             | 57,967       |
| <b>Aggregate amortisation</b> |                 |                 |                 |                   |              |
| At 1 January 2020             | -               | 12,947          | 6,934           | 674               | 20,555       |
| Acquisition of businesses     | -               | 1,691           | -               | -                 | 1,691        |
| Amortised in the period       | -               | 4,729           | 861             | 163               | 5,753        |
| Other/Reallocation            | -               | -               | 404             | -                 | 404          |
| Disposals                     | -               | -               | (1,662)         | -                 | (1,662)      |
| At 31 December 2020           | -               | 19,367          | 6,537           | 837               | 26,741       |
| <b>Net Book Value</b>         |                 |                 |                 |                   |              |
| At 1 January 2020             | 8,320           | 21,939          | 1,859           | 421               | 32,539       |
| At 31 December 2020           | 12,209          | 17,210          | 1,409           | 398               | 31,226       |

The Company acquired goodwill from a fellow group company for book value of £3,889,000 during the year.

**11. TANGIBLE FIXED ASSETS**

|                                     | <u>Freehold and</u>    | <u>Vehicles and</u> | <u>Plant and</u>     |              |
|-------------------------------------|------------------------|---------------------|----------------------|--------------|
|                                     | <u>leasehold land</u>  | <u>office</u>       | <u>equipment</u>     |              |
|                                     | <u>&amp; buildings</u> | <u>equipment</u>    | <u>incl. service</u> | <u>Total</u> |
|                                     | <u>£'000</u>           | <u>£'000</u>        | <u>contract</u>      | <u>£'000</u> |
|                                     |                        |                     | <u>equipment</u>     |              |
|                                     |                        |                     | <u>£'000</u>         | <u>£'000</u> |
| <b>Cost</b>                         |                        |                     |                      |              |
| At 1 January 2020                   | 2,889                  | 6,433               | 39,971               | 49,293       |
| Additions                           | 96                     | 378                 | 8,481                | 8,955        |
| Impairments                         | -                      | -                   | -                    | -            |
| Transfer from other group companies | 306                    | 613                 | 4,519                | 5,438        |
| Disposals                           | -                      | (189)               | (5,889)              | (6,078)      |
| At 31 December 2020                 | 3,291                  | 7,235               | 47,082               | 57,608       |
| <b>Aggregate Depreciation</b>       |                        |                     |                      |              |
| At 1 January 2020                   | 270                    | 4,946               | 22,226               | 27,442       |
| Depreciation for the year           | 204                    | 517                 | 7,303                | 8,024        |
| Impairments                         | 108                    | 61                  | -                    | 169          |
| Transfer from other group companies | 248                    | 593                 | 3,828                | 4,669        |
| Disposals                           | -                      | (189)               | (4,996)              | (5,185)      |
| At 31 December 2020                 | 830                    | 5,928               | 28,361               | 35,119       |
| <b>Net Book Value</b>               |                        |                     |                      |              |
| At 1 January 2020                   | 2,619                  | 1,487               | 17,745               | 21,851       |
| At 31 December 2020                 | 2,461                  | 1,307               | 18,721               | 22,489       |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**12. INVESTMENTS – SHARES IN SUBSIDIARY UNDERTAKINGS**

Investments held as fixed assets are stated at cost less provisions for any impairment. In the opinion of the directors the value of the individual investments is not less than that shown in the balance sheet.

|                   | <u>2020</u><br>£'000 | <u>2019</u><br>£'000 |
|-------------------|----------------------|----------------------|
| At 1 January      | 112,555              | 100,482              |
| Additions         | 59,212               | 13,910               |
| Impairment charge | (42,645)             | (1,754)              |
| Disposals         | -                    | (83)                 |
| At 31 December    | 129,122              | 112,555              |

For full list of subsidiary undertakings please see Note 26.

In December 2019 the Company purchased the entire share capital of Environmental Contract Services for the consideration of £450,000. This transaction was omitted from 2019 in error, it is management's view this transaction is not material to require a prior year restatement and therefore is included as an addition in 2020 as a correction.

In February 2020 the Company purchased 100% of the share capital of Initial Medical Services Ltd for the consideration of £58,200,000. Following completion of the transfer of the trade and assets of the business to the Company in 2020, a partial impairment of £40,220,000 was recognised which is part of the total impairment charge detailed in the below paragraph. The remaining investment value of £17,980,000 is expected to be recovered in full through a final distribution in 2021.

The investment in Rapid Washrooms Ltd increased by £562,000 during 2020 as a result of a deferred consideration amount written off in 2019 was subsequently recognised as payable.

In 2018 the Company purchased 100% of the share capital of Cannon Hygiene Limited. Following completion of the transfer of the trade and assets of the business to the company in 2019, the remaining investment value of £17,713,000 is expected to be recovered in full through a final distribution in 2021.

An impairment test was carried out in 2020, the impairment charge was recognised in the profit and loss account of £42,645,000 (2019: £1,754,000) as a result of two investments with full impairment and one investment with partial impairment were identified (2019: 2). The underlying investments have all ceased trading no further return of investment is expected for the two investments impaired in full.

Total dividends received from direct investment holdings during the year amounted to £29,000 (2019: £792,000).

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**13. BUSINESS COMBINATIONS**

On 1 March 2020 the Company acquired the trade and assets of Initial Medical Services Limited. The detail of this acquisition is set out below:

|                              | <u><b>Initial Medical Services Limited</b></u><br><b>£'000</b> |
|------------------------------|--|
| Cash paid                    | 3,648  |
| Total purchase consideration | 3,648  |
| Net assets acquired          | 3,648  |
| Effect of common control     | -  |

|                         | <u><b>Initial Medical Services Limited</b></u><br><b>£'000</b> |
|-------------------------|--|
| Non-current assets      | 6,074  |
| Current assets          | 6,071  |
| Non-current liabilities | (7,477)  |
| Current liabilities     | (1,020)  |
| Net assets acquired     | 3,648  |

**14. STOCKS**

|                  | <u><b>2020</b></u><br><b>£'000</b> | <u><b>2019</b></u><br><b>£'000</b> |
|------------------|------------------------------------|------------------------------------|
| Raw materials    | 1,004                              | 613                                |
| Work in progress | 41                                 | 50                                 |
| Finished goods   | 17,924                             | 12,769                             |
|                  | <u>18,969</u>                      | <u>13,432</u>                      |

There is no material difference between the replacement value of stocks and the above amounts.

A provision for obsolete stock is included in finished goods of £5,754,671 in order to determine net realisable value of stock held.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**15. DEBTORS**

|  | <u>2020</u><br>£'000 | <u>2019</u><br>£'000 |
|--|----------------------|----------------------|
| <b>Amounts falling due within one year</b>       |                      |                      |
| Trade debtors                                    | 57,590               | 48,724               |
| Less: provision for impairment of trade debtors  | (3,017)              | (926)                |
| Trade debtors - net                              | 54,573               | 47,798               |
| Amounts owed by group undertakings               | 212,758              | 161,886              |
| Other debtors                                    | 4,185                | 1,373                |
| Prepayments and contract assets                  | 5,188                | 6,646                |
|  | 276,704              | 217,703              |
| <b>Amounts falling due in more than one year</b> |                      |                      |
| Deferred tax asset                               | 3,359                | 2,669                |
|  | 280,063              | 220,372              |

Contract assets represent revenue that has been recognised for performance obligations where satisfied but where the customer has yet to be invoiced.

Amounts owed by group and parent undertakings are non-interest bearing loans (2019: interest and non-interest bearing). Interest bearing loans of £nil (2019: £40,000,000) had an effective interest rate of 0% (2019: 4.5%) Non-interest bearing loans are unsecured and are payable on demand.

**16. DEFERRED TAX**

|  |                      |                      |
|--|----------------------|----------------------|
| <b>Deferred tax asset</b>                      | <u>2020</u><br>£'000 | <u>2019</u><br>£'000 |
| At 1 January                                   | 2,669                | 5,217                |
| Acquisition of businesses                      | 58                   | (1,662)              |
| Profit and loss – current year (see note 9)    | 550                  | (986)                |
| – prior year (see note 9)                      | 82                   | 100                  |
| At 31 December                                 | 3,359                | 2,669                |
| <b>Deferred tax comprises:</b>                 | <u>2020</u><br>£'000 | <u>2019</u><br>£'000 |
| Excess of depreciation over capital allowances | 2,582                | 1,788                |
| Contract costs                                 | (276)                | (412)                |
| Other timing differences                       | 1,053                | 1,293                |
|  | 3,359                | 2,669                |

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**17. CREDITORS**

|   | <u>2020</u><br>£'000 | <u>2019</u><br>£'000 |
|---|----------------------|----------------------|
| <b>Amounts falling due within one year</b>          |                      |                      |
| Bank overdraft                                      | 86                   | -                    |
| Trade creditors                                     | 11,683               | 14,589               |
| Amounts due to group undertakings                   | 252,183              | 188,876              |
| Other tax and social security                       | 10,056               | 11,795               |
| Corporation tax due on current year taxable profits | 6,650                | 7,501                |
| Other creditors                                     | 4,766                | 2,966                |
| Credit note provision                               | 22,331               | 707                  |
| Accruals and contract liabilities                   | 50,171               | 37,859               |
| Deferred consideration                              | 1,949                | 1,659                |
|   | <u>359,875</u>       | <u>265,952</u>       |

Amounts owed to group undertakings are non-interest bearing, unsecured and are repayable on demand. Deferred consideration is payable within one year with valuation based on working capital, revenue and customer retention metrics.

**18. PROVISIONS FOR LIABILITIES AND CHARGES**

|                              | <u>Warranty/<br/>guarantee claims<br/>provisions</u><br>£'000 | <u>Onerous lease<br/>provisions</u><br>£'000 | <u>Total</u><br>£'000 |
|------------------------------|---|--|-----------------------|
| At 1 January 2020            | 217   | 882  | 1,099                 |
| Additional provision created | -   | 1,215  | 1,215                 |
| Unused amounts released      | (18)  | (707)  | (725)                 |
| Utilised in year             | 21  | (85)   | (64)                  |
| At 31 December 2020          | <u>220</u>  | <u>1,305</u>                                 | <u>1,525</u>          |

**Warranty/guarantee claims provision**

Some service work is carried out under warranty. Provision is made for the estimated future costs of meeting claims under these warranties. These provisions are expected to be substantially utilised within the next five years.

**Onerous contract provision**

The Company has two vacant floors in properties that are otherwise utilised. One of these related to a property lease which came to an end in October 2019, this provision is still held for outstanding fees not received by the balance sheet date in relation to dilapidations and other costs. The second provision relates to a property lease which comes to an end in November 2021 held for the residual cost commitments for dilapidations and other fees.

**19. CALLED UP SHARE CAPITAL**

|  | <u>2020</u><br>£'000 | <u>2019</u><br>£'000 |
|--|----------------------|----------------------|
| 1,055,000 (2019: 1,055,000) allotted and fully paid ordinary shares of £1 each | 1,055                | 1,055                |



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**20. LEASES**

On 1 January 2019 the Group implemented IFRS 16.

The Company leases land and buildings, vehicles and other equipment. The lease durations vary from lease to lease according to the asset leased. Some of the Company's leases have extension and termination options attached to them. Lease extension options and lease termination options are only included in the calculation of the lease liability if there is reasonable certainty that they will be exercised. Judgement is required to determine the level of certainty.

A breakdown of the right-of-use (ROU) assets is shown below:

|                        | <u>Land and<br/>Buildings</u> | <u>Plant and<br/>Equipment</u> | <u>Motor<br/>Vehicles</u> | <u>Total<br/>2020</u> | <u>Total<br/>2019</u> |
|------------------------|-------------------------------|--------------------------------|---------------------------|-----------------------|-----------------------|
|                        | £'000                         | £'000                          | £'000                     | £'000                 | £'000                 |
| Net book value         |                               |                                |                           |                       |                       |
| At 1 January           | 7,203                         | 50                             | 18,112                    | 25,365                | 21,919                |
| Acquisition of company | 82                            | -                              | 962                       | 1,044                 | 5,984                 |
| Depreciation charge    | (2,530)                       | (32)                           | (8,576)                   | (11,138)              | (8,217)               |
| Additions              | 1,262                         | 26                             | 9,266                     | 10,554                | 6,385                 |
| Disposals              | -                             | -                              | 11                        | 11                    | (706)                 |
| Impairment             | (702)                         | -                              | -                         | (702)                 | -                     |
| At 31 December         | 5,315                         | 44                             | 19,775                    | 25,134                | 25,365                |

Analysis of the lease liabilities is shown below:

|                                 | <u>2020</u> | <u>2019</u> |
|---------------------------------|-------------|-------------|
|                                 | £'000       | £'000       |
| Lease liabilities under IFRS 16 |             |             |
| At 1 January                    | 25,475      | 21,492      |
| Acquisition of company          | 1,047       | 6,046       |
| Cash outflow                    | (11,688)    | (8,952)     |
| Interest                        | 871         | 690         |
| Additions                       | 12,854      | 6,363       |
| Disposals                       | (759)       | (164)       |
| At 31 December                  | 27,800      | 25,475      |

Analysed as follows:

|             |        |        |
|-------------|--------|--------|
| Non-current | 18,454 | 16,378 |
| Current     | 9,346  | 9,097  |
| Total       | 27,800 | 25,475 |

Lease liabilities are payable as follows:

|                                 | <u>Future minimum<br/>lease payments</u> | <u>Future minimum<br/>lease payments</u> |
|---------------------------------|--|--|
|                                 | <u>2020</u>                              | <u>2019</u>                              |
|                                 | £'000                                    | £'000                                    |
| Lease liabilities under IFRS 16 |  |  |
| Less than one year              | 10,214                                   | 9,865                                    |
| Between one and five years      | 18,035                                   | 16,760                                   |
| More than five years            | 757                                      | 494                                      |
| Future minimum payments         | 29,006                                   | 27,119                                   |
| Effect of discounting           | (1,206)                                  | (1,644)                                  |
| Carrying value                  | 27,800                                   | 25,475                                   |

Fair value is considered to be equal to carrying value for all lease liabilities.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**21. PENSION COMMITMENTS**

Employees of the Company are members of a defined contribution scheme therefore all contributions paid by the Company are accounted for with the charge to the profit and loss account being equal to the contributions payable to the Scheme in the accounting period.

**22. CONTINGENT LIABILITIES**

The Company has contingent liabilities relating to third parties, tax and litigation. The possibility of any significant loss in respect these items are considered remote.

**23. ULTIMATE PARENT COMPANY**

The Company's immediate parent company is Rentokil Initial (1896) Limited. The Company's ultimate parent company is Rentokil Initial plc, which forms the only group into which the financial statements of the company are consolidated. The consolidated financial statements of Rentokil Initial plc are available from Compass House, Manor Royal, Crawley, West Sussex, RH10 9PY.

**24. EVENTS AFTER THE BALANCE SHEET DATE**

A humanitarian donation of COVID 19 related inventory was made to India in 2021. This inventory had a stock value of £2.4m which has been written off to £nil value post year end.

**25. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES**

No significant changes in accounting policies have taken place.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**26. RELATED UNDERTAKINGS (SUBSIDIARIES AND OTHER ASSOCIATED UNDERTAKINGS)**

| <b>Name</b> | <b>Class of shares</b> | <b>Holding</b> |
|-------------|------------------------|----------------|
|-------------|------------------------|----------------|

**United Kingdom**

**Compass House, Manor Royal, Crawley, West Sussex, RH10 9PY**

|   |  |                              |
|---|--|------------------------------|
| Anzak Landscapes Limited                    | Ordinary   | 100%                         |
| BET Environmental Services Limited          | Ordinary   | 100%                         |
| CHL Legacy Limited                          | Ordinary   | 100%                         |
| Castlefield House Limited                   | Ordinary   | 100%                         |
| Enviro-Fresh Limited                        | Ordinary   | 100%                         |
| Environmental Contract Services Limited     | Ordinary   | 100%                         |
| Euroguard Technical Services Limited        | Ordinary   | 100%                         |
| Initial Medical Services Limited            | Ordinary   | 100%                         |
| Peter Cox Limited                           | Ordinary   | 100%                         |
| Prokill (UK) Limited                        | Ordinary   | 100%                         |
| Prokill Limited                             | Ordinary-A<br>Ordinary-B<br>Ordinary-C<br>Ordinary-D | 100%<br>100%<br>100%<br>100% |
| Pest Protection Services (Scotland) Limited | Ordinary-A   | 100%                         |
| Pest Protection Services (East) Limited     | Ordinary   | 100%                         |
| Rapid Washrooms Limited                     | Ordinary-A<br>Ordinary-B<br>Ordinary-C               | 100%<br>100%<br>100%         |
| Rentokil Initial Asia Pacific Limited       | Ordinary   | 81.43%                       |
| Rentokil Initial Investments South Africa   | Ordinary   | 81.43%                       |
| Rentokil Initial Services Limited           | Ordinary   | 100%                         |
| Rentokil Limited                            | Ordinary   | 81.43%                       |
| Rentokil Overseas Holdings Limited          | Ordinary   | 100%                         |
| Rentokil Property Care Limited              | Ordinary   | 100%                         |
| Stratton House Leasing Limited              | Ordinary   | 81.43%                       |

**The Ca'd'oro 45 Gordon Street Glasgow Scotland G1 3PE**

|                            |          |      |
|----------------------------|----------|------|
| Wise Property Care Limited | Ordinary | 100% |
|----------------------------|----------|------|

**Australia**

**Unit A1, Lidcombe Business Park, 3-29 Birnie Avenue 2141 Australia**

|   |          |        |
|---|----------|--------|
| Cannon Hygiene Australia Pty Limited      | Ordinary | 81.43% |
| Knock Out Pest Control Pty Limited        | Ordinary | 81.43% |
| Pest Away Australia Pty Limited           | Ordinary | 81.43% |
| Rentokil Australia Pty Limited            | Ordinary | 81.43% |
| Rentokil Initial Asia Pacific Pty Limited | Ordinary | 81.43% |
| Rentokil Initial Pty Limited              | Ordinary | 81.43% |
| Rentokil Pest Control (QLD) Pty Limited   | Ordinary | 81.43% |
| Rentokil Pty Limited                      | Ordinary | 81.43% |
| Green Fingers Plant Hire Pty Limited      | Ordinary | 81.43% |
| Rentokil Pest Holdings Pty Limited        | Ordinary | 81.43% |

**Austria**

**Brown-Boveri-Straße 8/2/8,2351, Wiener Neudorf, Austria**

|                       |          |        |
|-----------------------|----------|--------|
| Rentokil Initial GmbH | Ordinary | 81.43% |
|-----------------------|----------|--------|

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**Belgium**

**Ingberthoeveweg, 17, Aartselaar 2630, Belgium**

|               |          |        |
|---------------|----------|--------|
| Ambius N.V.   | Ordinary | 81.41% |
| Rentokil N.V. | Ordinary | 81.42% |

**Canada**

**8699 Escarpment Way, Milton, ON L9T 0J5, Canada**

|                     |        |        |
|---------------------|--------|--------|
| Residex Canada Inc. | Common | 81.43% |
|---------------------|--------|--------|

**3325 North Service Road, Burlington, ON L7N 3G2, Canada**

|                       |        |        |
|-----------------------|--------|--------|
| Direct Line Sales Ltd | Common | 81.43% |
|-----------------------|--------|--------|

**Suite 900, 1959 Upper Water Street, Halifax NS B3J 2X2, Canada**

|                             |        |        |
|-----------------------------|--------|--------|
| Rentokil Canada Corporation | Common | 81.43% |
|-----------------------------|--------|--------|

**Czech Republic**

**Praha 2, Vyšehradská 1349/2, Prague, PSČ 12800, Czech Republic**

|                          |          |        |
|--------------------------|----------|--------|
| Rentokil Initial, s.r.o. | Ordinary | 81.43% |
|--------------------------|----------|--------|

**Denmark**

**Paul Bergsøes Vej 22, 2600 Glostrup, Denmark**

|                      |          |        |
|----------------------|----------|--------|
| Rentokil Initial A/S | Ordinary | 81.43% |
|----------------------|----------|--------|

**Finland**

**Valuraudankuja 3, 00700 Helsinki, Finland**

|                     |          |        |
|---------------------|----------|--------|
| Rentokil Initial Oy | Ordinary | 81.43% |
|---------------------|----------|--------|

**France**

**191, rue des Docks, 76120, Le Grand Quevilly, France**

|              |          |        |
|--------------|----------|--------|
| Agronet SARL | Ordinary | 81.43% |
|--------------|----------|--------|

**6 Rue Livio, 67100 Strasbourg, France**

|                    |          |        |
|--------------------|----------|--------|
| CAFI SAS           | Ordinary | 81.43% |
| CAWE FTB Group SAS | Ordinary | 81.43% |

**13-27 avenue Jean Moulin, 93240, Stains, France**

|   |          |        |
|---|----------|--------|
| Ambius SAS                                  | Ordinary | 81.43% |
| Rentokil Initial Environmental Services SAS | Ordinary | 81.43% |
| Rentokil Initial SAS                        | Ordinary | 81.43% |

**145, rue de Billancourt, 92100 Boulogne Billancourt, France**

|                                       |          |        |
|---------------------------------------|----------|--------|
| Initial SAS                           | Ordinary | 81.43% |
| Initial Hygiene Services SAS          | Ordinary | 81.43% |
| Rentokil Initial Holdings (France) SA | Ordinary | 81.43% |
| SCI Gravigny                          | Ordinary | 47.26% |
| SCI Vargan                            | Ordinary | 81.43% |

**41 Avenue de La Porte de Villiers, 92200 Neuilly-Sur-Seine, France**

|                        |          |        |
|------------------------|----------|--------|
| SCI Pierre Brossolette | Ordinary | 26.25% |
|------------------------|----------|--------|

**Z.A. des Quatre Chemins, BP 21, 95540 Mery-sur-Oise, France**

|               |          |        |
|---------------|----------|--------|
| Technivap SAS | Ordinary | 81.43% |
|---------------|----------|--------|

**RENTOKIL INITIAL UK LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Greece**

**7 Aristotelous Street, Tavros, Athens 177 78, Greece**

|                             |          |        |
|-----------------------------|----------|--------|
| Rentokil Initial Hellas EPE | Ordinary | 78.25% |
|-----------------------------|----------|--------|

**Hong Kong**

**23/F Westin Centre, 26 Hung To Rd, Kwun Tong, Hong Kong**

|                                       |          |        |
|---------------------------------------|----------|--------|
| Rentokil Hong Kong Investment Limited | Ordinary | 81.43% |
| Rentokil Initial Hong Kong Limited    | Ordinary | 81.43% |

**India**

**No. 105, 4th Floor, Sreela Terrace, Ist Main Road, Gandhi Nagar, Adyar, Chennai, 600 020, India**

|                                |          |      |
|--------------------------------|----------|------|
| Rentokil India Private Limited | Ordinary | 100% |
|--------------------------------|----------|------|

**Villa No.3, Crescent Village, Candolim, Goa, 403515, India**

|                                  |          |        |
|----------------------------------|----------|--------|
| PCI Pest Control Private Limited | Ordinary | 46.41% |
|----------------------------------|----------|--------|

**2nd floor, Narayani, Ambabai Temple Compound, Aarey Road, Goregaon West Mumbai , Mumbai City, MH 400104 IN, India**

|  |          |        |
|--|----------|--------|
| Rentokil Initial Hygiene India Private Limited | Ordinary | 81.43% |
|--|----------|--------|

**Ground Floor, Gala No.4, Bldg No.18B, Sagedpool, Andheri Kur, India**

|  |          |        |
|--|----------|--------|
| Corporate Millennium Hygiene Solutions Private | Ordinary | 81.43% |
|--|----------|--------|

**Luxembourg**

**Rue de la Chapelle 47, 4967 Clemency, Luxembourg**

|                            |          |        |
|----------------------------|----------|--------|
| R-Control Désinfections SA | Ordinary | 81.42% |
| Rentokil Luxembourg Sàrl   | Ordinary | 81.42% |

**Macau**

**Rua Pescadores, Numero de policla 354 Ander 5, Moradia H, Edif Ind Nam Fung, Macau**

|  |          |      |
|--|----------|------|
| Rentokil Initial Hong Kong Limited - Macau | Ordinary | 100% |
|--|----------|------|

**Mozambique**

**Avenida da Namaacha, kilometro 6, Residencial Mutateia, Cidade da Matola, Mozambique**

|                                      |          |        |
|--------------------------------------|----------|--------|
| Rentokil Initial Mozambique Limitada | Ordinary | 81.43% |
|--------------------------------------|----------|--------|

**Netherlands**

**Impact 6, 6921 RZ Duiven, Netherlands**

|           |          |        |
|-----------|----------|--------|
| Ambius BV | Ordinary | 81.43% |
|-----------|----------|--------|

**Oude Middenweg 75, 2491 AC Den Haag 1191 BN Ouderkerk, Den Haag, Netherlands**

|   |          |        |
|---|----------|--------|
| BET Finance BV                          | Ordinary | 81.43% |
| BET (Properties) BV                     | Ordinary | 81.43% |
| BV Rentokil Funding                     | Ordinary | 81.43% |
| Rentokil Initial International BV       | Ordinary | 81.43% |
| Rentokil Initial Overseas (Holdings) BV | Ordinary | 81.43% |

**Ravenswade 54-S, 3439, Nieuwegein, LD, Netherlands**

|                     |          |        |
|---------------------|----------|--------|
| Rentokil Initial BV | Ordinary | 81.43% |
|---------------------|----------|--------|

**Frontstraat 1a, 5405 AK, Uden, Netherlands**

|                             |          |        |
|-----------------------------|----------|--------|
| Holland Reconditionering BV | Ordinary | 81.43% |
|-----------------------------|----------|--------|

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**Norway**

**Frysjavaen 40, Postboks 24 Okern, Oslo 0508, Norway**

|                           |          |        |
|---------------------------|----------|--------|
| Rentokil Initial Norge AS | Ordinary | 81.43% |
|---------------------------|----------|--------|

**People's Republic of China**

**Room 623-624, No. 27 Middle of the Northern Sanhuan street, Xi Cheng District, Beijing, China**

|                                |          |        |
|--------------------------------|----------|--------|
| Rentokil Initial China Limited | Ordinary | 81.43% |
|--------------------------------|----------|--------|

**Portugal**

**EN 115, Km 78,67, 2664-502, São Julião do Tojal, Portugal**

|   |          |        |
|---|----------|--------|
| Rentokil Initial Portugal – Serviços de Protecção Ambiental Lda | Ordinary | 81.41% |
|---|----------|--------|

**Republic of Ireland**

**Hazel House, Millennium Park, Naas, County Kildare W91PXP3, Ireland**

|   |          |        |
|---|----------|--------|
| Rentokil Initial Holdings (Ireland) Limited | Ordinary | 81.43% |
|---|----------|--------|

**Saudi Arabia**

**PO Box 30164, Office No. 401, 4th Floor, Al Tamimi Building, Al Khobar, North Al Khobar 31952, Saudi Arabia**

|                                    |          |        |
|------------------------------------|----------|--------|
| Rentokil Saudi Arabia Limited (JV) | Ordinary | 48.86% |
|------------------------------------|----------|--------|

**Singapore**

**No. 16 & 18 Jalan Mesin, 368815 Singapore**

|  |          |        |
|--|----------|--------|
| Pestterminator Pte Limited                           | Ordinary | 81.43% |
| Rentokil Initial Asia Pacific Management Pte Limited | Ordinary | 81.43% |
| Rentokil Initial Singapore Private Limited           | Ordinary | 81.43% |
| Rentokil Pest Management Pte Limited                 | Ordinary | 81.43% |

**Sri Lanka**

**No. 307, Negombo Road, Peliyagoda, Sri Lanka**

|   |          |        |
|---|----------|--------|
| Rentokil Initial Ceylon (Private) Limited | Ordinary | 81.43% |
|---|----------|--------|

**Slovakia**

**Kopcianska 10, Bratislava, 851 01, Slovakia**

|                         |          |        |
|-------------------------|----------|--------|
| Rentokil Initial s.r.o. | Ordinary | 69.21% |
|-------------------------|----------|--------|

**South Africa**

**2 Stignant Road, Claremont 7708, South Africa**

|  |          |        |
|--|----------|--------|
| Newshelf 1232 (Pty) Ltd                  | Ordinary | 25%    |
| Rentokil Initial BEE Share Trust         | Ordinary | 40.71% |
| Rentokil Initial (Dikapi) JV Pty Limited | Ordinary | 36.03% |
| Rentokil Initial (Proprietary) Limited   | Ordinary | 61.07% |

**Unit D12 Connaught Park, Riley Road, Beaconvale, Parow, 7000, South Africa**

|                                 |          |        |
|---------------------------------|----------|--------|
| Cannon Hygiene (SA) Pty Limited | Ordinary | 81.43% |
|---------------------------------|----------|--------|

**Swaziland**

**Umkhwi House Lot 195, Karl Grant Street, Mbabane, Swaziland**

|                                      |          |        |
|--------------------------------------|----------|--------|
| Rentokil Initial Swaziland (Pty) Ltd | Ordinary | 81.43% |
|--------------------------------------|----------|--------|

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Sweden**

**Avestagatan 61, 163 53 Spånga, Sweden**

|                               |          |        |
|-------------------------------|----------|--------|
| Ambius AB                     | Ordinary | 81.43% |
| Rentokil AB                   | Ordinary | 81.43% |
| Sweden Recycling AB           | Ordinary | 81.43% |
| Rent a Plant Interessenter AB | Ordinary | 81.43% |

**Switzerland**

**Hauptstrasse 181, 4625 Oberbuchsiten, Oberbuchsiten, Switzerland**

|                     |          |        |
|---------------------|----------|--------|
| Rentokil Schweiz AG | Ordinary | 81.43% |
|---------------------|----------|--------|

**Taiwan**

**7F, No.56, Lane 258, Rueiguang Rd, Neihu District, Taipei, 114 Taiwan**

|  |          |        |
|--|----------|--------|
| Initial Hygiene Co Limited                                 | Ordinary | 100%   |
| Rentokil Ding Sharn Co Limited                             | Ordinary | 100%   |
| Rentokil Initial Singapore Private Limited (Taiwan Branch) | Ordinary | 81.43% |

**Thailand**

**160 Vibhavadi Rangsit Road, Khwaeng Dindaeng, Khet Dindaeng, Bangkok 10400, Thailand**

|                                     |          |       |
|-------------------------------------|----------|-------|
| Rentokil Initial (Thailand) Limited | Ordinary | 47.5% |
| Cannon Pest Management Co. Limited  | Ordinary | 47.5% |

**Tunisia**

**Zone Industrielle route de Moknine, 5080 Teboulba, Tunisia**

|           |          |      |
|-----------|----------|------|
| CAP Tunis | Ordinary | 100% |
|-----------|----------|------|

**United Arab Emirates**

**1001 & 1009 Tameem, House Tecom, Dubai, United Arab Emirates**

|   |          |      |
|---|----------|------|
| Rentokil Initial Pest Control LLC                       | Ordinary | 49%  |
| Rentokil Initial Pest Control LLC – Branch of Abu Dhabi | Ordinary | 49%  |
| Rentokil Initial UK Limited – Libya Branch              | Ordinary | 100% |
| National Pest Control LLC                               | Ordinary | 24%  |

**United States**

**PO Box 4510, 10 Free Street, Portland, ME 04112, United States**

|                         |          |       |
|-------------------------|----------|-------|
| Asiatic Investments Inc | Ordinary | 47.5% |
|-------------------------|----------|-------|

**Associated Undertakings:**

**Japan**

**Kyoritsu Seiyaku Building, 1-5-10 Kudan, Minami Chiyoda-Ku, Tokyo, Japan**

|                       |          |     |
|-----------------------|----------|-----|
| Nippon Calmic Limited | Ordinary | 49% |
|-----------------------|----------|-----|