

## **RENTOKIL INITIAL PLC (RTO)** PRELIMINARY RESULTS FOR YEAR ENDED 31 DECEMBER 2012

Results	Q4 2012 Growth				Growth		
	AER	AER	CER	AER	AER	CER	
Revenue	663.2	0.7%	3.0%	2,546.3	0.1%	2.8%	
Adjusted operating profit <sup>1</sup>	74.1	9.3%	13.8%	222.8	(0.8%)	5.1%	
Adjusted profit before tax <sup>1</sup>	64.4	11.4%	15.9%	191.1	3.6%	10.1 %	
(Loss)/profit before tax	(0.2)	n/a	n/a	82.7	n/a	n/a	
Operating cash flow <sup>2</sup>	91.6	24.3%	28.5%	157.0	1.5%	9.8%	
Basic adjusted EPS <sup>3</sup>				7.73p	3.3%	n/a	

## 2012 Highlights (at CER)

- Revenue and profit improvement in all divisions despite market challenges:
  - Group revenue +2.8%, +0.8%\* organic
  - Asia revenue +6.2%, City Link +4.8%, Pest Control +2.8%\*\*, Textiles & Hygiene +2.5%, Initial Facilities +3.8%
  - Acquisitions performing well, contributing 2.4%, net £61m, of revenue growth
  - A strong finish to 2012, Q4 adjusted profit before tax up 15.9%, FY +10.1%
- Expansion of Rentokil Pest Control footprint through acquisition of Western Exterminator and bolt-ons in North, Central, South America and Middle East
- Solid performance from Textiles & Hygiene in tough conditions
- Strong performance from Asia (notably Malaysia, China and India)
- Good progress from City Link: volumes +17% year on year; losses reduced by £5m of which £4m in Q4
- Initial Facilities transition from cleaning to Total Facilities Management moving rapidly
- Cost savings of £59m (vs. target £50m); target for 2013 £50m
- Final dividend up 7.5% to 1.43p (2011: 1.33p) for full year total of 2.10p

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

"Rentokil Initial finished the year strongly, with adjusted profit before tax up 15.9% in Q4 and 10.1% for 2012 as a whole at constant exchange rates. These results were broad based, with every division improving both revenue and profit. Furthermore, we increased organic revenue growth by 1.3% from negative 0.5% to positive 0.8% (excluding Initial Facilities Spain) despite difficult market conditions for our largest businesses.

"Our organisation has matured considerably in the past 24 months with global leadership established for major business functions including Marketing & Innovation. This has enabled us to evolve to an integrated countrybased operating model with central and regional support.

"While we remain mindful of continuing tough conditions across many of our markets, the operational changes we made during the year, together with the acquisition of Western Exterminator in December, give us confidence that 2013 will see us sustain the momentum we achieved in the final quarter of 2012."

AER - actual exchange rates; CER - constant 2011 exchange rates

<sup>\*</sup> excluding Initial Facilities Spain where the business is being scaled down to reduce financial exposure. This has impacted group performance by 0.4% but has led to profit improvement in Initial Facilities Spain
\*\* includes Ambius operations, post its integration into the Pest Control division

before amortisation and impairment of intangibles (excluding computer software), reorganisation costs and one-off items

cash flow before interest, tax, acquisitions, disposals and foreign exchange adjustments

<sup>&</sup>lt;sup>3</sup> earnings per share before the after tax effects of amortisation and impairment of intangibles (excluding computer software). reorganisation costs and one-off items

## FINANCIAL SUMMARY

£million	Fo	ourth Quar	ter	Full Year			
	2012	2011	change	2012	2011	change	
Continuing Operations <sup>1</sup>							
At 2011 constant exchange rates <sup>2</sup>							
Revenue	683.2	663.1	3.0%	2,614.8	2,544.3	2.8%	
Adjusted operating profit <sup>3</sup>	78.4	68.9	13.8%	236.1	224.7	5.1%	
Reorganisation costs and one-off items -							
operating <sup>4</sup>	(26.2)	(11.9)	(120.2%)	(53.6)	(38.2)	(40.3%)	
Amortisation and impairment of intangible assets <sup>5</sup>	(8.3)	(162.1)	94.9%	(25.7)	(196.7)	86.9%	
Operating profit / (loss)	43.9	(105.1)	n/a	156.8	(10.2)	n/a	
One-off items - financing	(31.4)	-	n/a	(31.4)	-	n/a	
Share of profit from associates (net of tax)	0.9	1.0	(10.0%)	4.6	4.3	7.0%	
Net interest payable	(10.9)	(10.9)	-	(37.7)	(44.6)	15.5%	
Profit / (loss) before tax	2.5	(115.0)	n/a	92.3	(50.5)	n/a	
Adjusted profit before tax <sup>3</sup>	68.4	59.0	15.9%	203.0	184.4	10.1%	
Operating cash flow <sup>6</sup>	96.1	74.8	28.5%	169.8	154.7	9.8%	
Continuing Operations <sup>1</sup>							
At actual exchange rates							
Revenue	663.2	658.4	0.7%	2,546.3	2,544.3	0.1%	
Adjusted operating profit <sup>3</sup>	74.1	67.8	9.3%	222.8	224.7	(0.8%)	
Reorganisation costs and one-off items -	(OF 4)	(44.0)	(440.70/)	(E4 O)	(20.2)	(05.00()	
operating <sup>4</sup>	(25.1)	(11.8)	(112.7%)	(51.8) (25.2)	(38.2)	(35.6%)	
Amortisation and impairment of intangible assets <sup>5</sup> Operating profit / (loss)	(8.1) 40.9	(162.2)	95.0% n/a	145.8	(196.7)	87.2% n/a	
One-off items - financing	(31.4)	(100.2)	n/a	(31.4)	(10.2)	n/a	
Share of profit from associates (net of tax)	0.8	1.0	(20.0%)	4.6	4.3	7.0%	
Net interest payable	(10.5)	(11.0)	4.5%	(36.3)	(44.6)	18.6%	
Profit / (loss) before tax	(0.2)	(116.2)	n/a	82.7	(50.5)	n/a	
Taxation	(/	(110.2)	.,,	(29.0)	(16.6)	(74.7%)	
Profit / (loss) after tax				53.7	(67.1)	n/a	
Adjusted profit before tax <sup>3</sup>	64.4	57.8	11.4%	191.1	184.4	3.6%	
Operating cash flow <sup>6</sup>	91.6	73.7	24.3%	157.0	154.7	1.5%	
Basic earnings per share	23		2	2.83p	(3.84p)	n/a	
Basic adjusted earnings per share <sup>7</sup>				7.73p	7.48p	3.3%	
Dividend per share (proposed/paid)				1.43p	1.33p	7.5%	
						0,0	

<sup>1</sup> all figures are for continuing operations

<sup>4</sup> see Appendix 5 for further details

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

This announcement contains statements that are, or may be, forward-looking regarding the group's financial position and results, business strategy, plans and objectives. Such statements involve risk and uncertainty because they relate to future events and circumstances and there are accordingly a number of factors which might cause actual results and performance to differ materially from those expressed or implied by such statements. Forward-looking statements speak only as of the date they are made and no representation or warranty, whether expressed or implied, is given in relation to them, including as to their completeness or accuracy or the basis on which they were prepared. Other than in accordance with the Company's legal or regulatory obligations (including under the Listing Rules and the Disclosure and Transparency Rules), the Company does not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise. Information contained in this announcement relating to the Company or its share price, or the yield on its shares, should not be relied upon as an indicator of future performance. Nothing in this announcement should be construed as a profit forecast.

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A presentation for analysts and shareholders will be held on Friday 15 March 2013 at 9:15am at the Inmarsat Conference Centre, 99 City Road, London, EC1Y 1AX. This will be available via a live audio web cast at <a href="www.rentokil-initial.com">www.rentokil-initial.com</a>.

<sup>&</sup>lt;sup>2</sup> results at constant exchange rates have been translated at the full year average exchange rates for the year ended 31 December 2011. £/\$ average rates: FY 2012 1.5898; FY 2011 1.6057, £/€ average rates: FY 2012 1.2320; FY 2011 1.1532

<sup>&</sup>lt;sup>3</sup> before amortisation and impairment of intangibles (excluding computer software), reorganisation costs and one-off items

<sup>5</sup> including impairment of intangibles of £1.3m (2011: £149.2m) at constant and actual rates of exchange (excluding computer software)

<sup>&</sup>lt;sup>7</sup> earnings per share before the after tax effects of amortisation and impairment of intangibles (excluding computer software), reorganisation costs and one-off items

## **Basis of preparation**

Segmental information has been presented in accordance with IFRS 8 "Operating Segments" which the group has implemented with effect from 1 January 2009. This statement reflects internal organisation changes made in 2012 with Pacific business units transferring from the Asia division to the Textiles & Hygiene division, the integration of Ambius into the Pest Control division, the UK Specialist Hygiene business unit transferring from the Pest Control division to the Initial Facilities division and the Medical Services business units transferring from the Textiles & Hygiene division to the Pest Control division. The segmental information also reflects changes made in 2011 with our Scandinavian and Iberian Textiles & Hygiene business units and some small pest control business units transferring from the Textiles & Hygiene division to the Pest Control division. Prior year comparisons have been restated. In all cases references to operating profit are for continuing businesses before amortisation and impairment of intangible assets (excluding computer software). References to adjusted operating profit and adjusted profit before tax also exclude operating reorganisation costs and one-off items, totalling a net cost of £51.8m (2011: £38.2m) that have had a significant impact on the results of the group. These costs have been separately identified as they are not considered to be "business as usual" expenses and have a varying impact on different businesses and reporting periods. Details of one-off items incurred in the period, for which adjustments have been made, are set out in Appendix 5. All comparisons are at constant 2011 full year average exchange rates.

The financial information in this statement does not constitute the company's statutory accounts for the years ended 31 December 2012 or 2011. The financial information for 2011 and 2012 is derived from the statutory accounts for 2011, which have been delivered to the registrar of companies, and 2012, which will be delivered to the registrar of companies and issued to shareholders in March 2013. The auditors have reported on the 2011 and 2012 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

## PERFORMANCE OVERVIEW

Over the last four years, the Company has invested in the capability of its people and systems. During 2012 we focused on delivering the benefits of this investment. Our four key objectives for the year were:

- 1. To turnaround the financial performance of City Link;
- 2. To drive greater customer satisfaction and retention through **customer care** and Customer Voice Counts ("CVC") initiatives;
- 3. To deliver £50 million **cost savings** from productivity, procurement and back office rationalisation initiatives; and
- 4. To achieve **growth** through marketing and innovation, Programme Olympic and acquisitions.

## 1. City Link

In 2012 City Link's management began implementation of a comprehensive recovery plan anticipated to show material improvements by Q3. The plan has delivered productivity savings through driver efficiency (supported by "route and round" optimisation and a move to variable pay for owner drivers) and reductions in trunking, warehouse operations and back office costs. Other initiatives have involved further strengthening of management capability, systems and processes and a review of sales effectiveness. Over the year City Link has achieved a 13% reduction in cost per delivery, volume growth of 17% and a 16% reduction in operating losses. However, offsetting this operational progress revenue per consignment (RPC) has declined by 10% as our sales mix has moved toward large Tier 1 Business to Consumer customers. Efforts to maximise retention of more profitable smaller customers is a key priority for 2013.

## 2. Customer care

Following the successful introduction of customer care technology in City Link we have begun to roll out best practice across the group. A major pilot is underway in Textiles & Hygiene France, with both Germany and the Benelux commencing pilots from Q2 2013. The group is also rolling out proactive customer account management processes following successful Programme Olympic pilots conducted in UK Pest and Hygiene in 2011. Customer Voice Counts (the group's survey of customer satisfaction), is now included in the bonus targets of many managers in order to drive outstanding customer service.

## 3. Cost savings

The group achieved £59m of cost savings (versus a target of £50m) in 2012 through a combination of restructuring, procurement, service productivity and back office rationalisation. Textiles & Hygiene delivered £18m savings from restructuring in France and Benelux, overheads and direct/indirect procurement. Pest Control generated cost savings of £15m from restructuring in North America, the UK and Nordics Ambius, Property Care, Medical and UK Washrooms operations. City Link delivered £17m from depot driver, warehouse and hub and trunking cost initiatives. £9m cost savings were generated in Initial Facilities from business restructuring, procurement, property rationalisation, workforce management and through the application of LEAN initiatives to improve gross margins. LEAN is a collection of tools, techniques and methods used to eliminate waste, improve customer experience and reduce costs.

Cost savings are calculated on a gross basis and do not take into account the impact of cost inflation in the business. In the current economic environment cost inflation in fuel, products and colleague remuneration has

been running at levels in excess of our ability to recover our cost increases through price increases with our customers. In addition, we continue to invest in the capability of the business, particularly in the areas of sales & marketing and information technology. These two factors have absorbed the cost savings generated in 2012, with profit growth effectively driven by increased revenues.

## 4. Growth

The Company's Marketing & Innovation (M&I) function made good progress in 2012. Its goal is to position Rentokil Initial as the industry leader in pest control and hygiene globally for a broad range of customer types. A 'Where to Play' & 'How to Win' framework has been established. Step 1 focuses on how to prioritise resource allocation ('Where to Play'). Step 2 relates to capturing growth opportunities and considers pricing, density, and service & product differentiation ('How to Win').

The M&I function has identified nine priority projects for implementation in a number of partner countries. Examples of some of these projects are:

- The roll out of 'Advantage', giving pest control sales colleagues a professional tool to conduct thorough surveys and produce comprehensive reports for customers in the field. 'Advantage' is now in use with over 100 UK surveyors and business benefits include improved surveyor productivity and retention and introduction of new services to customers. Launch in a number of European countries is the first stage of a wider implementation plan. Development of a similar tool for hygiene is underway post pilot studies in 2012 with phased roll out across hygiene's sales force planned for 2013.
- The further development of 'PestNetOnline' with the launch of 'PestConnect' remote monitoring.
- The launch of a premium hygiene product range, 'Reflection', roll-out of which commenced in June 2012. This fully serviced solution targets high-end customers such as luxury hotels, spas, corporate head offices and premium retail stores where image and customer perceptions are paramount. This is a key element of our strategy to regain a leading position in the premium washrooms sector.
- The launch of a new 'Signature' range of hygiene products following extensive research and development in 2012. This fully serviced solution will ultimately include 32 units, covering hand hygiene, cubicle hygiene, waste management and air hygiene. The range features modern rounded designs realised to exacting standards and antibacterial surfaces to help reduce the spread of germs. In parallel with this new product offer hygiene will introduce a new customer focused sales approach, incorporating new sales tools and training methods, as well as clear sector targets. Training will focus on providing customers with a fully structured hygiene survey using diagnostic service tools. Launch is planned for April 2013.
- A successful pilot of new hygiene working practices called 'On Site Service' ("OSS") for feminine hygiene units in Australia, Netherlands and South Africa was completed in 2012. Roll out will commence in a number of markets from Q1 2013 starting with Australia, in parallel with further pilot studies in South Africa.

## **Acquisitions & Disposals**

The group continues to pursue a strategy of growth through carefully targeted acquisitions and purchased a number of bolt-ons in the Pest Control, Initial Facilities and Textiles & Hygiene divisions during 2012 and a significant pest control acquisition in the US. In Pest Control we acquired businesses in Italy, Turkey, Brazil, Abu Dhabi, Dubai, Canada and the United States. We were particularly pleased to have acquired California-based pest control and distribution company, Western Exterminator ('Western'), for an initial consideration of \$92.6m (£57.1m) in December. The company's pest control business offers both residential (52%) and commercial (48%) services from 36 locations. The company's specialty products division, Target, is the West Coast's leading wholesale distributor of specialty agricultural chemicals, application equipment, products, supplies and services and operates from 13 branch locations. The acquisition of Western significantly expands Rentokil's service footprint in the US and positions it as the third largest player in the US pest control market. In 2012 the pest control and products distribution businesses of Western generated annualised revenues of £58.6m and £37.4m respectively (please see Note 18 for financial details of acquisition activity in 2012). The integration of Western is going well with current trading in line with expectations.

## **ORGANISATION CHANGE**

During the year the Company began the process of fully integrating Ambius into the Pest Control division under a single management structure by country or region. Ambius is now included in the Pest Control segmental reporting (see Appendices 1-5). This follows the implementation of integrated management in the Nordics, South Africa and elsewhere in the Rentokil Initial group. Further structural changes were implemented early in 2013 with the transfer of the pest control business units in France and Germany to the Textiles & Hygiene division.

From 1 January 2013 almost all our core businesses will be run on a day-to-day basis by one country manager per country. The country manager is responsible for all our core categories in his / her country – pest control, hygiene, workwear and plants. Countries have been grouped into three geographic regions – East, West and Asia – with each region being run by a senior managing director reporting to the CEO.

The countries are supported by functional and category teams organised on a global or regional basis. We believe this integrated operating model offers the best balance between driving country cost and growth synergies and also leveraging our international scale through knowledge transfer via global and regional functional and category teams.

As a result of these changes we will report group results on a major country, as well as category basis. The Americas, UK, Ireland, Nordics, Southern Europe, Middle East & Africa will form the West region. This region consists predominantly of pest control businesses but includes hygiene and the majority of our plants business. France, Benelux, the German speaking countries and Pacific will form the East region. This region contains all of our workwear category plus hygiene, pest control and plants. The Asia region will continue as before. City Link and Initial Facilities will continue to be reported separately as divisions.

## **FUNDING**

At 31 December 2012 the group had net debt of £989.5m and a strong liquidity position, comprising over £200m of funds and £510m of available undrawn committed facilities, with £50m of bond maturities in 2013. This follows the issuance in September of a €500m seven-year bond paying a coupon of 3.375%.

The bond has provided funding for:

- The acquisition of the Western business at a cost of \$92.6m (£57.1m)
- The repurchase of the group's £75m puttable/callable resettable bond at its fair value of £103.7m
- The repurchase of €14.5m of the €500m 2014 bond at a premium of £0.6m

It will also provide funding for:

- The repayment at maturity of the group's £50m bond maturing September 2013
- An element of the group's €500m 2014 maturity

The group signed a two-year £240m revolving credit facility (RCF) in December 2012 to provide further liquidity for the €500m 2014 maturity.

The group's policy is to fund maturities at least 12 months in advance, in accordance with Standard and Poor's liquidity requirements for investment grade companies.

In assessing the appropriateness of the going concern assumption, the directors considered a base case using the above forecasts and sensitivity analysis including a downside scenario to ensure that headroom and covenants would not be breached.

It was considered that in the event cash flows from trading, acquisitions or disposals were significantly below expectations, operating capital expenditure, or bolt-on acquisitions could be reduced to protect headroom on borrowing facilities.

On the basis of over £700m of available liquidity at 31 December 2012, positive projected operating cash flows and the levels of discretion available to management to manage cash flows, the directors continue to adopt the going concern basis in preparing the accounts.

## **PENSIONS**

At 31 December 2012 the Company's UK defined benefit pension scheme, which is closed to new members, was valued at an accounting surplus of £96.9m on the Company's balance sheet. The trustees value the scheme on a different basis and a deficit at 31 March 2010 of £80m was agreed. Annual contributions of £12.5m for eight years were agreed to fund the deficit and the Company made its first annual contribution of £12.5m in January 2012 and second contribution in January 2013. A triennial valuation will take place this year, effective from 31 March 2013.

## **DIVIDEND**

The Company resumed the payment of dividends in 2011, paying a final dividend for the year. Despite challenging market conditions, the Company has made good progress in 2012 and we anticipate further progress in 2013. Taking this into consideration, the board is recommending a final dividend in respect of 2012 of 1.43p per share, payable to shareholders on the register at the close of business on 19 April 2013 to be paid on 21 May 2013. This equates to a full year dividend of 2.1p per share, on an approximately one third/two thirds interim/final basis.

## **KEY OBJECTIVES FOR 2013**

We continue to pursue a strategy of operational excellence focused on five key strategic thrusts. Our objectives for 2013 are as follows:

#### 1. Customer Service & Care

Customer Voice Counts (CVC), the group's survey of customer satisfaction, is now industrialised across most of our organisation and is now included in the bonus targets of many managers in order to drive outstanding customer service. A focus for the coming year will be on driving material improvements in colleague behaviour and in the handling of customer enquiries. Further investment in processes and systems will be made in 2013.

There are specific initiatives in two of our largest businesses – City Link and France. In City Link the key aims for 2013 will be to use customer feedback consistently to drive improvements across the business. In France a customer care pilot will be initiated from Q2. This project will draw on best practice across both the division and the group and will seek to roll out a comprehensive solution for customer care across all French operations, on a regional basis, before the end of 2013. The group is also rolling out proactive customer account management processes following successful pilots conducted in the UK pest control and hygiene businesses.

## 2. Developing capability

In 2012 Rentokil Initial launched its U+ 'university' to bring together all learning & development activities and maintain high levels of colleague engagement and enablement. It also launched People Services to enhance its people management processes. The Company continues to use its Your Voice Counts (YVC) survey to ensure it listens to colleagues and takes action to enhance motivation.

Capital expenditure on IT increased from £27.5m to £31.8m in 2012 with further increases planned for 2013 as we roll out the Programme Olympic initiatives and replace 35 year old systems in our Benelux workwear and hygiene business.

## 3. Operational excellence

Key priorities this year will include a continuation of the City Link turnaround, establishment of an Asian Shared Services Centre (SSC) based in Malaysia, and the roll out of a consistent Target Operating Model (TOM) across the group. The TOM will bring greater consistency and efficiency to our Shared Service Centre operations and will allow us to regionalise support functions such as Customer Care.

## 4. Cost & Cash

Cost savings are targeted at £50 million for 2013. We aim to achieve this through branch administration / back office rationalisation and efficiencies, service and IT productivity and direct materials procurement. Particular focus will be on the Netherlands, France, Germany, Australia and North America, as we realise the benefits of the structural and operational integration that we are implementing across the group.

## 5. Growth

The group anticipates both organic revenue growth in 2013 and further growth through bolt-on acquisitions. Initiatives this year will realise the benefits of the product and service innovation that we developed during 2012 and will include include launch of the new 'Signature' hygiene range and implementation of the 'On Site Service' proposition in a number of hygiene markets. Further roll out of the 'Advantage' sales tablet is planned in pest control, supplemented by a range of initiatives to improve sales productivity. In addition, we will launch an internally developed, unique range of workwear garments following the acquisition of workwear design company CAWE in 2011. The group will continue to target bolt-on businesses, primarily in the pest control category, with an emphasis on North America, MENAT, Latin America and other high growth markets. We will also look to build our position in the attractive workwear and hygiene categories.

## **OUTLOOK FOR 2013**

Rentokil Initial finished the year strongly, with adjusted profit before tax up 15.9% in Q4 and 10.1% for 2012 as a whole at constant exchange rates. These results were broad based, with every division improving both revenue and profit. Furthermore, we increased organic revenue growth by 1.3% from negative 0.5% to positive 0.8% (excluding Initial Facilities Spain) despite difficult market conditions for our largest businesses.

Our organisation has matured considerably in the past 24 months with global leadership established for major business functions including Marketing & Innovation. This has enabled us to evolve to an integrated country-based operating model with central and regional support.

While we remain mindful of continuing tough conditions across many of our markets, the operational changes we made during the year, together with the acquisition of Western Exterminator in December, give us confidence that 2013 will see us sustain the momentum we achieved in the final quarter of 2012.

## **DIVISIONAL PERFORMANCE**

## **Textiles & Hygiene**

£ million	Fourth Quarter			Full Year		
	2012	2011	change	2012	2011	change
At 2011 constant exchange rates:						
Revenue Adjusted operating profit (before amortisation and	227.7	224.5	1.4%	905.1	883.2	2.5%
impairment of intangible assets <sup>1</sup> , reorganisation costs and one-off items)	41.4	40.6	2.0%	143.2	138.4	3.5%
At actual exchange rates: Adjusted operating profit (before amortisation and impairment of intangible assets <sup>1</sup> , reorganisation costs and						
one-off items)	39.1	40.1	(2.5%)	135.6	138.4	(2.0%)

excluding computer software

Performance from the Textiles & Hygiene division was impacted by an increasingly difficult macro-economic environment in Northern Europe. Revenue grew by 2.5% (0.8% organic) after adjusting for the acquisition of a textiles supply chain business in Q4 2011 and the disposals of Austrian flat linen and Australian towel rolls cleaning businesses in H1 2012. Despite a general slow down in the economy Germany delivered another robust performance with growth of 4.2%. France grew by 2.4% and the Benelux by 0.5%. Australia grew by 1.2% reflecting a strong increase in contract sales, offset by adverse weather conditions affecting the pest control product and job business. While new business was only 1.7% higher than the prior year, terminations improved by 17.6% leading to divisional customer retention of 89.1%, up 2.7% on 2011.

Profit rose by 3.5% (3.5% organic) driven by strong performance in Benelux as well as growth in Germany and France.

The economic outlook in the Eurozone for 2013 continues to look challenging. However initiatives in sales and marketing will help mitigate these adverse conditions. The new 'Signature' and 'Reflection' ranges will be launched during the year along with seven new garment collections in workwear. Ongoing development of our internal supply chain will result in a significant increase in the internalisation of our garments development and supply, supported by a reorganisation of warehousing operations in continental Europe. Significant investments are also being made in processing capacity in our growing cleanroom and German businesses. Cost efficiencies will continue to be pursued in processing and back office administration.

## **Pest Control**

£ million	Fourth Quarter		Full Year			
	2012	2011	change	2012	2011	change
At 2011 constant exchange rates:						
Revenue Adjusted operating profit (before amortisation and	202.4	194.2	4.2%	773.4	752.1	2.8%
impairment of intangible assets <sup>1</sup> , reorganisation costs and one-off items)	40.6	36.7	10.6%	135.2	130.5	3.6%
At actual exchange rates: Adjusted operating profit (before amortisation and impairment of intangible assets <sup>1</sup> , reorganisation costs and						
one-off items)	38.7	36.1	7.2%	129.9	130.5	(0.5%)

<sup>&</sup>lt;sup>1</sup> excluding computer software

The Pest Control division delivered a solid set of results in mixed market conditions. Revenue grew 2.8% (0.4% organic) aided by a number of bolt-on acquisitions during the year. The strongest performance came from North America, up 10.3% (5.5% organic). The acquisition of Western was completed at the beginning of December 2012 and we expect a strong contribution in 2013. Despite a weak summer season UK Pest grew by 2.4%. The performance of the UK washrooms business continues to improve with revenue decline slowing to 3.7% in H2 (H1 2012: 7.1%). In Continental Europe good performances from Germany, Austria, Switzerland, Belgium and the Nordics were partially offset by more difficult conditions in Southern Europe, with overall revenue growth of 1.0%. East Africa and the Caribbean grew by 2.6% and our presence in Central and South America (through the acquisitions in Mexico and Brazil) continues to develop. Our new operations in the Middle East (Abu Dhabi and Dubai) and Turkey are growing in line with expectations.

Profit grew by 3.6%, with slower growth in the UK and Continental Europe more than offset by North America, Germany, East Africa and the Caribbean. Profit declined in Southern Europe and Ireland, impacted by the ongoing Eurozone crisis.

The outlook for 2013 remains challenging, with difficult trading conditions expected to continue in a number of markets. Our presence in more robust and higher growth emerging economies will continue to offset more challenging conditions in Southern Europe. Focus for 2013 will be on growth through sales, marketing & innovation, integration of recent acquisitions and further bolt-ons in targeted regions, and cost savings through service productivity and back office administration.

#### Asia

£ million	Fourth Quarter			Full Year		
	2012	2011	change	2012	2011	change
At 2011 constant exchange rates:						
Revenue Adjusted operating profit (before amortisation and impairment of intangible assets 1, reorganisation costs and	25.5	24.1	5.8%	99.0	93.2	6.2%
one-off items)	2.3	1.8	27.8%	6.4	4.6	39.1%
At actual exchange rates: Adjusted operating profit (before amortisation and impairment of intangible assets <sup>1</sup> , reorganisation costs and						
one-off items)	2.1	1.8	16.7%	6.1	4.6	32.6%

<sup>1</sup> excluding computer software

Revenue in Asia grew by 6.2% (7.4% organic). Pest control grew by 11.2% and hygiene by 3.9%, with both categories benefiting from a combination of market development and gains in share from competitors. Double digit growth from our operations in the emerging markets of India (+38.2%), China (+31.3%), Vietnam (+21.4%) and Taiwan (+11.6%) reflects our investment in sales and marketing over recent years while our operations in the more mature markets of Malaysia, Singapore and Brunei continue to deliver very high single digit growth. Elsewhere Indonesia grew by 4.0%, Korea by 5.2%, the Philippines by 4.4% and Hong Kong by 2.4%, with Indonesia in a period of consolidation following rapid consistent double digit growth over the last five years.

Profit in Asia rose by 39.1% driven by revenue growth and improved gross margins with traction in pricing, density and gains in productivity offsetting increasing inflationary pressures.

The business exited 2012 with strong portfolio growth and anticipates conditions in 2013 to remain favourable, albeit with significant inflationary challenges in India, Indonesia, China and Vietnam. Focus for 2013 will be on growth through ongoing market development, gains in share and product innovation, refinement of pricing policy to offset cost inflation, greater sales effectiveness and productivity supported by new technology, and standardisation of operations and back office for service consistency and cost reductions.

## **City Link**

£ million	Fo	ourth Qua	ırter		Full Yea	r
	2012	2011	change	2012	2011	change
At 2011 constant exchange rates:						
Revenue Adjusted operating profit (before amortisation and	96.0	88.0	9.1%	321.7	306.9	4.8%
impairment of intangible assets <sup>1</sup> , reorganisation costs and one-off items)	(2.4)	(6.7)	64.2%	(26.4)	(31.3)	15.7%
At actual exchange rates: Adjusted operating profit (before amortisation and impairment of intangible assets <sup>1</sup> , reorganisation costs and						
one-off items)	(2.4)	(6.7)	64.2%	(26.4)	(31.3)	15.7%

excluding computer software

City Link's revenue increase of 4.8% has been driven primarily from growth in online shopping in 2012. This has skewed the business's customer mix towards the larger, but lower margin, Tier 1 customers leading to an overall decline in revenue per consignment (RPC) of 10%. While new business was in line with expectations, declines in the smaller, higher margin Tier 2 B2B business was disappointing. A focus on further improvements in account management and customer service is underway to better meet customer requirements and drive retention.

Productivity savings were a key focus in 2012 and in this regard City Link was successful, with direct cost per consignment falling by 13%. While we have been pleased with the cost savings and the growth in Tier 1 business, the disappointing performance of higher-margin smaller customers has meant that financial performance in the year was behind our initial expectations. City Link's full year operating loss of £26.4m represents a 15.7% improvement on 2011, aided by a second half profit improvement of £5.6m (41.5%), and Q4 improvement of £4.3m (64.2%).

The B2C market is expected to continue to grow while the B2B market remains more susceptible to economic conditions. Focus for 2013 will be on improving service and account management for all customers with a

particular emphasis on Tier 2 and Tier 3 customer retention. Price increases will be implemented across our customer base reflecting our value in the market. Further improvements in service through the introduction of new added value products including International and Post will be made.

## **Initial Facilities**

£ million	Fourth Quarter			Full Year		
	2012	2011	change	2012	2011	change
At 2011 constant exchange rates:						
Revenue Adjusted operating profit (before amortisation and impairment of intangible assets <sup>1</sup> , reorganisation costs and	149.8	148.8	0.7%	593.3	581.3	2.1%
one-off items)	10.4	9.2	13.0%	29.7	27.1	9.6%
At actual exchange rates: Adjusted operating profit (before amortisation and impairment of intangible assets <sup>1</sup> , reorganisation costs and						
one-off items)	10.4	9.2	13.0%	29.6	27.1	9.2%

<sup>1</sup> excluding computer software

While there was no improvement in market conditions in 2012 Initial Facilities performed well overall, growing revenue by 3.8% (excluding Spain where the business is being scaled down to reduce financial exposure). Growth was aided by the MSS, Modus and Phoenix Fire acquisitions, all of which performed strongly. Underlying revenue (excluding Spain and acquisitions) declined by 1.7%, driven largely by a number of contract reductions and terminations from retail customers.

Further progress in improving operational efficiency and ongoing cost reductions have helped contribute to improvements in profitability, with growth of 9.6% for the full year. Excluding acquisitions, profit grew by 5.2% year on year.

Continued uncertainty remains around the economic outlook in 2013. The division will continue to de-risk its Spanish business, further withdrawing from lower-margin, slow paying contracts and will implement further managed contraction within the UK single service cleaning sector. Focus for growth will be on increasing the proportion of multi-service contracts through targeted sector offering, service innovations and operational initiatives, leveraging recent acquisitions to drive top line growth and new contract wins, and driving margin improvements through cost savings and back office administration.

## **Central Costs**

£ million	Fourth Quarter			Full Yea	r	
	2012	2011	change	2012	2011	change
At 2011 constant exchange rates: Central costs At actual exchange rates:	(13.9)	(12.7)	9.4%	(52.0)	(44.6)	16.6%
Central costs	(13.8)	(12.7)	8.7%	(52.0)	(44.6)	16.6%

Central costs increased by £7.4m reflecting investment in the new Marketing & Innovation function and improvements in IT capabilities through Programme Olympic.

## Reorganisation costs and one-off items - operating

References to adjusted operating profit and adjusted profit before tax exclude operating reorganisation costs and one-off items, totalling a net cost of £51.8m (2011: £38.2m) that have had a significant impact on the results of the group. £37.6m (2011: £34.6m) of these relate directly to the group's major reorganisation program and consist mainly of redundancy costs, consultancy and plant and office closure costs net of the profit on sale of certain properties. One-off items of £14.2m (2011: £3.6m) include £2.0m of acquisition costs, £3.8m of employment costs relating to an enforceable undertaking agreed with the Australian Fair Work Ombudsman and £10.2m of impairments, property costs and redundancies relating to the Belgian flat linen business subsequently classified as held for sale. These costs have been separately identified as they are not considered to be "business as usual" expenses and have a varying impact on different businesses and reporting periods. Details of reorganisation costs and one-off items incurred in the period are set out in Appendix 5.

## Interest and one-off items - financing

Net interest payable of £36.3m was £8.3m lower than in 2011. Underlying interest (excluding pension interest)) was £48.6m, compared to £47.8m in the prior year, an increase of £0.8m, due to higher net debt. Financing one-off items, totalling £31.4m (2011: nil) relate to the premium on the repurchase of the group's £75m bond. Net interest payable will from 2013 exclude pension scheme interest which reduced the net charge by £12.3m in 2012.

## Tax

The income tax expense for the year was £29.0m on the reported profit before tax of £82.7m. After adjusting profit for the amortisation and impairment of intangible assets (excluding computer software), reorganisation costs and one-off items, the effective tax rate for the year is 25.5% (2011: 24.9%). This compares with a blended rate of tax for the countries in which the group operates of 28% (2011: 29%). The principal factor that caused the effective tax rate to be lower than the blended rate is the release of prior year provisions for tax no longer considered necessary as various issues were either settled or became statute barred in the year.

## Net debt and cash flow

£ million at actual exchange rates		Year to Date	
	2012	2011	Change
	£m	£m	£m
Adjusted operating profit <sup>1</sup>	222.8	224.7	(1.9)
Reorganisation costs and one-off items – operating	(51.8)	(38.2)	(13.6)
Depreciation Depreciation	203.1	204.2	(1.1)
Other non-cash	16.8	7.0	9.8
EBITDA	390.9	397.7	(6.8)
Working capital	(24.7)	(32.1)	7.4
Capex - additions	(218.4)	(216.4)	(2.0)
Capex - disposals	<b>`</b> 9.2 <sup>´</sup>	` 5.5 <sup>°</sup>	3.7
Operating cash flow	157.0	154.7	2.3
Interest	(44.2)	(44.4)	0.2
Tax	(35.6)	(44.5)	8.9
One-off items – financing	(31.4)	` - '	(31.4)
Disposal of available-for-sale investments	2.1	0.1	2.0
Free cash flow	47.9	65.9	(18.0)
Acquisitions/disposals	(82.8)	(32.0)	(50.8)
Dividends	(36.2)	` -	(36.2)
Special pension contribution	(12.5)	-	(12.5)
Foreign exchange translation and other items	13.1	0.7	12.4
(Increase) / decrease in net debt	(70.5)	34.6	(105.1)
Closing net debt	(989.5)	(919.0)	(70.5)

<sup>&</sup>lt;sup>1</sup> before amortisation and impairment of intangibles (excluding computer software), reorganisation costs and one-off items

Operating cash flow was £2.3m higher than 2011 due to reduced working capital outflows offset by lower EBITDA.

Total tax payments were £35.6m compared with £44.5m in 2011, with the decrease attributable to the phasing of payments relating to prior year liabilities. Interest payments at £44.2m were in line with 2011. The acquisition/disposal outflow of £82.8m largely reflects the acquisition of Western. Foreign exchange translation and other items increased cash flow by £13.1m, leaving an overall outflow of £70.5m and net debt of £989.5m.

## **Divisional Analysis**

3 months to 31 December 2012				
£million	3 months to			
	31 December	Change from	Change from	Organic
	2012	Q4 2011	Q4 2011	growth
	AER	AER	CER	CER
<u>Revenue</u>				
Textiles & Hygiene	215.5	(2.8%)	1.4%	-
Pest Control	195.5	1.5%	4.2%	(0.4%)
Asia	25.2	4.6%	5.8%	6.3%
City Link	96.0	9.1%	9.1%	9.1%
Initial Facilities	149.0	0.3%	0.7%	(4.4%)
Segmental revenue	681.2	0.9%	3.2%	0.3%
Intra group trading	(18.0)	(9.1%)	(10.3%)	
At actual exchange rates	663.2	0.7%		
Exchange	20.0			
At constant exchange rates	683.2		3.0%	0.3%
Adjusted operating profit				
Textiles & Hygiene	39.1	(2.5%)	2.0%	1.6%
Pest Control	38.7	7.2%	10.6%	7.5%
Asia	2.1	16.7%	27.8%	22.6%
City Link	(2.4)	64.2%	64.2%	64.2%
Initial Facilities	10.4	13.0%	13.0%	12.0%
Central Costs	(13.8)	(8.7%)	(9.4%)	(9.4%)
Segmental profit	74.1	9.3%	13.8%	11.3%
Reorganisation costs and one-off items	(56.5)	(378.8%)	(384.0%)	
Amortisation of intangible assets <sup>1</sup>	(8.1)	95.0%	94.9%	
At actual exchange rates	9.5	n/a		
Exchange	3.0			
At constant exchange rates	12.5		n/a	11.3%

<sup>&</sup>lt;sup>1</sup> excluding computer software

Year ended 31 December 2012

£million	12 months to			
	31 December	Change from	Change from	Organic
	2012	FY 2011	FY 2011	growth
	AER	AER	CER	CER
<u>Revenue</u>				
Textiles & Hygiene	860.2	(2.6%)	2.5%	0.8%
Pest Control	752.9	0.1%	2.8%	0.4%
Asia	98.4	5.6%	6.2%	7.4%
City Link	321.7	4.8%	4.8%	4.8%
Initial Facilities	590.1	1.5%	2.1%	(3.4%)
Segmental revenue	2,623.3	0.3%	2.9%	0.4%
Intra group trading	(77.0)	(6.4%)	(7.3%)	
At actual exchange rates	2,546.3	0.1%		
Exchange	68.5			
At constant exchange rates	2,614.8		2.8%	0.4%
Adjusted operating profit				
Textiles & Hygiene	135.6	(2.0%)	3.5%	3.5%
Pest Control	129.9	(0.5%)	3.6%	2.0%
Asia	6.1	32.6%	39.1%	35.1%
City Link	(26.4)	15.7%	15.7%	15.7%
Initial Facilities	29.6	9.2%	9.6%	5.2%
Central Costs	(52.0)	(16.6%)	(16.6%)	(16.6%)
Segmental profit	222.8	(0.8%)	5.1%	3.6%
Reorganisation costs and one-off items	(83.2)	(117.8%)	(122.5%)	
Amortisation of intangible assets <sup>1</sup>	(25.2)	87.2%	86.9%	
At actual exchange rates	114.4	n/a		
Exchange	11.0			
At constant exchange rates	125.4		n/a	3.6%

<sup>&</sup>lt;sup>1</sup> excluding computer software

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## **Category Analysis**

3	months	to 31	December	2012
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£million	3 months to			
	31 December	Change from	Change from	Organic
	2012	Q4 2011	Q4 2011	growth
	AER	AER	CER	CER
<u>Revenue</u>				
Pest Control	142.4	5.2%	8.0%	1.2%
Hygiene	129.5	(2.4%)	0.6%	0.6%
Textiles	105.9	(3.7%)	1.3%	1.5%
Interior Plants	40.1	(4.5%)	(2.6%)	(2.1%)
Facilities Services	145.7	0.3%	0.7%	(4.6%)
Parcel Delivery	96.0	9.1%	9.1%	9.1%
Other	21.6	(0.5%)	2.8%	(11.1%)
Total	681.2	0.9%	3.2%	0.3%
Adjusted operating profit				
Pest Control	30.7	3.0%	6.3%	2.1%
Hygiene	30.7	4.8%	7.7%	7.0%
Textiles	19.2	(5.4%)	0.5%	(0.3%)
Interior Plants	7.4	8.8%	8.7%	8.7%
Facilities Services	9.1	(4.2%)	(3.2%)	(3.7%)
Parcel Delivery	(2.4)	64.2%	64.2%	64.2%
Other	(20.6)	2.8%	2.8%	2.9%
Total	74.1	9.3%	13.8%	11.3%

## Year ended 31 December 2012

£million	Year ended 31			
	December 2012	Change from	Change from	Organic
		FY 2011	FY 2011	growth
	AER	AER	CER	CER
Revenue				
Pest Control	562.8	3.7%	5.9%	3.0%
Hygiene	514.2	(3.7%)	0.1%	(0.1%)
Textiles	420.4	(4.2%)	2.3%	2.6%
Interior Plants	136.2	(1.4%)	0.2%	(2.0%)
Facilities Services	576.3	1.5%	2.1%	(3.4%)
Parcel Delivery	321.7	4.8%	4.8%	4.8%
Other	91.7	3.7%	7.0%	(8.6%)
Total	2,623.3	0.3%	2.9%	0.4%
Adjusted operating profit				
Pest Control	114.9	(0.5%)	2.8%	1.0%
Hygiene	105.9	(1.6%)	2.7%	2.6%
Textiles	67.3	0.1%	7.1%	6.8%
Interior Plants	13.7	9.6%	12.0%	8.7%
Facilities Services	26.0	(2.3%)	(2.3%)	(6.9%)
Parcel Delivery	(26.4)	15.7%	15.7%	15.7%
Other	(78.6)	(7.1%)	(7.2%)	(6.3%)
Total	222.8	(0.8%)	5.1%	3.6%

## **Reporting Framework in 2013**

The tables below represent revenue and adjusted operating profit\* (APBITA) by segment, as disclosed in note 1, split across the main groups of business category and activity: pest control, hygiene, workwear, plants, facilities services and parcel delivery. "Other" represents a number of small businesses outside of the other categories. The segment information disclosed in note 1 is presented in accordance with IFRS 8 "Operating Segments".

This additional information is designed to provide further details split by category and activity given that a number of our segments include businesses from different categories.

From 2013 onwards we propose to reflect the regional basis of our operating structure in the way we report internally and externally. The term 'division' will no longer be used and the divisional teams will be called regional teams: West, East and Asia. Initial Facilities, City Link and Asia will report under their current names.

## Year ended 31 December 2012

£million									
			_	Reve	nue				
At constant exchange rates	Pest control	Hygiene	Workwear	Plants	Facilities Services	Parcel delivery	Other	Total	APBITA
France <sup>1</sup>	23	76	250	5	-	-	24	378	63
Benelux <sup>1</sup>	51	85	110	22	-	-	12	280	56
Germany <sup>1</sup>	47	67	89	2	-	-	10	215	48
Pacific <sup>1</sup>	64	69	-	16	-	-	-	149	29
East	185	297	449	45	-	-	46	1,022	196
North America <sup>2</sup>	178	-	_	62	-	-	-	240	29
UK and Ireland <sup>2</sup>	80	84	-	9	-	-	47	220	32
Rest of World <sup>2</sup>	86	88	-	23	-	-	-	197	42
West	344	172	-	94	-	-	47	657	103
Asia	46	51	_	_	-	-	2	99	6
Initial Facilities	-	14	-	-	579	-	-	593	30
City Link	-	-	-	-	-	322	-	322	(26)
Overheads <sup>3</sup>	-	-	-	-	-	-	-	-	(73)
Group	575	534	449	139	579	322	95	2,693	236
APBITA	119	110	72	14	26	(26)	(79)	236	

## Year ended 31 December 2011

£million									
				Reve	nue				
At constant exchange rates	Pest control	Hygiene	Workwear	Plants	Facilities Services	Parcel delivery	Other	Total	APBITA
France	23	74	243	5	_	-	15	360	63
Benelux	50	84	109	21	-	-	11	275	53
Germany	44	67	87	2	-	-	11	211	43
Pacific	65	67	-	15	-	-	-	147	29
East	182	292	439	43	-	-	37	993	188
North America	158	-	-	63	_	-	-	221	26
UK and Ireland	79	90	-	10	-	-	49	228	34
Rest of World	83	89	-	22	-	-	-	194	44
West	320	179	-	95	-	-	49	643	104
Asia	41	50	-	-	-	-	2	93	5
Initial Facilities	-	13	-	-	568	-	-	581	27
City Link	-	-	-	-	-	307	-	307	(31)
Overheads <sup>3</sup>	-	-	-	-	-	-	-	-	(68)
Group	543	534	439	138	568	307	88	2,617	225
APBITA	115	108	67	12	27	(31)	(73)	225	

<sup>&</sup>lt;sup>1</sup>In 2012, the Textiles & Hygiene division constituted France, Benelux, Germany (including Austria, Switzerland and Czech Republic) and Pacific apart from the pest control and plants businesses in these countries. The division also included £33m of other revenue in the UK and Ireland
<sup>2</sup>In 2012, the Pest Control division constituted North America, UK and Ireland and Rest of World, as well as the pest control and

<sup>\*</sup> before amortisation and impairment of intangibles (excluding computer software), reorganisation costs and oneoff items

In 2012, the Pest Control division constituted North America, UK and Ireland and Rest of World, as well as the pest control and plants businesses in France, Benelux and Germany but excluding the £33m of other revenue in the UK and Ireland included in Textiles & Hygiene

<sup>&</sup>lt;sup>3</sup>centre and regional

## **Appendix 4**

## **ANNUAL CONTRACT PORTFOLIO - CONTINUING BUSINESSES**

## 3 Months to 31 December 2012

£m at constant 2011 exchange rates	<u>1.10.12</u>	New Business / Additions	Terminations / Reductions	Net Price Increases	Acquisitions / (Disposals)	31.12.12	31.12.12 at actual exchange
Textiles & Hygiene	764.7	22.2	(21.3)	3.3	(0.3)	768.6	728.2
Pest Control	603.9	21.4	(22.1)	1.1	`4.5´	608.8	590.6
Asia	83.5	4.6	(3.4)	0.1	0.2	85.0	84.3
Initial Facilities	512.1	16.6	(27.9)	1.3	-	502.1	499.4
TOTAL	1,964.2	64.8	(74.7)	5.8	4.4	1,964.5	1,902.5

#### Year ended 31 December 2012

£m at constant 2011 exchange rates	<u>1.1.12</u>	New Business / Additions	Terminations / Reductions	Net Price Increases	Acquisitions /(Disposals)	31.12.12	31.12.12 at actual exchange
Textiles & Hygiene	745.8	90.0	(82.2)	15.8	(0.8)	768.6	728.2
Pest Control	591.5	89.1	(93.5)	9.5	12.2	608.8	590.6
Asia	77.6	20.8	(14.3)	0.7	0.2	85.0	84.3
Initial Facilities	518.1	74.6	(101.5)	3.1	7.8	502.1	499.4
TOTAL	1,933.0	274.5	(291.5)	29.1	19.4	1,964.5	1,902.5

#### Notes

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

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

"As-used" contracts: These are more typical in the Textiles & Hygiene division, where elements of the contract are often variable and based on usage. Valuation is based on historic data (where available) or forecast values.

**Income annualisation**: In some instances, where for example the underlying contract systems cannot value portfolio or there is a significant "as-used" element, the portfolio valuation is calculated using an invoice annualisation method.

Inter-company: The contract portfolio figures include an element of inter-company revenue.

**Job work and extras:** Many of the contracts within the contract portfolio include ad hoc and/or repeat job work and extras. These values are excluded from the contract portfolio.

**Rebates**: The contract portfolio value is gross of customer rebates. These are considered as a normal part of trading and are therefore not removed from the portfolio valuation.

**New business/Additions:** Represents new contractual arrangements in the period with a new or existing customers and additional business added to existing contracts.

**Terminations/Reductions:** Represent the cessation or reduction in value of an existing customer contract or the complete cessation of business with a customer.

Net Price Increases: Represents the net change in portfolio value as a result of price increase and decreases.

**Acquisitions/Disposals:** Represents the net value of customer contracts added or lost as a result of businesses acquired or disposed in the period. Also includes the net volume related changes for the textiles businesses, where it is common practice for customers to increase or decrease service volumes according to their daily operational requirements.

Retention rates: Retention rates are calculated on total terminations (terminations and reductions).

## **Appendix 5**

## Reorganisation costs and one-off items - operating

	3 months to 31 December	3 months to 31 December	Year ended 31 December	Year ended 31 December
	2012	2011	2012	2011
	£m	£m	£m	£m
Textiles & Hygiene	(13.9)	(2.9)	(28.1)	(9.0)
Pest Control	(7.3)	(6.7)	(9.0)	(14.3)
Asia	(0.4)	(0.3)	(0.1)	(1.0)
City Link	(2.2)	1.8	(3.8)	(2.4)
Initial Facilities	(2.0)	(3.9)	(9.1)	(8.8)
Central Costs	(0.4)	0.2	(3.5)	(2.7)
At constant exchange rates	(26.2)	(11.8)	(53.6)	(38.2)
Exchange	1.1	` -	1.8	` - '
At actual exchange rates	(25.1)	(11.8)	(51.8)	(38.2)

References to adjusted operating profit and adjusted profit before tax also exclude operating reorganisation costs and one-off items, totalling a net cost of £51.8m (2011: £38.2m) that have had a significant impact on the results of the group. £37.6m (2011: £34.6m) of these relate directly to the group's major reorganisation program and consist mainly of redundancy costs, consultancy and plant and office closure costs net of the profit on sale of certain properties. These costs have been separately identified as they are not considered to be "business as usual" expenses and have a varying impact on different businesses and reporting periods.

## **Condensed consolidated income statement**

For the year ended 31 December

	Notes	2012 £m	2011 £m
Revenue	1	2,546.3	2,544.3
Operating expenses		(2,400.5)	(2,554.5)
Operating profit / (loss)		145.8	(10.2)
Analysed as:			
Operating profit before amortisation and impairment of intangibles <sup>1</sup> ,			
reorganisation costs and one-off items		222.8	224.7
Reorganisation costs	1	(37.6)	(34.6)
One-off items – operating	1	(14.2)	(3.6)
Amortisation and impairment of intangible assets <sup>1</sup>		(25.2)	(196.7)
Operating profit / (loss)	1	145.8	(10.2)
Interest payable and similar charges	2	(110.2)	(109.7)
Interest receivable	3	` 73.9 <sup>′</sup>	` 65.1 <sup>′</sup>
One-off items – financing	11	(31.4)	-
Share of profit from associates (net of tax)		` 4.6	4.3
Profit / (loss) before income tax		82.7	(50.5)
Income tax expense <sup>2</sup>	4	(29.0)	(16.6)
Profit / (loss) for the year		53.7	(67.1)
Attributable to:			
Equity holders of the company		51.4	(69.7)
Non controlling interests		2.3	2.6
		53.7	(67.1)
		00.1	(07.1)
Basic earnings per share	5	2.83p	(3.84p)
Diluted earnings per share	5	2.82p	(3.84p)
Basic adjusted earnings per share <sup>3</sup>	5	7.73p	7.48p
Diluted adjusted earnings per share	5	7.71p	7.46p

The board is recommending the payment of a final dividend in respect of 2012 of 1.43p (2011: 1.33p) per share amounting to £25.9m (2011: £24.1m). See note 6.

## Condensed consolidated statement of comprehensive income For the year ended 31 December

	2012 £m	2011 £m
Profit / (loss) for the year	53.7	(67.1)
Other comprehensive income:		
Net exchange adjustments offset in reserves	(10.8)	(6.4)
Actuarial (loss) / gain on defined benefit pension plans	(79.7)	130.2
Revaluation of available-for-sale investments	0.3	0.8
Movement on cash flow hedge reserve	1.9	1.2
Recycling of cash flow hedge reserve on settlement	2.1	-
Tax on items taken directly to reserves	20.7	(32.8)
Net (loss) / profit not recognised in income statement	(65.5)	93.0
Total comprehensive (expense) / income for the year	(11.8)	25.9
Attributable to:		
Equity holders of the company	(13.8)	24.3
Non controlling interests	2.0	1.6
	(11.8)	25.9

<sup>&</sup>lt;sup>1</sup> excluding computer software <sup>2</sup> taxation includes £19.6m (2011: £23.4m) in respect of overseas taxation <sup>3</sup> earnings per share before the after tax effects of amortisation and impairment of intangibles (excluding computer software), reorganisation costs and one-off items

## **Condensed consolidated balance sheet** At 31 December

		2012	2011
Acceto	Notes	£m	£m
Assets Non-current assets			
Intangible assets	8	452.1	390.4
Property, plant and equipment	9	550.3	573.7
Investments in associated undertakings	9	13.9	22.2
Other investments		56.5	1.4
Deferred tax assets		8.0	9.5
Retirement benefit assets	12	96.9	144.0
Other receivables		25.3	26.3
Derivative financial instruments		48.1	49.5
		1,251.1	1,217.0
Current assets		4.0	0.4
Other investments		1.0	2.1
Inventories		54.0	49.6
Trade and other receivables		459.5	433.5
Current tax assets	7	3.0	3.3
Assets held for sale	7	9.4 2.4	3.5
Derivative financial instruments  Cash and cash equivalents	10	166.6	89.9
Casif and Casif equivalents	10	695.9	581.9
		095.9	361.9
Liabilities			
Current liabilities			
Trade and other payables		(563.3)	(540.8)
Current tax liabilities		(68.2)	(81.1)
Provisions for other liabilities and charges	13	(28.3)	(31.0)
Bank and other short-term borrowings	11	(91.4)	(56.4)
Derivative financial instruments		(3.6)	(0.8)
		(754.8)	(710.1)
Net current liabilities		(58.9)	(128.2)
			7.20.2/
Non-current liabilities			(10.1)
Other payables		(14.7)	(13.4)
Bank and other long-term borrowings	11	(1,120.8)	(952.5)
Deferred tax liabilities	40	(75.1)	(90.7)
Retirement benefit obligations	12	(24.3)	(18.6)
Provisions for other liabilities and charges	13	(70.1)	(76.7)
Derivative financial instruments		(36.3)	(41.1)
		(1,341.3)	(1,193.0)
Net liabilities		(149.1)	(104.2)
Equity Capital and reserves attributable to the company's equity holders			
Capital and reserves attributable to the company's equity holders Called up share capital	14	18.1	18.1
Share premium account	14	6.8	6.8
Other reserves		(1,757.0)	(1,750.8)
Retained profits		1,576.3	1,616.2
retailled profits		(155.8)	(109.7)
Non controlling interests		(155.6)	5.5
Total equity		(149.1)	(104.2)
ioun oquity		(170.1)	(107.2)

# Condensed consolidated statement of changes in equity For the year ended 31 December

	Called up share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Non controlling interests £m	Total equity £m
At 1 January 2011	18.1	6.8	(1,747.4)	1,586.8	10.5	(125.2)
Loss for the year	-	_	-	(69.7)	2.6	(67.1)
Other comprehensive income:				, ,		, ,
Net exchange adjustments offset in reserves	-	-	(5.4)	-	(1.0)	(6.4)
Actuarial gain on defined benefit pension plans	-	-	`- ′	130.2	- '	130.2 <sup>´</sup>
Revaluation of available-for-sale investments	-	_	0.8	=	_	0.8
Movement on cash flow hedge reserve	-	-	1.2	-	-	1.2
Tax on items taken directly to reserves	-	-	-	(32.8)	-	(32.8)
Total comprehensive income for the year Transactions with owners:	-	-	(3.4)	27.7	1.6	25.9
Cost of share options and long-term incentive plan Transactions with non controlling interests:	-	-	-	6.3	-	6.3
Acquisition of non controlling interests	_	_	_	(4.6)	(0.4)	(5.0)
Dividends paid to non controlling interests	_	_	_	(4.0)	(6.2)	(6.2)
At 31 December 2011	18.1	6.8	(1,750.8)	1,616.2	5.5	(104.2)
At 1 January 2012	18.1	6.8	(1,750.8)	1,616.2	5.5	(104.2)
Profit for the year	_	_	_	51.4	2.3	53.7
Other comprehensive income:				• • • • • • • • • • • • • • • • • • • •	2.0	00
Net exchange adjustments offset in reserves	_	_	(10.5)	_	(0.3)	(10.8)
Actuarial loss on defined benefit pension plans	-	_	-	(79.7)	-	(79.7)
Revaluation of available-for-sale investments	-	_	0.3		_	0.3
Movement on cash flow hedge reserve	_	-	1.9	_	-	1.9
Recycling of cash flow hedge reserve on settlement	_	-	2.1	_	-	2.1
Tax on items taken directly to reserves	-	-	-	20.7	-	20.7
Total comprehensive expense for the year	-	-	(6.2)	(7.6)	2.0	(11.8)
Transactions with owners:			` '	` ,		` ,
Dividends paid to equity shareholders	-	-	-	(36.2)	-	(36.2)
Cost of share options and long-term incentive plan	-	-	-	`3.9	-	`3.9
Transactions with non controlling interests:						
Dividends paid to non controlling interests	-	-	-	-	(8.0)	(0.8)
At 31 December 2012	18.1	6.8	(1,757.0)	1,576.3	6.7	(149.1)

Treasury shares of £11.1m (2011: £11.1m) have been netted against retained earnings. Treasury shares represent 6.1m (2011: 6.4m) shares held by the Rentokil Initial Employee Share Trust. The market value of these shares at 31 December 2012 was £5.9m (2011: £4.0m). Dividend income from, and voting rights on, the shares held by the Trust have been waived.

## Condensed consolidated statement of changes in equity (continued) For the year ended 31 December

## Analysis of other reserves

Analysis of other reserves	Capital reduction reserve £m	Legal £m	Cash flow hedge reserve £m	Trans- lation reserve £m	Availa ble- for- sale £m	Total £m
At 1 January 2011	(1,722.7)	10.4	(6.3)	(29.7)	0.9	(1,747.4)
Net exchange adjustments offset in reserves	-	_	-	(5.4)	-	(5.4)
Revaluation of available-for-sale investments	-	-	-	`- ´	0.8	0.8
Movement on cash flow hedge reserve	-	-	1.2	-	-	1.2
Total comprehensive income for the year	-	-	1.2	(5.4)	0.8	(3.4)
At 31 December 2011	(1,722.7)	10.4	(5.1)	(35.1)	1.7	(1,750.8)
At 1 January 2012	(1,722.7)	10.4	(5.1)	(35.1)	1.7	(1,750.8)
Net exchange adjustments offset in reserves	_	_	_	(10.5)	_	(10.5)
Revaluation of available-for-sale investments	-	-	-	` - ′	0.3	` 0.3
Movement on cash flow hedge reserve	-	-	1.9	-	-	1.9
Recycling of cash flow hedge reserve on settlement	-	-	2.1	-	-	2.1
Total comprehensive income for the year	-	-	4.0	(10.5)	0.3	(6.2)
At 31 December 2012	(1,722.7)	10.4	(1.1)	(45.6)	2.0	(1,757.0)

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

## **Condensed consolidated cash flow statement**

## For the year ended 31 December

		2012	2011
	Notes	£m	£m
Cash flows from operating activities			
Cash generated from operating activities before special pension	15		
contribution		357.3	363.3
Special pension contribution		(12.5)	
Cash generated from operating activities	15	344.8	363.3
Interest received		2.7	5.4
Interest paid		(46.0)	(49.0)
Income tax paid		(35.6)	(44.5)
Net cash generated from operating activities		265.9	275.2
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)		(182.7)	(191.0)
Purchase of intangible fixed assets		`(23.4)	(19.2)
Proceeds from sale of PPE		` 9.2 <sup>´</sup>	5.5
Acquisition of companies and businesses, net of cash acquired	18	(83.7)	(29.8)
Disposal of companies and businesses		<b>`</b> 0.9	` 2.8 <sup>′</sup>
Disposal of available-for-sale investments		2.1	0.1
Dividends received from associates		8.9	2.3
Net cash flows from investing activities		(268.7)	(229.3)
Cash flows from financing activities			
Dividends paid to equity shareholders		(36.2)	_
Dividends paid to non controlling interests		(0.8)	(6.2)
Acquisition of non controlling interests		`- ´	(5.0)
Interest element of finance lease payments		(0.9)	(0.8)
Capital element of finance lease payments		(6.6)	(6.6)
Foreign exchange gain on translation of foreign denominated assets	and liabilities	`6.4 <sup>′</sup>	`- ′
One-offs – financing	11	(31.4)	_
Proceeds from issue of debt		<b>402.9</b>	-
Loan repayments		(180.4)	(24.1)
Net cash flows from financing activities		153.0	(42.7)
Net increase in cash and bank overdrafts	16	150.2	3.2
Cash and bank overdrafts at beginning of year	-	71.0	73.7
Exchange losses on cash and bank overdrafts		(2.3)	(5.9)
Cash and bank overdrafts at end of the financial year	10	218.9	71.0

## Notes to the condensed financial statements

## 1. Segmental information

Segmental information has been presented in accordance with IFRS 8 "Operating Segments" which the group has implemented with effect from 1 January 2009. This statement reflects internal organisation changes made in 2012 with Pacific business units transferring from the Asia division to the Textiles & Hygiene division, the integration of Ambius into the Pest Control division, the UK Specialist Hygiene business unit transferring from the Pest Control division to the Initial Facilities division and the Medical Services business units transferring from the Textiles & Hygiene division to the Pest Control division. The segmental information also reflects changes made in 2011 with our Scandinavian and Iberian Textiles & Hygiene business units transferring from the Textiles & Hygiene division to the Pest Control division. Prior year comparisons have been restated.

Reported segments represent groups of businesses headed by a divisional managing director. Businesses in Asia are grouped together under one segment and one divisional managing director. Central items represent corporate expenses that are not directly attributable to any reportable segment.

Segmental revenue and segmental profit (adjusted operating profit) are presented at constant exchange rates (2011 average exchange rates) to give a clearer indication of the actual performance of the business when measured against the previous year by separately identifying the impact of foreign exchange by providing information on both an actual and constant exchange rate basis.

	Revenue	Revenue	Operating profit / (loss)	Operating profit / (loss)
	2012	2011	2012	2011
	£m	£m	£m	£m
At constant exchange rates				
Textiles & Hygiene	905.1	883.2	143.2	138.4
Pest Control	773.4	752.1	135.2	130.5
Asia	99.0	93.2	6.4	4.6
City Link	321.7	306.9	(26.4)	(31.3)
Initial Facilities	593.3	581.3	29.7	27.1
Central costs	-	-	(52.0)	(44.6)
Total segmental	2,692.5	2,616.7	236.1	224.7
Intra group revenue	(77.7)	(72.4)	-	-
	2,614.8	2,544.3	236.1	224.7
Exchange	(68.5)	-	(13.3)	-
At actual exchange rates	2,546.3	2,544.3	222.8	224.7
Reorganisation costs	-	-	(37.6)	(34.6)
One-off items - operating	-	-	(14.2)	(3.6)
Amortisation of intangible assets <sup>1</sup>	-	-	(23.9)	(47.5)
Impairment of goodwill	-	-	(1.3)	(111.5)
Impairment of customer lists and relationships	-	-	-	(37.7)
Operating profit / (loss)	-	-	145.8	(10.2)
Interest payable and similar charges	-	-	(110.2)	(109.7)
Interest receivable	-	-	73.9	65.1
One-off items - financing	-	-	(31.4)	-
Share of profit from associates (net of tax) - Asia	-	-	4.6	4.3
Profit / (loss) before income tax	-	-	82.7	(50.5)
Income tax expense	-	-	(29.0)	(16.6)
Total for the year	2,546.3	2,544.3	53.7	(67.1)

	Intra group re	venues <sup>2</sup>	Reorganisation and one-off in operating	tems -	Amortisatio impairme intangible	
	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m
Textiles & Hygiene	37.9	36.7	26.7	9.0	4.3	13.9
Pest Control	7.2	7.3	8.8	14.3	13.5	21.2
Asia	0.3	0.3	-	1.0	4.0	7.8
City Link <sup>4</sup>	2.1	1.2	3.8	2.4	-	150.3
Initial Facilities	30.2	26.9	9.1	8.8	3.1	3.2
Central costs	-	-	3.4	2.7	0.3	0.3
	77.7	72.4	51.8	38.2	25.2	196.7
Tax effect	-	-	(12.4)	(6.0)	(7.0)	(23.4)
After tax effect	77.7	72.4	39.4	32.2	18.2	173.3

<sup>&</sup>lt;sup>1</sup> excluding computer software

<sup>&</sup>lt;sup>2</sup> at constant exchange rates

<sup>&</sup>lt;sup>3</sup> at actual exchange rates

<sup>&</sup>lt;sup>4</sup> included in the 2011 amortisation and intangibles charge of £150.3m is an impairment charge of £145.8m for City Link

## 1. Segmental information (continued)

Reorganisation costs and one-off items - operating (before tax at actual exchange rates)

reorganisation costs and one-on items - operating (before tax at actual exchange rates)	2012 £m	2011 £m
Textiles & Hygiene	4111	2111
Reorganisation costs – Shared Service Centres <sup>1</sup>	-	4.4
Reorganisation costs – Benelux processing <sup>2</sup>	6.2	-
Reorganisation costs – other businesses	5.2	4.5
Impairment of Belgian flat linen business <sup>3</sup>	10.2	-
Product rationalisation <sup>4</sup>	1.4	-
Fair Work undertaking- Australia⁵	3.8	-
Profit on disposal	(0.2)	-
Acquisition costs – see note 18	0.1	0.1
Total - Textiles and Hygiene	26.7	9.0
Pest Control		
Reorganisation costs – UK Hygiene business <sup>6</sup>	1.3	5.7
Reorganisation costs – Ambius'	3.2	1.2
Reorganisation costs – other businesses	3.3	2.7
Libya (write back) / write off <sup>8</sup>	(0.5)	4.8
Acquisition costs – see note 18	1.5	1.2
Negative goodwill credit	-	(1.3)
Total - Pest Control	8.8	14.3
Asia	0.0	0.5
Reorganisation costs	0.9	0.5
Release of prior year accruals Acquisition costs	(0.9)	0.5
Total - Asia	-	1.0
City Link		
Reorganisation costs <sup>9</sup>	6.4	2.4
Release of prior year provisions <sup>10</sup>	(2.6)	-
Total - City Link	3.8	2.4
Initial Facilities		
Reorganisation costs – project Chablis <sup>11</sup>	7.7	8.0
Reorganisation costs – other	0.8	1.2
Write down of property	0.2	-
Acquisition costs – see note 18	0.4	2.2
Negative goodwill credit	-	(2.6)
Total – Initial Facilities	9.1	8.8
Central costs		
Reorganisation costs - programme Olympic <sup>12</sup>	2.1	4.0
Reorganisation costs - other	0.5	-
Vacant property provisions <sup>13</sup>	0.8	(1.3)
Total - Central costs	3.4	2.7
Total	51.8	38.2
Classified as:		
Reorganisation costs	37.6	34.6
One-off items – operating	14.2	3.6
Total	51.8	38.2

Additional notes in respect of 2011/12 one-off items:

- relates to the introduction of Shared Service Centres in Europe for back office processing and includes redundancy of employees and consultancy incurred in the implementation of these Shared Service Centres
- relates to rationalisation of processing plants in the Netherlands and includes redundancy of employees, provision for the exit of properties
- relates to the impairment of assets of the Belgian flat linen business unit subsequently classified as held for sale (£8.1m) and provision for clean-up costs and redundancy
- relates to rationalisation of the Hygiene product range including asset write-offs
- relates to an enforceable undertaking agreed with the Australian Fair Work Ombudsman, covering back pay obligations and related employment costs
- relates to the restructuring of front line and back office operations in the UK including redundancy costs net of the profit on the disposal of certain properties
- relates to the integration of the Ambius business units into the Pest Control division and includes redundancy of employees and provision for the exit of non-operational properties

  8 provision as a second properties
- provision against our full financial exposure arising from the suspension of our Libyan pest control business and subsequent write back of the Libyan joint venture following recommencement of trading in 2012
- costs associated with the reorganisation of City Link businesses and represents redundancy and provision for the exit of non-operational properties

  relates to the release of the Camberley City Link head office vacant property provision as now sublet consultancy and redundancy costs associated with the reorganisation of the Initial Facilities division

- <sup>12</sup> consultancy and pilot running costs associated with Programme Olympic
- increase in existing provisions including vacant property cost

## 2. Interest payable and similar charges

	2012	2011
	£m	£m
Interest payable on medium term notes issued <sup>1</sup>	45.6	44.7
Interest payable on bank loans and overdrafts <sup>1</sup>	0.7	1.9
Interest payable on revolving credit facility <sup>1</sup>	3.7	2.8
Interest payable on foreign exchange swaps	5.3	1.7
Interest payable on finance leases	0.9	0.8
Amortisation of discount on provisions	0.6	1.6
Fair value loss on other derivatives <sup>2,3</sup>	0.5	-
Underlying interest payable	57.3	53.5
Interest on defined benefit plan liabilities	52.9	56.2
Total interest payable and similar charges	110.2	109.7

## 3. Interest receivable

	2012	2011
	£m	£m
Bank interest	2.0	2.7
Interest receivable on foreign exchange swaps	5.2	2.2
Foreign exchange gain on translation of foreign denominated assets and liabilities	1.1	0.2
Fair value gain on other derivatives <sup>2,3</sup>	0.4	0.6
Underlying interest receivable	8.7	5.7
Return on defined benefit plan assets	65.2	59.4
Total interest receivable	73.9	65.1

interest income on loans and receivables

## 4. Income tax expense

	2012	2011
	£m	£m
Analysis of charge in the period		
UK Corporation tax at 24.5% (2011: 26.5%)*	3.0	2.3
Overseas taxation	30.1	37.6
Adjustment in respect of previous periods	(10.3)	(13.0)
Total current tax	22.8	26.9
Deferred tax	6.2	(10.3)
Total income tax expense	29.0	16.6

\*the statutory mainstream rate of corporation tax was 26% for the year ended 31 March 2012 and reduced to 24.0% for the year ending 31 March 2013. This gives rise to a hybrid tax rate of 24.5% for the year ending 31 December 2012 (3 months at 26.0% and 9 months at 24.0%)

<sup>&</sup>lt;sup>1</sup>interest expense on financial liabilities held at amortised cost
<sup>2</sup>loss on financial assets/liabilities at fair value through the income statement
<sup>3</sup>the fair value loss on other derivatives includes fair value losses relating to interest rate swaps of £0.3m (2011: £nil) and fixed price commodity contracts of £0.2m (2011: £nil)

<sup>&</sup>lt;sup>2</sup>gain on financial assets/liabilities at fair value through the income statement <sup>3</sup>the fair value gain on other derivatives includes fair value gains relating to interest rate swaps of £0.4m (2011: £0.4m) and fixed price commodity contracts of £nil (2011: £0.2m)

## 5. Earnings per share

#### Rasic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of shares in issue during the period, excluding those held in the Rentokil Initial Employee Share Trust for UK employees (see note at the bottom of the condensed consolidated statement of changes in equity), which are treated as cancelled and including share options for which all conditions have been met.

	2012 £m	2011 £m
Profit / (loss) attributable to equity holders of the company	51.4	(69.7)
Weighted average number of ordinary shares in issue	1,816.9	1,813.0
Basic earnings per share	2.83p	(3.84p)

## Diluted

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to include all potential dilutive ordinary shares. The group has two types of potential dilutive ordinary shares - those share options granted to employees where the exercise price is less than the average market price of the company's ordinary shares during the period; and the contingent issuable shares under the group's long-term incentive share plans, to the extent the performance conditions have been met at the end of the period.

	2012 £m	2011 £m
Profit / (loss) attributable to equity holders of the company	51.4	(69.7)
Weighted average number of ordinary shares in issue	1,816.9	1,813.0
Adjustment for share options and LTIPs <sup>1</sup>	5.2	-
Weighted average number of ordinary shares for diluted earnings per share	1,822.1	1,813.0
Diluted earnings per share from continuing and discontinued operations	2.82p	(3.84p)

## Adjusted

Adjusted earnings per share is the basic earnings per share adjusted for the after tax effects of amortisation and impairment of intangibles<sup>2</sup>, reorganisation costs and one-off items.

	2012 £m	2011 £m
Profit / (loss) attributable to equity holders of the company	51.4	(69.7)
Amortisation and impairment of intangibles <sup>2</sup> , reorganisation costs and one-off items before tax	108.4	234.9
Tax on amortisation and impairment of intangibles <sup>2</sup> , reorganisation costs and one-off items	(19.4)	(29.4)
After tax effect of amortisation and impairment of intangibles <sup>2</sup> , reorganisation costs and one-off	-	
items attributable to non controlling interests		(0.2)
Adjusted profit attributable to equity holders of the company	140.4	135.6
Weighted average number of ordinary shares in issue	1,816.9	1,813.0
Adjusted earnings per share	7.73p	7.48p
Diluted adjusted		
	2012 £m	2011
Adioted and the stable to a suite baldon of the accessory		£m
Adjusted profit attributable to equity holders of the company	140.4	135.6
Weighted average number of ordinary shares in issue	1,816.9	1,813.0
Adjustment for share options and LTIPs	5.2	5.5
Weighted average number of ordinary shares for diluted earnings per share	1,822.1	1,818.5
Diluted adjusted earnings per share from continuing and discontinued operations	7.71p	7.46p

<sup>&</sup>lt;sup>1</sup> potential issue of shares under share option and LTIPs schemes were not dilutive in 2011 as the group reported a loss <sup>2</sup>excluding computer software

## 6. Dividends

	2012 £m	2011 £m
2011 final dividend paid – 1.33p per share	24.1	-
2012 interim dividend paid – 0.67p per share	12.1	-
	26.2	

A dividend in respect of 2012 of 1.43p (2011: 1.33p) per 1p share amounting to £25.9m (2011: £24.1m) is to be proposed at the AGM on 15 May 2013. These financial statements do not reflect this recommended dividend.

## 7. Disposal group held for sale

The Belgian flat linen business within the Textiles & Hygiene division is presented as a disposal group held for sale following the commitment of group management to sell the business in 2013. This business does not represent a separate major line of business for the group.

An impairment loss of £8.1 million on the remeasurement of the Property, plant and equipment to the lower of its carrying amount and its recoverable amount prior to classification as held for sale has been included in 'One-off items – operating' in the income statement (see note 1). There are no cumulative income or expenses included in other comprehensive income relating to the disposal group.

At 31 December 2012, the disposal group comprised the following assets:

	2012
	£m
Departural and any language	~ 4
Property, plant and equipment	9.4

## 8. Intangible assets

	Goodwill £m	Customer lists and relationships £m	Brands and patents £m	Reacquired franchise rights £m	Computer software £m	Total £m
Cost		•				
At 1 January 2011	503.8	473.4	27.0	25.4	46.7	1,076.3
Exchange differences	(3.8)	(6.4)	(0.1)	-	(0.9)	(11.2)
Additions	`- ′	`-	`- ´	-	19.2	19.2
Disposals / retirements	-	-	-	-	(1.9)	(1.9)
Acquisition of companies and businesses	15.2	14.3	0.2	-	0.1	29.8
Disposal of companies and businesses	(0.2)	(1.2)	-	-	-	(1.4)
At 31 December 2011	515.0	480.1	27.1	25.4	63.2	1,110.8
At 1 January 2012	515.0	480.1	27.1	25.4	63.2	1,110.8
Exchange differences	(6.5)	(9.3)	(0.8)	-	(0.8)	(17.4)
Additions	`- ´	`- ´	`- ´	-	23.4 <sup>°</sup>	23.4
Disposals / retirements	-	-	-	-	(1.7)	(1.7)
Acquisition of companies and businesses	23.8	47.7	9.7	-	0.1	81.3
Disposal of companies and businesses	(0.6)	(1.3)	-	-	-	(1.9)
Reclassification to assets held for sale	-	-	_	-	(1.9)	(1.9)
At 31 December 2012	531.7	517.2	36.0	25.4	82.3	1,192.6
Accumulated amortisation and impairment						
At 1 January 2011	(114.9)	(343.6)	(12.3)	(25.4)	(28.0)	(524.2)
Exchange differences	0.4	5.0	-	-	0.6	6.0
Disposals	-	-	-	-	1.1	1.1
Disposal of companies and businesses	-	0.5	-	-	-	0.5
Impairment charge <sup>1</sup>	(111.5)	(37.7)	-	-	-	(149.2)
Amortisation charge		(44.4)	(3.1)	=	(7.1)	(54.6)
At 31 December 2011	(226.0)	(420.2)	(15.4)	(25.4)	(33.4)	(720.4)
At 1 January 2012	(226.0)	(420.2)	(15.4)	(25.4)	(33.4)	(720.4)
Exchange differences	0.3	7.8	0.5	-	0.4	9.0
Disposals	-	-	-	_	1.5	1.5
Disposal of companies and businesses	0.3	1.3	-	-	-	1.6
Impairment charge	(1.3)	-	-	-	-	(1.3)
Amortisation charge	`- ´	(21.8)	(2.1)	-	(8.9)	(32.8)
Reclassification to assets held for sale	-	` - ´	`- ´	-	`1.9 <sup>′</sup>	` 1.9 <sup>´</sup>
At 31 December 2012	(226.7)	(432.9)	(17.0)	(25.4)	(38.5)	(740.5)
Net book value						
1 January 2011	388.9	129.8	14.7	-	18.7	552.1
31 December 2011	289.0	59.9	11.7		29.8	390.4
31 December 2012	305.0	84.3	19.0	-	43.8	452.1

<sup>&</sup>lt;sup>1</sup> includes an impairment charge for City Link of £145.8m, comprising goodwill impairment of £108.1m and customer lists impairment of £37.7m

## 9. Property, plant and equipment

	Land & buildings £m	Equipment for rental £m	Other plant and equipment £m	Vehicles and office equipment £m	Total £m
Cost					
At 1 January 2011	191.6	683.9	282.5	243.0	1,401.0
Exchange differences	(4.5)	(20.5)	(6.8)	(5.7)	(37.5)
Additions	4.8	141.9	16.0	38.7	201.4
Disposals	(7.4)	(110.7)	(15.1)	(35.0)	(168.2)
Acquisition of companies and businesses	1.1	- ()	0.2	1.4	2.7
Disposal of companies and businesses	(1.6)	(0.8)	(0.3)	(0.5)	(3.2)
Reclassifications	0.8	(0.3)	(1.3)	0.8	-
At 31 December 2011	184.8	693.5	275.2	242.7	1,396.2
At 1 January 2012	184.8	693.5	275.2	242.7	1,396.2
Exchange differences	(3.9)	(17.0)	(5.5)	(6.5)	(32.9)
Additions	4.3	128.4	25.1	39.4	197.2
Disposals	(8.4)	(88.4)	(12.7)	(31.7)	(141.2)
Acquisition of companies and businesses	`5.5 <sup>´</sup>	-	` 0.4 <sup>′</sup>	`4.0	` 9.9 <sup>´</sup>
Disposal of companies and businesses	(0.3)	(0.7)	(0.2)	(0.2)	(1.4)
Reclassification to assets held for sale	(9.5)	(31.6)	(14.9)	(2.3)	(58.3)
Reclassifications	`- ′	` 0.8´	(0.8)	`- ′	` - ´
At 31 December 2012	172.5	685.0	266.6	245.4	1,369.5
Accumulated depreciation and impairment	(50.0)	(40.4.0)	(404.0)	(4.40.0)	(044.0)
At 1 January 2011	(50.8)	(434.0)	(184.3)	(142.2)	(811.3)
Exchange differences	1.3	12.9	4.7	3.4	22.3
Disposals	4.4	109.7	14.7	32.4	161.2
Disposal of companies and businesses	1.0	0.8	(22.5)	0.4	(107.1)
Depreciation charge Reclassifications	(7.4)	(127.7)	(23.5) 0.3	(38.5) (0.3)	(197.1)
At 31 December 2011	- /E1 E\	(438.3)	0.3 (187.9)	(0.3)	- (022 E)
At 31 December 2011	(51.5)	(430.3)	(107.9)	(144.0)	(822.5)
At 1 January 2012	(51.5)	(438.3)	(187.9)	(144.8)	(822.5)
Exchange differences	1.2	11.1	3.9	3.9	20.1
Disposals	2.3	85.7	9.9	29.4	127.3
Disposal of companies and businesses	0.3	0.6	0.1	0.2	1.2
Depreciation charge	(5.3)	(122.7)	(20.6)	(37.5)	(186.1)
Impairment <sup>1</sup>	(0.9)	(7.2)			(8.1)
Reclassification to assets held for sale	4.3	31.6	11.3	1.7	48.9
Reclassifications		(0.7)	0.7	- -	-
At 31 December 2012	(49.6)	(439.9)	(182.6)	(147.1)	(819.2)
Net book value					
At 1 January 2011	140.8	249.9	98.2	100.8	589.7
At 31 December 2011	133.3	255.2	87.3	97.9	573.7
At 31 December 2012	122.9	245.1	84.0	98.3	550.3

<sup>&</sup>lt;sup>1</sup> relates to impairment of the assets of the Belgian flat linen business unit to their recoverable value prior to classification as held for sale

## 10. Cash and cash equivalents

	2012 £m	2011 £m
Cash at bank and in hand	160.5	82.4
Short-term bank deposits	6.1	7.5
	166.6	89.9
Cash and bank overdrafts include the following for the purposes of the cash following followi	166.6	89.9
Long term deposits	56.1	
		-
Bank overdrafts (note 11)	(3.8)	(18.9)

Included within cash at bank and in hand is £15.7m (2011: £14.7m) of restricted cash.

## 11. Bank and other borrowings

•	2012	2011
	£m	£m
Non-current		
RCF and other bank borrowings	-	90.0
Bond debt	1,108.8	855.0
Finance lease liabilities	12.0	7.5
	1,120.8	952.5
Current		
Bank overdrafts (note 10)	3.8	18.9
Bank borrowings	-	3.6
Bond debt	50.0	-
Bond accruals	30.7	28.3
Finance lease liabilities	6.9	5.6
	91.4	56.4
Total bank and other borrowings	1,212.2	1,008.9

Medium term notes and bond debt comprises:

	Bond interest coupon	Effective hedged interest rate
Non current		
£300m bond due March 2016	Fixed 5.75%	Fixed 4.47%
€500m bond due September 2019	Fixed 3.375%	Fixed 3.49%
€500m bond due March 2014	Fixed 4.625%	Fixed 4.98%
£1.3m debentures	Fixed 5.00%	Fixed 5.00%
£0.3m debentures	Fixed 4.50%	Fixed 4.50%
Current		
£50m bond due September 2013	Floating 3 month LIBOR + 3.25%	Fixed 7.34%
Average cost of bond debt at year end rates		4.39%

The group has two committed Revolving Credit Facilities, a £270m facility expiring in December 2016 and a £240m facility expiring in December 2014. Both facilities accrue interest at LIBOR for the period drawn plus a margin. The cost of borrowing under the group's revolving credit facilities at the year end was 1.5%.

The group's RCF, bank borrowings and bonds are held at amortised cost.

The £300 million bond was revalued for changes in interest rates during the period March 2006 to April 2009, during which the group paid floating interest rates. At the end of this period, the group reverted to paying fixed interest rates and revaluation of the bond ceased as the hedge relationship ended. The bond is recorded in the financial statements at amortised cost and revaluation differences are amortised to the consolidated income statement over the life of the bond thus producing the effective rate indicated above.

In the year, £31.4 million (2011: £nil) of one-off costs were recognised in the income statement in respect of the following transactions:

In October 2012, the group repaid the £75 million Puttable Callable Resettable floating rate bond, due in September 2033. The loan included an option, which gave the right to the Investors to call the bond at fair value in September 2013. The bond was redeemed early, at a net cost of £28.7 million, which has been recognised under 'one-off items – financing' in the income statement. As the 2013 bond was repaid, the Group recycled £2.1 million of accumulated losses, held in the cash flow hedge reserve, which were recognised under 'one-off items – financing' in the income statement, and hedge accounting was discontinued prospectively.

In October 2012, the Group also repaid €14.5 million of the €500 million bonds due in March 2014 and recognised the associated premium cost of £0.6 million (€0.7 million) in 'one-off items – financing' in the income statement.

## 12. Retirement benefit obligations

Apart from the legally required social security state schemes, the group operates a number of pension schemes around the world covering many of its employees.

The principal scheme in the group is the Rentokil Initial Pension Scheme ("RIPS") in the United Kingdom, which has a number of defined benefit sections which are now closed to new entrants (other than the Initial No 2 Section, accounting for 0.5% of the total schemes liabilities, which remains open). Actuarial valuations of the UK scheme are usually carried out every three years.

At 31 December 2012 the group's UK defined benefit pension scheme, which is closed to new members was valued at an accounting surplus of £96.9 million on the group's balance sheet. The trustees value the scheme on a different basis and a deficit at 31 March 2010 of £80 million was agreed. Annual contributions of £12.5m for 8 years were agreed to fund the deficit and the group made its first annual contribution of £12.5 million in January 2012 and second contribution in January 2013.

These defined benefit schemes are reappraised bi-annually by independent actuaries based upon actuarial assumptions in accordance with IAS 19 requirements. The principal assumptions used for the UK RIPS scheme are shown below.

	2012	2011
Weighted average %		
Discount rate	4.4%	4.8%
Expected return on plan assets	5.0%	5.2%
Future salary increases	3.9%	4.0%
Future pension increases	3.1%	3.2%
RPI Inflation	3.2%	3.3%
CPI Inflation	2.5%	2.4%

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

	2012	2011
	£m	£m
Present value of funded obligations	(1,212.1)	(1,137.5)
Fair value of plan assets	1,298.2	1,274.4
	86.1	136.9
Present value of unfunded obligations	(13.5)	(11.5)
Net pension liability	72.6	125.4
Presented in the balance sheet as		
Retirement benefit assets	96.9	144.0
Retirement benefit obligation	(24.3)	(18.6)
	72.6	125.4

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

	2012	2011
	£m	£m
Equity instruments	347.4	231.1
Debt instruments	257.6	398.8
Property	1.1	1.1
Other	7.7	7.9
Swaps	93.2	89.0
Funding agreement	591.2	546.5
	1,298.2	1,274.4

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

	2012	2011
	£m	£m
Current service cost <sup>2</sup>	2.2	1.3
Interest cost <sup>2</sup>	52.9	56.2
Amount charged to pension liability	55.1	57.5
Expected return on plan assets <sup>2</sup>	(65.2)	(59.4)
Total pension income	(10.1)	(1.9)

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

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

## 13. Provisions for other liabilities and charges

	Vacant properties	Environmental	Self insurance	Other	Total
	£m	£m	£m	£m	£m
At 1 January 2011	53.4	20.1	28.4	16.0	117.9
Exchange differences	-	(0.3)	-	(0.2)	(0.5)
Additional provisions	10.7	0.6	3.5	`8.7 <sup>′</sup>	23.5
Acquisitions of companies and businesses	-	-	-	0.9	0.9
Unused amounts reversed	(3.5)	-	-	(4.3)	(7.8)
Unwinding of discount on provisions	1.1	0.4	-	-	1.5
Used during the year	(8.6)	(1.4)	(8.7)	(9.1)	(27.8)
At 31 December 2011	53.1	19.4	23.2	12.0	107.7
At 1 January 2012	53.1	19.4	23.2	12.0	107.7
Exchange differences	(0.1)	(0.5)	(0.7)	(0.2)	(1.5)
Additional provisions	5.3	0.3	4.5	14.7	24.8
Acquisitions of companies and businesses	0.5	-	-	(0.4)	0.1
Unused amounts reversed	(2.8)	(0.2)	(2.1)	(1.0)	(6.1)
Unwinding of discount on provisions	0.4	0.2	-	-	0.6
Used during the year	(10.1)	(1.8)	(6.0)	(9.3)	(27.2)
At 31 December 2012	46.3	17.4	18.9	15.8	98.4

Provisions analysed as follows:

	2012	2011
	£m	£m
Non-current	70.1	76.7
Current	28.3	31.0
	98.4	107.7

## Vacant properties

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

#### **Environmental**

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

## Self insurance

The group purchases external insurance from a portfolio of international insurers for its key insurable risks. The group has historically self-insured its risks but during the latter part of 2008, other than for third party motor liability and workers compensation in the USA and the global property damage/business interruption, this practice was stopped and these became fully covered in the insurance market. Provision is still held for self-insured past cover primarily in relation to workers compensation and third party motor liability. For the continuing self-insured programmes, individual claims are met in full by the group up to agreed self-insured limits in order to limit volatility in claims. The calculated cost of self-insurance claims, based on an actuarial assessment of claims incurred at the balance sheet date, is accumulated as claims provisions.

## Other

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

## 14. Share Capital

	2012	2011
	£m	£m
Authorised		
4,100,000,000 ordinary shares of 1p each	41.0	41.0
Issued and fully paid		
At 1 January and 31 December – 1,814,831,011 shares (2011: 1,814,831,011)	18.1	18.1

## 15. Cash generated from operating activities

15. Cash generated from operating activities	2012 £m	2011 £m
Profit / (loss) for the year	53.7	(67.1)
Adjustments for:	<b></b>	(07.1)
- Tax	29.0	16.6
- Share of profit from associates	(4.6)	(4.3)
- One-off items - financing	31.4	(05.4)
- Interest income	(73.9)	(65.1)
<ul> <li>Interest expense</li> <li>Depreciation and impairment of tangible assets</li> </ul>	110.2 194.2	109.7 197.1
- Amortisation and impairment of tangible assets <sup>1</sup>	25.2	196.7
- Amortisation of computer software	8.9	7.1
- LTIP charges	3.9	6.3
- Loss on sale of property, plant and equipment	4.7	1.5
- Loss on disposal / retirement of intangible assets	0.2	0.8
- Profit on disposal of companies and businesses	(0.9)	-
- Negative goodwill credited to the income statement	-	(3.9)
Changes in working capital (excluding the effects of acquisitions and exchange		
differences on consolidation):	0.0	(4.7)
- Inventories - Trade and other receivables	0.2 (19.4)	(1.7) (12.5)
- Trade and other receivables - Trade and other payables and provisions	(5.5)	(12.3)
Cash generated from operating activities before special pension	357.3	363.3
contribution	001.0	000.0
Special pension contribution	(12.5)	-
Cash generated from operating activities	344.8	363.3
excluding computer software		
16. Reconciliation of net increase in cash and bank overdrafts to net debt		
To. Reconclitation of het increase in cash and bank overdraits to het debt	2012	2011
	£m	£m
Net increase in cash and bank overdrafts	150.2	3.2
Movement on finance leases	(5.9)	0.4
Movement on loans	(222.5)	24.1
Decrease in debt resulting from cash flows	(78.2)	27.7
Foreign exchange translation and other items	` 7. <b>ŕ</b>	6.9
Movement on net debt in the year	(70.5)	34.6
Opening net debt	(919.0)	(953.6)
Closing net debt	(989.5)	(919.0)
Closing not dobt comprises:		
Closing net debt comprises: Cash and cash equivalents	166.6	89.9
Long term deposits	56.1	-
Bank and other short-term borrowings	(91.4)	(56.4)
Bank and other long-term borrowings	(1,120.8)	(952.5)
Total net debt	(989.5)	(919.0)
	, ,	
17. Operating and free cash flow	2012	2044
	2012 £m	2011 £m
Cash apparated from apparating activities		
Cash generated from operating activities Add back: special pension contribution	344.8 12.5	363.3
Add back. Special perision contribution	357.3	363.3
Purchase of property, plant and equipment (PPE)	(182.7)	(191.0)
Purchase of intangible fixed assets	(23.4)	(19.2)
Leased property, plant and equipment	(12.3)	(6.2)
Proceeds from sale of PPE	<b>9.2</b>	5.5
Dividends received from associates	8.9	2.3
Operating cash flow	157.0	154.7
Interest received	2.7	5.4
Interest paid	(46.0)	(49.0)
Interest element of finance lease payments	(0.9)	(0.8)
Income tax paid	(35.6)	(44.5)
One-off items – financing Disposal of available-for-sale investments	(31.4) 2.1	0.1
Free cash flow	47.9	65.9
I IVV VAUI IIVII	71.3	00.0

#### 18. Business combinations

The Group purchased the trade and assets of Western Exterminator, a pest control and distribution business on the West coast of the USA, on 10 December 2012 in order to expand the group's service footprint in the USA. The group also purchased 100% of the share capital or the trade and assets of 17 smaller companies and businesses. The total consideration in respect of all acquisitions was £95.4m and the cash outflow from current period acquisitions, net of cash acquired was £83.7m.

From the dates of acquisition to 31 December 2012, these acquisitions contributed £19.4m to revenue and £1.5m to operating profit. If the acquisitions had occurred on 1 January 2012, the revenue and operating profit of the combined entity would have amounted to £2,669.3m and £151.8m respectively.

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

	Western Exterminator £m	Other £m	2012 £m
Purchase consideration:			
- Cash paid	57.1	25.2	82.3
- Contingent consideration	4.3	8.8	13.1
Total purchase consideration	61.4	34.0	95.4
Fair value of net assets acquired	(55.6)	(13.7)	(69.3)
Goodwill from current period acquisitions	5.8	20.3	26.1

Goodwill represents the synergies, workforce and other benefits expected as a result of combining the respective businesses. None of the goodwill recognised is expected to be deductible for tax purposes.

Contingent consideration up to a maximum of £6.1m is payable over the next 3 years based on earn out conditions on revenue, profit and customer retention. Deferred consideration of £8.5m is payable over the next 3 years. The group has included the contingent consideration based on the fair value of consideration at the acquisition date.

The group incurred acquisition related costs of £2.0m in respect of the above acquisitions.

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

	Western	Other	2012
	Exterminator		
	£m	£m	£m
Non-current assets			
- Intangible assets	44.0	13.5	57.5
- Property, plant and equipment	7.4	1.8	9.2
Current assets <sup>2</sup>	15.1	7.5	22.6
Current liabilities	(10.4)	(6.3)	(16.7)
Non-current liabilities	(0.5)	(2.8)	(3.3)
Net assets acquired	55.6	13.7	69.3

<sup>&</sup>lt;sup>1</sup> the provisional fair values will be finalised in the 2013 financial statements. The fair values are provisional as the acquisition accounting has not yet been finalised as a result of the proximity of the acquisitions to the period end.

The 2011 comparative information is adjusted retrospectively to reflect changes in fair values of acquired assets and liabilities and consideration in respect of provisional assets and liabilities recorded as at 31 December 2011, as follows:

	2011 Adjustment £m
Purchase consideration:	
- Consideration (refunded)	(0.9)
- Contingent consideration	(1.4)
Total purchase consideration	(2.3)
Fair value of net assets acquired	-
Goodwill on prior period acquisitions	(2.3)

The adjustments to fair value of assets and liabilities in respect of prior period acquisitions are as follows:

	2011
	Adjustment
	£m
Non-current assets	
- Property, plant and equipment	0.7
Current liabilities	(1.2)
Non-current liabilities	0.5
Net assets acquired	-

<sup>&</sup>lt;sup>2</sup> includes trade and other receivables of £15.7m (Western Exterminator: £9.8m; Other: £5.9m) which represents the gross and fair value of the assets acquired

## 18. Business combinations (continued)

	Western Exterminator	Other	2012
	£m	£m	£m
Total purchase consideration	61.4	34.0	95.4
Consideration payable in future periods	(4.3)	(8.8)	(13.1)
Deferred consideration from current period paid	•	0.8	0.8
Purchase consideration (paid in cash)	57.1	26.0	83.1
Cash and cash equivalents in acquired companies and businesses	0.2	(8.0)	(0.6)
Cash outflow on current period acquisitions	57.3	25.2	82.5
Deferred consideration from prior periods paid	-	2.1	2.1
Prior period consideration refund	-	(0.9)	(0.9)
Cash outflow on current and past acquisitions	57.3	26.4	83.7

## 19. Related party transactions

Rentokil Initial (Pty) Ltd (74.9%), Yu Yu Calmic Co Ltd (50%), Rentokil Initial (B) Sdn Bhd (85%) and Rentokil Delta Libya for Environmental Protection JSCO (65%) are non-wholly owned subsidiaries of Rentokil Initial plc. All transactions between these entities and the group were transacted at arms length during the ordinary course of business and have been eliminated on consolidation.

Nippon Calmic Ltd (49%) was an associate during the period. There are no significant transactions between Nippon Calmic Ltd and other group companies.

The group recharges the Rentokil Initial Pension Scheme with costs of administration and independent pension advice borne by the group. The total amount of recharges in the year ended 31 December 2012 was £2.5m (2011: £2.5m).

The group has made a loan to a consortium of private investors which enabled them to purchase a 25.1% stake in the South African business. The group has a receivable from this consortium of £17.0m (2011: £17.7m) at the end of the year. The loan is expected to be repaid during 2013.

## 20. Post balance sheet events

There were no significant post balance sheet events affecting the group since 31 December 2012.

#### 21. Legal statements

The financial information for the year ended 31 December 2012 contained in this preliminary announcement was approved by the Board on 14 March 2013.

The financial information in this statement does not constitute the company's statutory accounts for the years ended 31 December 2012 or 2011. The financial information for 2011 and 2012 is derived from the statutory accounts for 2011, which have been delivered to the registrar of companies, and 2012, which will be delivered to the registrar of companies and issued to shareholders in March 2012. The auditors have reported on the 2011 and 2012 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The statutory accounts for 2012 are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union. The accounting policies (that comply with IFRS) used by Rentokil Initial plc ("the group") are consistent with those set out in the 2011 Annual Report, except as noted below. A full list of policies will be presented in the 2012 Annual Report.

There were no new standards and amendments to standards as adopted by the European Union at 31 December 2012 that are mandatory for the first time for the financial year beginning 1 January 2012 which were relevant to the group.

The following new standards and amendments to standards which have been endorsed by the European Union are applicable to the group for the financial year beginning 1 January 2013 and are considered to have a material impact on the consolidated results and financial position of the group.

• Defined Benefit Plans – Amendment to IAS 19. The impact of this is disclosed in note 26.

The following new standards and amendments to standards which have been endorsed by the European Union are applicable to the group for the financial year beginning 1 January 2013. The group does not believe the adoption of the below standards and amendments to standards will have a material impact on the consolidated results or the financial position of the group.

- Presentation of Items of Other Comprehensive Income Amendments to IAS 1
- IFRS 13 Fair Value Measurement
- Disclosures Offsetting Financial Assets and Financial Liabilities Amendments to IFRS 7

## 22. 2012 Annual Report

Copies of the 2012 Annual Report will be despatched to shareholders who have elected to receive hard copies and will also be available from the company's registered office at 2 City Place, Beehive Ring Road, Gatwick Airport, West Sussex, RH6 0HA and at the company's website, <a href="https://www.rentokil-initial.com">www.rentokil-initial.com</a> in HTML and PDF formats.

## 23. Financial calendar

For those shareholders who have elected to receive a printed copy, the Annual Report for 2012 will be mailed on 15 April 2013.

The Annual General Meeting will be held at the Sofitel (Desoutter Suite), Gatwick Airport, North Terminal, Crawley, West Sussex RH6 0PA on Wednesday 15 May 2013 at 12.00 noon.