

**RENTOKIL INITIAL PLC (RTO)**  
**INTERIM RESULTS FOR SIX MONTHS TO 30 JUNE 2013**  
14 August 2013

Results (£m) Continuing Operations	Q2 2013 AER	Restated* Growth		H1 2013 AER	Restated* Growth	
		AER	CER		AER	CER
Revenue	594.2	6.8%	4.3%	1,166.3	5.3%	3.7%
Adjusted operating profit <sup>1</sup>	67.5	14.0%	10.1%	112.6	7.3%	5.2%
Adjusted profit before tax <sup>1</sup>	54.8	10.9%	7.9%	87.6	3.1%	1.8%
Profit before tax	30.4	(17.6%)	(19.8%)	51.9	(18.7%)	(19.5%)
Operating cash flow <sup>2</sup>	22.3			(1.1)		
Basic adjusted EPS				3.59p	1.7%	
Dividend per share				0.70p	4.5%	

**First Half Highlights (at CER)**

- **Good progress made in Q2, momentum expected to continue in H2**
- **Adjusted operating profit +5.2%, revenue up 3.7%**
  - Strong acceleration of profit growth in Q2
  - Recent acquisitions performing well, contributing 6.0% (£65.6m) of revenue growth
  - Underlying organic revenue growth<sup>3</sup> down 1.6% year on year reflecting portfolio change in Initial Facilities and poor weather in US
- **Strong performance in core businesses outside continental Europe**
  - Integration of Western Exterminator proceeding to plan
  - UK core business capitalising on integrated country operating model to deliver strong profit growth
  - Asia profit +43.5% – notably strong performances from China, India and Vietnam
  - Six further pest acquisitions in Brazil, French Guyana, Portugal, Canada and the US
- **Conditions in continental Europe continue to be challenging**
  - France & Benelux experiencing pricing pressure. Belgian flat linen sale completed end Q1
- **Initial Facilities transition out of low profitability single service contracts largely complete**
  - 2.9% decline in revenue reflecting catering contract losses and withdrawal from certain selected single service cleaning contracts in the UK & Spain. Margins to improve as sector mix evolves toward total facilities management
- **City Link disposed in Q2**
  - £14.2m trading loss and £39.0m one-off loss on disposal; reported in discontinued operations
- **Cost savings of £21.1m on track to exceed full year target of £40m**
  - £24.6m investment in reorganisation costs to achieve this
- **Cash flow impacted by increased investment in capex and restructuring**
  - Reorganisation costs now forecast at £50m reflecting increased investment in Integrated Country Operating Model
  - Significant improvement in cash flow expected in H2 reflecting business seasonality and working capital phasing
- **Interim dividend of 0.70p per share declared, an increase of 4.5% on prior year**

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

“The business has performed strongly during Q2 despite adverse weather in Central and Eastern US and economic pressures in France and the Netherlands in particular. The introduction of our Integrated Country Operating Model is delivering cost and implementation benefits. The integration of Western Exterminator is proceeding to plan. Our major innovations in Hygiene and Workwear are being rolled out during Q3.

“While we remain mindful of continuing challenging market conditions in Europe, we expect the momentum achieved in Q2 to be maintained in the second half.”

AER – actual exchange rates; CER – constant 2012 exchange rates

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

<sup>2</sup> cash flow before interest, tax, acquisitions, disposals, foreign exchange adjustments and discontinued operations (see note 8)

<sup>3</sup> revenue growth adjusted to remove revenue from current and prior year acquisitions and disposals

\* restated as a result of IAS 19R. Please refer to note 3 for further details

## Financial Summary

£million	Second Quarter			Half Year		
	2013	Restated 2012	change	2013	Restated 2012	change
<b>Continuing Operations<sup>1</sup></b>						
<b>At 2012 constant exchange rates<sup>2</sup></b>						
Revenue	580.4	556.7	4.3%	1,140.8	1,099.9	3.7%
Adjusted operating profit <sup>3</sup>	65.2	59.2	10.1%	108.9	103.5	5.2%
Reorganisation costs and one-off items <sup>4</sup>	(19.6)	(9.3)	(110.8%)	(26.2)	(13.3)	(97.0%)
Amortisation and impairment of intangible assets	(5.5)	(5.5)	0.0%	(11.4)	(12.3)	(7.3%)
Operating profit	40.1	44.4	(9.7%)	71.3	77.9	(8.5%)
Share of profit from associates (net of tax)	2.2	1.3	69.2%	3.5	2.5	40.0%
Net interest payable (excluding pensions)	(14.1)	(11.1)	(27.0%)	(27.4)	(22.5)	(21.8%)
Net interest credit from pensions	1.4	2.3	(39.1%)	2.9	4.6	(37.0%)
Profit before tax	29.6	36.9	(19.8%)	50.3	62.5	(19.5%)
Adjusted profit before tax <sup>5</sup>	53.3	49.4	7.9%	85.0	83.5	1.8%
Operating cash flow <sup>6</sup>	21.6	38.9		(2.2)	34.6	
<b>Continuing Operations<sup>1</sup></b>						
<b>At actual exchange rates</b>						
Revenue	594.2	556.6	6.8%	1,166.3	1,107.8	5.3%
Adjusted operating profit <sup>3</sup>	67.5	59.2	14.0%	112.6	104.9	7.3%
Reorganisation costs and one-off items <sup>4</sup>	(20.1)	(9.4)	(113.8%)	(26.9)	(13.4)	(100.7%)
Amortisation and impairment of intangible assets	(5.7)	(5.3)	(7.5%)	(11.7)	(12.3)	4.9%
Operating profit	41.7	44.5	(6.3%)	74.0	79.2	(6.6%)
Share of profit from associates (net of tax)	1.9	1.3	46.2%	3.1	2.5	24.0%
Net interest payable (excluding pensions)	(14.6)	(11.1)	(31.5%)	(28.1)	(22.4)	(25.4%)
Net interest credit from pensions	1.4	2.2	(36.4%)	2.9	4.5	(35.6%)
Profit before tax	30.4	36.9	(17.6%)	51.9	63.8	(18.7%)
Adjusted profit before tax <sup>5</sup>	54.8	49.4	10.9%	87.6	85.0	3.1%
Operating cash flow <sup>6</sup>	22.3	39.1		(1.1)	35.8	
Basic earnings per share				2.20p	2.74p	(19.7%)
Basic adjusted earnings per share				3.59p	3.53p	1.7%
Dividend per share (declared)				0.70p	0.67p	4.5%

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

<sup>2</sup> results at constant exchange rates have been translated at the full year average exchange rates for the year ended 31 December 2012. £/\$ average rates: H1 2013 1.5488; FY 2012 1.5898, £/€ average rates: H1 2013 1.1806; FY 2012 1.2320

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

<sup>4</sup> see note 4 for further details

<sup>5</sup> before amortisation and impairment of intangibles (excluding computer software), reorganisation costs and one-off items and net interest credit from pensions

<sup>6</sup> cash flow before interest, tax, acquisitions, disposals, foreign exchange adjustments and discontinued operations (see note 8)

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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### Interim Results Presentation – The Grange Tower Bridge Hotel, 45 Prescott Street, London

Rentokil Initial plc is presenting its interim results today in the Sydney Suite of the Grange Tower Bridge Hotel, 45 Prescott Street, London. The event will be web cast live on the Rentokil Initial web site and will commence at 9.15am. The complete web cast will be available after the event via a replay facility.

## 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 changes made in 2013 with the pest control and plants business units in France, Benelux and Germany (including Austria, Switzerland and Czech Republic) transferring from the West region to the East region; the UK other category business units transferring from the East region to the West region and East and West region overhead business units transferring to Central costs. The segmental information also reflects changes made in 2012 with Pacific business units transferring from the Asia region to the East region and the integration of Ambius into the West region. 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 reorganisation costs and one-off items, totalling a net cost of £26.9m (2012: £13.4m) that have had a significant impact on the results of the group. Details of reorganisation costs and one-off items incurred in the period, for which adjustments have been made, are set out in note 4. All comparisons in commentaries are at constant 2012 full year average exchange rates unless otherwise stated.

## H1 PERFORMANCE OVERVIEW

Revenue in the **East** region declined by 1.8% in H1. Trading conditions in continental Europe have been difficult with France and Benelux experiencing pricing pressure. Germany has been more resilient aided by growth in its Cleanroom operations. Divisional performance was held back by poor pest job sales in Australia and France due to adverse weather conditions. H1 profit was in line with 2012 with good performances from France and Germany (supported by the move to the Integrated Operating Model) offset by profit declines in Benelux and the Pacific. Restructuring is progressing well in the major workwear markets of France, Benelux and Germany.

Revenue in the **West** region rose by 18.4%, reflecting strong growth in North America, coming from the acquisition of Western Exterminator. Revenue in the UK and Ireland was adversely impacted by continued challenging market conditions and poor weather. The Rest of World operations grew by 3.3% overall, with good performances from East Africa, the Nordics and the Caribbean, as well as our more recently acquired business in the developing markets of Central and South America and the Middle East, North Africa and Turkey, all of which are trading in line with expectations. This growth has been partially offset by poor conditions in Southern Europe. H1 profit grew by 14.6%.

Revenue in the **Asia** region grew by 6.6%. Both the Pest Control and Hygiene categories performed well, benefiting from further market development. Our operations in the emerging markets of India, China and Vietnam delivered combined revenue growth of 35%, albeit from a low base. Growth in the mature market of Malaysia was in mid-single digits building on 2012's strong performance. Profit grew by 43.5% reflecting revenue growth and productivity improvements.

Revenue in **Initial Facilities** declined by 2.9% reflecting the loss of a number of low margin catering contracts and the business's planned withdrawal from a number of single service based contracts in order to de-risk the portfolio and improve profitability. New contract pipeline of some £30m will support revenue in H2. Profit declined by 3.3% reflecting reduced revenue.

As previously announced, the group's parcels division, **City Link**, was disposed in Q2. The division incurred trading losses prior to disposal of £14.2m (H1 2012: £19.7m). A one-off loss on disposal was incurred of £39.0m of which £30m related to a non-cash write down of assets. These are reported within discontinued operations. As previously reported the group has retained certain parent company guarantees, including approximately £20m relating to leasehold properties. We anticipate that the contingent leasehold liabilities will significantly reduce over the next three years and in the event that any of these guarantees were called the group would seek to mitigate its liability through finding an alternative tenant.

## STRATEGY UPDATE

### 1. Customer Service & Care

Group state of service remains high at 97.7%, an improvement of 10 basis points year on year. Customer Voice Counts ("CVC"), the Company's survey of customer satisfaction, continues to trend positively across all categories, with Hygiene showing particularly strong improvement on the back of new product launches. The group continues to roll out proactive customer account management processes following pilots in the UK in 2011 and on driving material improvements in colleague behaviour and handling of customer enquiries.

Specific care initiatives include the launch of 'myRentokil', an updated version of 'PestNetOnline', the group's customer extranet. Launched in the Netherlands in July to over 4,000 customers it is available to customers on both desktop and iPad. This will be followed in H2 by a 'myRentokil' smart phone app, providing customers with a slimmed down view of their site focusing on pest activity and open recommendations. The app is the first of its kind in the European pest control market.

### 2. Developing capability

We continue to develop the capability of our people, systems and processes. 'Workday', our new people management system, was successfully piloted in Singapore during the period with further roll out planned for H2. Capital expenditure on IT (excluding City Link) increased from £9.4m in H1 2012 to £15.2m in H1 2013 as we continue our roll out of Programme Olympic initiatives and replace 35-year old systems in our Benelux workwear and hygiene operations.

**'Project Speed'** – Our UK operations have launched a programme to use Cloud computing and social media tools through the Google Apps platform to significantly reduce support costs and improve communication with front line colleagues. 'Project Speed' provides a range of tools and processes to improve management efficiency and colleague effectiveness. It is quick and cost effective to deploy and has delivered a 50% reduction in front line management costs in UK Pest Control while maintaining support, training and leadership. In addition, time spent with customers by front line colleagues has increased by 33%. Examples of 'Speed' initiatives include: the sharing of new business leads through a social media platform, using camera phones to photograph and email proof of work carried out to speed up payment processing, automating HR and sales processes, using Google 'Hang Outs' for team meetings and training sessions to keep colleagues on the road and close to customers. 'Speed' has been rolled out to our UK Property Care, Specialist Hygiene and Ambius businesses in the first half of 2013, with pilots underway in the UK Hygiene and Initial Medical businesses and also in the Netherlands and Singapore.

### 3. Operational excellence

Key priorities this year include establishment of an Asian Shared Services Centre 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.

During the first half we also moved to an Integrated Country Operating Model, established a Central European Warehouse for improved supply chain and appointed a new Group Operational Excellence Director. This has driven an increased level of restructuring costs as we downsize our sales and administrative functions through the integration of businesses under one managing director.

The integration of Western Exterminator is proceeding in line with plan and the business is performing well against our 2013 synergy profit targets. Although revenue growth remains a challenge, we are confident the investments we are making in capability and process will return the business to growth after over three years of largely unchanged performance.

### 4. Cost & Cash

The group generated £21.1m of cost savings (excluding City Link) in H1 through a combination of branch administration / back office rationalisation and efficiencies, service and IT productivity and direct materials procurement. We are on track to exceed our target of £40m for the full year following the acceleration of restructuring activity noted above. Particular focus has been 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

Our strategy for growth is summarised below:

- We have made clear choices on our core categories:
  - Pest control is our lead category seeking presence in any metropolitan, politically stable area with temperate to tropical climate
  - Hygiene will follow Pest Control into new territories
  - Workwear will focus on continental Europe
  - Plants will focus on 11 existing markets where we have leadership positions
  - Initial Facilities will run as a stand alone business focusing primarily on the UK FM market
- We have increasing exposure to high growth markets
- Our organisation is designed to leverage global scale and capitalise on local density
- We are building differentiating capability in operational excellence, technology and innovation to drive growth
- Our model lends itself to acquisitions – and we are good at executing them

In 2013 we moved to an Integrated Country Operating Model, disposed of City Link, launched the Signature hygiene product range and developed seven new ranges of proprietary workwear in continental Europe, and made nine further acquisitions in Pest Control and Hygiene. In addition, we have introduced an On Site Service proposition in a number of hygiene markets, continued the roll out of the Advantage sales tablet in Pest Control, and developed a new Sensing as a Service initiative for pest control and hygiene customers. A range of further initiatives are being developed to improve sales productivity. Further details are set out below:

- The launch of the **Signature** range of hygiene products follows extensive research and development in 2012. In parallel with launch, we have introduced a new customer-focused sales approach incorporating new sales tools, training methods and sector targets. Signature will be launched in all major hygiene markets during H2 2013.

- Following the design of seven new ranges of **workwear** in 2012, the group will launch its new Universal collection across all markets in H2. This will be followed with launch of the Knitwear, High Visibility, Welding and Multi-risk collection later in the year.
- The **On Site Service** proposition for cleaning female hygiene units has been developed to provide customers with increased hygiene levels and has been deployed across Australia and South Africa with other markets to follow in H2. Customer response has been very positive with both countries showing increases in CVC scores, particularly in South Africa where satisfaction has risen by 36%.
- The roll out of **Advantage** has continued, giving pest control sales colleagues a professional tool to conduct thorough surveys and produce comprehensive reports and proposals for customers in the field. Advantage is now in use with surveyors in the UK, Netherlands, and Portugal with deployments underway in Spain and Belgium and further countries planned. A hygiene version of the tool has been developed and is being piloted in the UK before roll out to further countries.

## ACQUISITIONS & DISPOSALS

The Company continues to pursue a strategy of growth through carefully targeted acquisitions and purchased a number of bolt-ons in the Pest Control, Workwear and Hygiene categories in the first half. In Pest Control we acquired six businesses in Brazil, French Guyana, Portugal, Canada and the United States with combined annual revenues of £1.6m. In Workwear we swapped our Belgian Hospital linen business (which generated revenue of £27.5m in 2012) for a cash payment and the garments contract portfolio of Blanca Linnenservice NV, thereby building our customer base in this important segment. This business generated revenue of £5.1m last year. In Hygiene we acquired a medical waste business in France and a washrooms vending machine business in the UK to support our current offering in these areas. Combined annual revenue from these two transactions amounts to £2.0m. As noted above, we announced the disposal of City Link to Better Capital, a private equity investor, for the nominal purchase price of £1 on 29 April 2013.

## FUNDING

At 30 June 2013 the group had net debt of £1,122.1m and a strong liquidity position, comprising over £100m of funds and £510m of available undrawn committed facilities.

The group has £464.2m of bond maturities in the next twelve months, which were funded at least 12 months in advance, in accordance with the group's policy and with Standard and Poor's liquidity requirements for investment grade companies.

£240m of the £510m of available undrawn committed facilities matures in December 2014.

The directors continue to adopt the going concern basis in preparing the accounts on the basis that the group's strong liquidity position and ability to reduce operating capital expenditure or expenditure on bolt-on acquisitions are sufficient to meet the group's forecast needs, including those modelled in a downside case.

## PENSIONS

At 30 June 2013 the Company's UK defined benefit pension scheme, which is closed to new members, was valued at an accounting surplus of £124.6m 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. An annual contribution 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. The Company and the trustees will discuss the results and provide an update on the finalised valuation in due course.

## DIVIDEND

The Board has declared an interim dividend of 0.70p per share, amounting to £12.7m, payable on 24 September 2013 to shareholders on the register at 23 August 2013. This is calculated at exactly 1/3<sup>rd</sup> of the total 2012 dividend, an increase of 4.5% on the interim dividend for 2012.

## OUTLOOK FOR H2

The business has performed strongly during Q2 despite adverse weather in Central and Eastern US and economic pressures in France and the Netherlands in particular. The introduction of our Integrated Country Operating Model is delivering cost and implementation benefits. The integration of Western Exterminator is proceeding to plan. Our major innovations in Hygiene and Workwear are being rolled out during Q3.

While we remain mindful of continuing challenging market conditions in Europe, we expect the momentum achieved in Q2 to be maintained in the second half.

## OTHER FINANCIALS

### Net debt and cash flow

£ million at actual exchange rates	Year to Date		
	2013 HY £m	2012 HY £m	Change £m
Adjusted operating profit <sup>1</sup> – continuing operations	112.6	104.9	7.7
Reorganisation costs and one-off items	(26.9)	(13.4)	(13.5)
Depreciation	104.8	93.6	11.2
Other non-cash	1.5	4.5	(3.0)
EBITDA	192.0	189.6	2.4
Working capital	(76.6)	(52.5)	(24.1)
Capex – additions	(118.4)	(105.1)	(13.3)
Capex – disposals	1.9	3.8	(1.9)
Operating cash flow – continuing operations	(1.1)	35.8	(36.9)
Operating cash flow – discontinued operations	(23.0)	(14.8)	(8.2)
Operating cash flow	(24.1)	21.0	(45.1)
Interest	(30.3)	(37.6)	7.3
Tax	(17.6)	(17.3)	(0.3)
Disposal of available-for-sale investments	1.3	2.0	(0.7)
Free cash flow	(70.7)	(31.9)	(38.8)
Acquisitions / disposals	(3.8)	(3.7)	(0.1)
Dividends	(25.9)	(24.1)	(1.8)
Special pension contribution	(12.5)	(12.5)	-
Foreign exchange translation and other items	(19.7)	31.2	(50.9)
Increase in net debt	(132.6)	(41.0)	(91.6)
Closing net debt	(1,122.1)	(960.0)	(162.1)

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

Operating cash outflow in H1 of £24.1m at actual exchange rates was £45.1m adverse to 2012 mainly due to increased restructuring costs, working capital outflows and capex in 2013.

Interest payments (including finance lease interest) were £7.3m lower than last year at £30.3m relating to the cancellation of the £75m bond and historic swaps related to the £300m bond. Total tax payments were £17.6m compared with £17.3m last year. Free cash outflow of £70.7m was £38.8m adverse compared to the prior year.

The acquisition/disposal outflow of £3.8m was £0.1m higher than last year. The Company paid a dividend of £25.9m and made a pension funding payment of £12.5m at the beginning of the year. Foreign exchange translation and other items reduced cash flow by a further £19.7m, leaving an overall outflow of £132.6m and net debt of £1,122.1m.

### Reorganisation costs and one-off items

Net reorganisation costs and one-off items in the first half of the year amounted to £26.9m (2012: £13.4m). £25.4m (2012: £11.2m) of these related directly to the group's major reorganisation programme and consisted mainly of redundancy costs, consultancy and plant and office closure costs net of the profit on sale of certain properties. One-off items of £1.5m (2012: £3.5m) include costs relating to acquisitions and disposals and movements in vacant property provisions. Details of reorganisation costs and one-off items incurred in the period, for which adjustments have been made, are set out in note 4.

### Central costs

Central costs increased by £1.5m in H1 reflecting further investment in capability.

### Interest

Net interest payable was £28.1m at actual exchange rates compared to £22.4m in the prior year, an increase of £5.7m. The increase is predominantly due to the net cost of pre-funding the maturity of the March 2014 Euro notes.

### Tax

The income statement tax charge on continuing operations for H1 2013 was 23.1% of profit before tax from continuing operations, compared with 22.1% in H1 2012 (as restated). The effective tax rate after adjusting for the amortisation and impairment of intangibles (excluding computer software), reorganisation costs and one-off items and net interest credit from pensions was 25.6% for H1 2013 compared with 24.6% in H1 2012 (as restated). This compares with a blended rate of tax for the countries in which the group operates of 26.6% (28.4% in H1 2012). The principal factor that causes the effective tax rate to be lower than the blended tax 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 period albeit the impact is lower than prior years.

## Regional Analysis – continuing operations

3 months to 30 June 2013

£million

	3 months to 30 June 2013 AER	Change from Q2 2012 AER	Change from Q2 2012 CER
<b><u>Revenue</u></b>			
France	92.1	6.0%	1.2%
Benelux	60.5	(8.3)%	(12.6)%
Germany	51.5	5.1%	0.4%
Pacific	37.3	0.3%	0.8%
<b>East</b>	<b>241.4</b>	<b>1.0%</b>	<b>(2.8)%</b>
North America	93.8	50.1%	46.4%
UK & Ireland	45.8	-	(0.4)%
Rest of World	49.1	4.9%	3.6%
<b>West</b>	<b>188.7</b>	<b>21.7%</b>	<b>19.6%</b>
<b>Asia</b>	<b>27.2</b>	<b>11.9%</b>	<b>7.8%</b>
<b>Initial Facilities</b>	<b>136.9</b>	<b>(0.9)%</b>	<b>(1.2)%</b>
<b>At actual exchange rates</b>	<b>594.2</b>	<b>6.8%</b>	
<b>Exchange</b>	<b>(13.8)</b>		
<b>At constant exchange rates</b>	<b>580.4</b>		<b>4.3%</b>
<b><u>Adjusted operating profit</u></b>			
France	14.5	19.8%	14.9%
Benelux	12.6	(2.3)%	(7.7)%
Germany	11.8	8.3%	1.8%
Pacific	7.0	(1.4)%	(1.4)%
<b>East</b>	<b>45.9</b>	<b>6.7%</b>	<b>2.1%</b>
North America	12.4	30.5%	29.8%
UK & Ireland	9.2	10.8%	9.6%
Rest of World	10.7	5.9%	5.0%
<b>West</b>	<b>32.3</b>	<b>15.8%</b>	<b>14.7%</b>
<b>Asia</b>	<b>1.8</b>	<b>38.5%</b>	<b>50.0%</b>
<b>Initial Facilities</b>	<b>5.9</b>	<b>(3.3)%</b>	<b>(3.3)%</b>
<b>Central Costs</b>	<b>(18.4)</b>	<b>3.7%</b>	<b>3.7%</b>
<b>Segmental profit</b>	<b>67.5</b>	<b>14.0%</b>	<b>10.3%</b>
<b>Reorganisation costs and one-off items</b>	<b>(20.1)</b>	<b>(113.8)%</b>	<b>(110.8)%</b>
<b>Amortisation of intangible assets<sup>1</sup></b>	<b>(5.7)</b>	<b>(7.5)%</b>	<b>-</b>
<b>At actual exchange rates</b>	<b>41.7</b>	<b>(6.3)%</b>	
<b>Exchange</b>	<b>(1.6)</b>		
<b>At constant exchange rates</b>	<b>40.1</b>		<b>(9.7)%</b>

<sup>1</sup> excluding computer software

## Regional Analysis – continuing operations (continued)

6 months to 30 June 2013  
£million

	6 months to 30 June 2013 AER	Change from HY 2012 AER	Change from HY 2012 CER
<b><u>Revenue</u></b>			
France	183.0	3.2%	0.2%
Benelux	126.8	(4.7%)	(7.5%)
Germany	100.6	3.5%	0.6%
Pacific	75.9	0.7%	0.5%
<b>East</b>	<b>486.3</b>	<b>0.7%</b>	<b>(1.8%)</b>
North America	168.1	49.7%	46.9%
UK & Ireland	90.7	(0.9%)	(1.1%)
Rest of World	96.4	3.5%	3.3%
<b>West</b>	<b>355.2</b>	<b>19.6%</b>	<b>18.4%</b>
<b>Asia</b>	<b>52.8</b>	<b>9.1%</b>	<b>6.6%</b>
<b>Initial Facilities</b>	<b>272.0</b>	<b>(2.7%)</b>	<b>(2.9%)</b>
<b>At actual exchange rates</b>	<b>1,166.3</b>	<b>5.3%</b>	
<b>Exchange</b>	<b>(25.5)</b>		
<b>At constant exchange rates</b>	<b>1,140.8</b>		<b>3.7%</b>
<b><u>Adjusted operating profit</u></b>			
France	27.5	10.0%	6.9%
Benelux	23.9	(5.9%)	(8.8%)
Germany	22.0	7.8%	4.5%
Pacific	14.2	(2.1%)	(2.8%)
<b>East</b>	<b>87.6</b>	<b>2.7%</b>	<b>-</b>
North America	13.5	31.1%	29.4%
UK & Ireland	17.3	18.5%	17.8%
Rest of World	19.2	2.7%	3.8%
<b>West</b>	<b>50.0</b>	<b>14.7%</b>	<b>14.6%</b>
<b>Asia</b>	<b>3.3</b>	<b>37.5%</b>	<b>43.5%</b>
<b>Initial Facilities</b>	<b>11.9</b>	<b>(3.3%)</b>	<b>(3.3%)</b>
<b>Central Costs</b>	<b>(40.2)</b>	<b>(3.9%)</b>	<b>(3.9%)</b>
<b>Segmental profit</b>	<b>112.6</b>	<b>7.3%</b>	<b>5.2%</b>
<b>Reorganisation costs and one-off items</b>	<b>(26.9)</b>	<b>(100.7%)</b>	<b>(97.0%)</b>
<b>Amortisation of intangible assets<sup>1</sup></b>	<b>(11.7)</b>	<b>4.9%</b>	<b>7.3%</b>
<b>At actual exchange rates</b>	<b>74.0</b>	<b>(6.6%)</b>	
<b>Exchange</b>	<b>(2.7)</b>		
<b>At constant exchange rates</b>	<b>71.3</b>		<b>(8.5%)</b>

<sup>1</sup> excluding computer software



## Category Analysis – continuing operations

3 months to 30 June 2013

£million	3 months to 30 June 2013 AER	Change from Q2 2012 AER	Change from Q2 2012 CER
<b><u>Revenue</u></b>			
Pest Control	165.9	19.8%	17.2%
Hygiene	124.6	1.8%	(0.9%)
Workwear	103.7	(0.3%)	(4.9%)
Plants	32.2	-	(2.5%)
Facilities Services	136.9	(0.9%)	(1.2%)
Other	30.9	44.4%	40.2%
<b>Total</b>	<b>594.2</b>	<b>6.8%</b>	<b>4.3%</b>
<b><u>Adjusted operating profit</u></b>			
Pest Control	35.0	14.0%	11.8%
Hygiene	24.9	0.8%	(1.6%)
Workwear	16.0	8.1%	3.4%
Plants	2.6	8.3%	8.3%
Facilities Services	6.1	(7.6%)	(9.0%)
Other	(17.1)	14.5%	14.1%
<b>Total</b>	<b>67.5</b>	<b>14.0%</b>	<b>10.3%</b>

6 months to 30 June 2013

£million	6 months to 30 June 2013 AER	Change from HY 2012 AER	Change from HY 2012 CER
<b><u>Revenue</u></b>			
Pest Control	311.9	18.2%	16.5%
Hygiene	249.1	1.1%	(0.5%)
Workwear	212.3	0.8%	(2.1%)
Plants	64.3	-	(1.7%)
Facilities Services	272.0	(2.7%)	(2.9%)
Other	56.7	31.9%	29.6%
<b>Total</b>	<b>1,166.3</b>	<b>5.3%</b>	<b>3.7%</b>
<b><u>Adjusted operating profit</u></b>			
Pest Control	55.8	12.3%	11.0%
Hygiene	49.1	2.7%	1.5%
Workwear	30.3	(0.7%)	(2.4%)
Plants	4.4	15.8%	13.2%
Facilities Services	12.1	(6.2%)	(6.2%)
Other	(39.1)	0.8%	0.8%
<b>Total</b>	<b>112.6</b>	<b>7.3%</b>	<b>5.2%</b>

## ANNUAL CONTRACT PORTFOLIO - CONTINUING BUSINESSES

## 3 Months to 30 June 2013

£m at constant 2012 exchange rates	1.4.13	New Business / Additions	Terminations/ Reductions	Net Price Increases	Acquisitions /(Disposals)	30.6.13	30.6.13 at actual exchange
East	815.7	22.4	(25.6)	-	(0.1)	812.4	842.6
West	531.7	22.7	(20.9)	2.3	0.3	536.1	545.0
Asia	86.5	6.1	(3.4)	0.2	-	89.4	91.6
Initial Facilities	499.3	18.7	(23.1)	0.7	(0.7)	494.9	496.5
<b>TOTAL</b>	<b>1,933.2</b>	<b>69.9</b>	<b>(73.0)</b>	<b>3.2</b>	<b>(0.5)</b>	<b>1,932.8</b>	<b>1,975.7</b>

## 6 Months to 30 June 2013

£m at constant 2012 exchange rates	1.1.13	New Business / Additions	Terminations / Reductions	Net Price Increases	Acquisitions /(Disposals)	30.6.13	30.6.13 at actual exchange
East	833.5	50.6	(55.6)	3.5	(19.6)	812.4	842.6
West <sup>1</sup>	529.3	43.7	(42.3)	5.1	0.3	536.1	545.0
Asia	84.3	11.9	(7.1)	0.3	-	89.4	91.6
Initial Facilities	499.5	35.7	(44.9)	1.4	3.2	494.9	496.5
<b>TOTAL</b>	<b>1,946.6</b>	<b>141.9</b>	<b>(149.9)</b>	<b>10.3</b>	<b>(16.1)</b>	<b>1,932.8</b>	<b>1,975.7</b>

<sup>1</sup>restated to include additional portfolio acquired with Western Exterminator in December 2012

## 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 workwear, hygiene and catering, 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 workwear 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).

## Reorganisation costs and one-off items – continuing operations

	3 months to 30 June 2013 £m	3 months to 30 June 2012 £m	6 months to 30 June 2013 £m	6 months to 30 June 2012 £m
East	(10.8)	(4.0)	(14.5)	(4.9)
West	(3.7)	0.1	(3.8)	(0.5)
Asia	(0.2)	(0.3)	(0.2)	-
Initial Facilities	(4.8)	(2.9)	(6.4)	(4.8)
Central Costs	(0.1)	(2.2)	(1.3)	(3.1)
At constant exchange rates	(19.6)	(9.3)	(26.2)	(13.3)
Exchange	(0.5)	(0.1)	(0.7)	(0.1)
At actual exchange rates	(20.1)	(9.4)	(26.9)	(13.4)

Net reorganisation costs and one-off items in the first half of the year amounted to £26.9m (2012: £13.4m). £25.4m (2012: £11.2m) of these related directly to the group's major reorganisation programme, including Olympic, and consisted mainly of redundancy costs, consultancy and plant and office closure costs net of the profit on sale of certain properties. One-off items of £1.5m (2012: £3.5m) include costs relating to acquisitions and disposals and movements in vacant property provisions. Details of reorganisation costs and one-off items incurred in the period, for which adjustments have been made, are set out in note 4.

## Condensed consolidated income statement

	Notes	6 months to 30 June 2013 £m	Restated* 6 months to 30 June 2012 £m	Restated* Year to 31 December 2012 £m
Revenue	4	1,166.3	1,107.8	2,226.7
Operating expenses		(1,092.3)	(1,028.6)	(2,052.6)
<b>Operating profit</b>		<b>74.0</b>	<b>79.2</b>	<b>174.1</b>
<b>Analysed as:</b>				
Operating profit before amortisation and impairment of intangibles <sup>1</sup> , reorganisation costs and one-off items	4	112.6	104.9	247.3
Reorganisation costs	4	(25.4)	(8.5)	(31.2)
One-off items - operating	4	(1.5)	(4.9)	(16.8)
Amortisation and impairment of intangible assets <sup>1</sup>	4	(11.7)	(12.3)	(25.2)
<b>Operating profit</b>	4	<b>74.0</b>	<b>79.2</b>	<b>174.1</b>
Interest payable and similar charges	5	(35.3)	(25.8)	(57.3)
Interest receivable	6	7.2	3.4	8.7
Net interest credit from pensions	15	2.9	4.5	9.0
One-off items – financing		-	-	(31.4)
Share of profit from associates (net of tax)		3.1	2.5	4.6
<b>Profit before income tax</b>		<b>51.9</b>	<b>63.8</b>	<b>107.7</b>
Income tax expense <sup>2</sup>	7	(12.0)	(14.1)	(34.1)
<b>Profit for the period from continuing operations</b>		<b>39.9</b>	<b>49.7</b>	<b>73.6</b>
<b>Discontinued operations:</b>				
Loss for the period from discontinued operations	8	(50.4)	(15.2)	(23.7)
<b>(Loss)/profit for the period (including discontinued operations)</b>		<b>(10.5)</b>	<b>34.5</b>	<b>49.9</b>
<b>Attributable to:</b>				
Equity holders of the company		(11.4)	33.1	47.6
Non controlling interests		0.9	1.4	2.3
		<b>(10.5)</b>	<b>34.5</b>	<b>49.9</b>
<b>Basic earnings per share</b>				
- Continuing operations	9	2.20p	2.74p	4.05p
- Discontinued operations	9	(2.77p)	(0.84p)	(1.30p)
- Continuing and discontinued operations	9	(0.57p)	1.90p	2.75p
<b>Diluted earnings per share</b>				
- Continuing operations	9	2.19p	2.74p	4.04p
- Discontinued operations	9	(2.76p)	(0.84p)	(1.30p)
- Continuing and discontinued operations	9	(0.57p)	1.90p	2.74p
<b>Basic adjusted earnings per share<sup>3</sup></b>				
- Continuing operations	9	3.59p	3.53p	6.64p
<b>Diluted adjusted earnings per share</b>				
- Continuing operations	9	3.58p	3.53p	6.62p

<sup>1</sup> excluding computer software

<sup>2</sup> taxation includes £9.1m (HY 2012: £11.0m, FY 2012: £19.6m) 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 and net interest credit on pensions

\*restated as a result of IAS 19R. Please refer to note 3 for further details

## Condensed consolidated statement of comprehensive income

	6 months to 30 June 2013 £m	Restated 6 months to 30 June 2012 £m	Restated Year to 31 December 2012 £m
(Loss)/profit for the period (including discontinued operations)	(10.5)	34.5	49.9
<b>Other comprehensive income:</b>			
<b>Items that are not reclassified subsequently to profit or loss:</b>			
Remeasurement of net defined benefit asset/liability	(17.4)	(103.4)	(74.4)
Tax related to remeasurement of net defined benefit asset/liability	4.0	24.9	19.4
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Net exchange adjustments offset in reserves	(8.9)	(0.3)	(10.8)
Revaluation of available-for-sale investments	(0.4)	0.1	0.3
Effective portion of changes in fair value of cash flow hedge	0.8	1.7	1.9
Recycling of cash flow hedge reserve on settlement	-	-	2.1
Total other comprehensive expense	(21.9)	(77.0)	(61.5)
Total comprehensive expense	(32.4)	(42.5)	(11.6)
<b>Attributable to:</b>			
Equity holders of the company	(32.9)	(43.9)	(13.6)
Non controlling interests	0.5	1.4	2.0
	(32.4)	(42.5)	(11.6)

## Condensed consolidated balance sheet

		At 30 June 2013 £m	Restated At 30 June 2012 £m	Restated At 31 December 2012 £m
	Notes			
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	11	458.2	383.3	452.1
Property, plant and equipment	12	553.1	553.9	550.3
Investment property		4.4	-	-
Investments in associated undertakings		15.8	23.8	13.9
Other investments		0.1	0.4	56.5
Deferred tax assets		8.2	10.5	8.0
Retirement benefit assets	15	124.6	87.2	126.1
Other receivables		22.5	25.9	25.3
Derivative financial instruments		-	40.6	48.1
		<b>1,186.9</b>	<b>1,125.6</b>	<b>1,280.3</b>
<b>Current assets</b>				
Other investments		2.1	1.0	1.0
Inventories		63.9	52.5	54.0
Trade and other receivables		450.8	462.2	459.5
Current tax assets		4.8	2.7	3.0
Assets held for sale		-	-	9.4
Derivative financial instruments		5.9	6.5	2.4
Cash and cash equivalents	13	122.9	97.9	166.6
		<b>650.4</b>	<b>622.8</b>	<b>695.9</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		(481.9)	(525.0)	(563.3)
Current tax liabilities		(61.5)	(75.3)	(68.2)
Provisions for other liabilities and charges	16	(33.4)	(21.9)	(28.3)
Bank and other short-term borrowings	14	(492.2)	(49.7)	(91.4)
Derivative financial instruments		(9.6)	(2.3)	(3.6)
		<b>(1,078.6)</b>	<b>(674.2)</b>	<b>(754.8)</b>
<b>Net current liabilities</b>		<b>(428.2)</b>	<b>(51.4)</b>	<b>(58.9)</b>
<b>Non-current liabilities</b>				
Other payables		(16.3)	(15.2)	(14.7)
Bank and other long-term borrowings	14	(754.9)	(1,008.2)	(1,120.8)
Deferred tax liabilities		(81.9)	(70.1)	(82.4)
Retirement benefit obligations	15	(25.4)	(17.9)	(24.3)
Provisions for other liabilities and charges	16	(66.6)	(76.8)	(70.1)
Derivative financial instruments		-	(33.2)	(36.3)
		<b>(945.1)</b>	<b>(1,221.4)</b>	<b>(1,348.6)</b>
<b>Net liabilities</b>		<b>(186.4)</b>	<b>(147.2)</b>	<b>(127.2)</b>
<b>Equity</b>				
<b>Capital and reserves attributable to the company's equity holders</b>				
Called up share capital	17	18.1	18.1	18.1
Share premium account		6.8	6.8	6.8
Other reserves		(1,765.1)	(1,749.3)	(1,757.0)
Retained profits		1,548.5	1,571.2	1,598.2
		<b>(191.7)</b>	<b>(153.2)</b>	<b>(133.9)</b>
Non controlling interests		5.3	6.0	6.7
<b>Total equity</b>		<b>(186.4)</b>	<b>(147.2)</b>	<b>(127.2)</b>

## Condensed consolidated statement of changes in equity

	Called up share capital £m	Share premium account £m	Other reserves £m	Restated Retained earnings £m	Non controlling interests £m	Total equity £m
<b>At 1 January 2012</b>	18.1	6.8	(1,750.8)	1,637.9	5.5	(82.5)
Profit for the period	-	-	-	33.1	1.4	34.5
Other comprehensive income:						
Net exchange adjustments offset in reserves	-	-	(0.3)	-	-	(0.3)
Remeasurement of net defined benefit asset/liability	-	-	-	(103.4)	-	(103.4)
Revaluation of available-for-sale investments	-	-	0.1	-	-	0.1
Movement on cash flow hedge reserve	-	-	1.7	-	-	1.7
Tax related to remeasurement of net defined benefit asset/liability	-	-	-	24.9	-	24.9
Total comprehensive income/(expense) for the period	-	-	1.5	(45.4)	1.4	(42.5)
Transactions with owners:						
Dividends paid to equity shareholders	-	-	-	(24.1)	-	(24.1)
Cost of share options and long-term incentive plan	-	-	-	2.8	-	2.8
Transactions with non controlling interests:						
Dividends paid to non controlling interests	-	-	-	-	(0.9)	(0.9)
<b>At 30 June 2012</b>	18.1	6.8	(1,749.3)	1,571.2	6.0	(147.2)
<b>At 1 January 2012</b>	18.1	6.8	(1,750.8)	1,637.9	5.5	(82.5)
Profit for the year	-	-	-	47.6	2.3	49.9
Other comprehensive income:						
Net exchange adjustments offset in reserves	-	-	(10.5)	-	(0.3)	(10.8)
Remeasurement of net defined benefit asset/liability	-	-	-	(74.4)	-	(74.4)
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 related to remeasurement of net defined benefit asset/liability	-	-	-	19.4	-	19.4
Total comprehensive income/(expense) for the year	-	-	(6.2)	(7.4)	2.0	(11.6)
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	-	-	-	-	(0.8)	(0.8)
<b>At 31 December 2012</b>	18.1	6.8	(1,757.0)	1,598.2	6.7	(127.2)
<b>At 1 January 2013</b>	18.1	6.8	(1,757.0)	1,598.2	6.7	(127.2)
(Loss)/profit for the period	-	-	-	(11.4)	0.9	(10.5)
Other comprehensive income:						
Net exchange adjustments offset in reserves	-	-	(8.5)	-	(0.4)	(8.9)
Remeasurement of net defined benefit asset/liability	-	-	-	(17.4)	-	(17.4)
Revaluation of available-for-sale investments	-	-	(0.4)	-	-	(0.4)
Movement on cash flow hedge reserve	-	-	0.8	-	-	0.8
Tax related to remeasurement of net defined benefit asset/liability	-	-	-	4.0	-	4.0
Total comprehensive income/(expense) for the period	-	-	(8.1)	(24.8)	0.5	(32.4)
Transactions with owners:						
Dividends paid to equity shareholders	-	-	-	(25.9)	-	(25.9)
Cost of share options and long-term incentive plan	-	-	-	1.0	-	1.0
Transactions with non controlling interests:						
Dividends paid to non controlling interests	-	-	-	-	(1.9)	(1.9)
<b>At 30 June 2013</b>	18.1	6.8	(1,765.1)	1,548.5	5.3	(186.4)

Treasury shares of £11.1m (HY 2012: £11.1m, FY 2012: £11.1m) have been netted against retained earnings. Treasury shares represent 6.1m (HY 2012: 6.2m, FY 2012: 6.1m) shares held by the Rentokil Initial Employee Share Trust. The market value of these shares at 30 June 2013 was £5.4m (HY 2012: £4.6m, FY 2012: £5.9m). Dividend income from, and voting rights on, the shares held by the Trust have been waived.

## Condensed consolidated statement of changes in equity (continued)

### Analysis of other reserves

	Capital reduction reserve £m	Legal £m	Cash flow hedge reserve £m	Trans- lation reserve £m	Available- for-sale £m	Total £m
<b>At 1 January 2012</b>	(1,722.7)	10.4	(5.1)	(35.1)	1.7	(1,750.8)
Net exchange adjustments offset in reserves	-	-	-	(0.3)	-	(0.3)
Revaluation of available-for-sale investments	-	-	-	-	0.1	0.1
Effective portion of changes in fair value of cash flow hedge	-	-	1.7	-	-	1.7
Total comprehensive income/(expense) for the period	-	-	1.7	(0.3)	0.1	1.5
<b>At 30 June 2012</b>	(1,722.7)	10.4	(3.4)	(35.4)	1.8	(1,749.3)
<b>At 1 January 2012</b>	(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
Effective portion of changes in fair value of cash flow hedge	-	-	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)
<b>At 31 December 2012</b>	(1,722.7)	10.4	(1.1)	(45.6)	2.0	(1,757.0)
<b>At 1 January 2013</b>	(1,722.7)	10.4	(1.1)	(45.6)	2.0	(1,757.0)
Net exchange adjustments offset in reserves	-	-	-	(8.5)	-	(8.5)
Revaluation of available-for-sale investments	-	-	-	-	(0.4)	(0.4)
Effective portion of changes in fair value of cash flow hedge	-	-	0.8	-	-	0.8
Total comprehensive income/(expense) for the period	-	-	0.8	(8.5)	(0.4)	(8.1)
<b>At 30 June 2013</b>	(1,722.7)	10.4	(0.3)	(54.1)	1.6	(1,765.1)

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 1985 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.



## Condensed consolidated cash flow statement

	Notes	6 months to 30 June 2013 £m	6 months to 30 June 2012 £m	Year to 31 December 2012 £m
<b>Cash flows from operating activities</b>				
Cash generated from operating activities before special pension contribution	18	93.0	123.7	357.3
Special pension contribution		(12.5)	(12.5)	(12.5)
Cash generated from operating activities	18	80.5	111.2	344.8
Interest received		6.9	3.7	2.7
Interest paid		(36.7)	(40.9)	(46.0)
Income tax paid		(17.6)	(17.3)	(35.6)
Net cash generated from operating activities		33.1	56.7	265.9
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment (PPE)		(98.9)	(89.5)	(182.7)
Purchase of intangible fixed assets		(14.0)	(8.5)	(23.4)
Proceeds from sale of PPE		1.9	3.8	9.2
Acquisition of companies and businesses, net of cash acquired	21	(4.8)	(4.6)	(83.7)
Disposal of companies and businesses		0.9	0.9	0.9
Disposal of available-for-sale investments		1.3	2.0	2.1
Dividends received from associates		-	-	8.9
Net cash flows from investing activities		(113.6)	(95.9)	(268.7)
<b>Cash flows from financing activities</b>				
Dividends paid to equity shareholders		(25.9)	(24.1)	(36.2)
Dividends paid to non controlling interests		(1.9)	(0.9)	(0.8)
Interest element of finance lease payments		(0.5)	(0.4)	(0.9)
Capital element of finance lease payments		(3.6)	(3.0)	(6.6)
Cash inflow on settlement of debt related foreign exchange forward contracts		10.1	-	6.4
One-off items – financing		-	-	(31.4)
Proceeds from issue of debt		-	-	402.9
Investment in term deposits		(2.1)	-	-
Net loan repayments		-	60.5	(180.4)
Net cash flows from financing activities		(23.9)	32.1	153.0
Net (decrease)/increase in cash and cash equivalents	19	(104.4)	(7.1)	150.2
Cash and cash equivalents at beginning of year		218.9	71.0	71.0
Exchange (losses)/gains on cash and cash equivalents		5.2	0.2	(2.3)
<b>Cash and cash equivalents at end of the financial period</b>	13	<b>119.7</b>	<b>64.1</b>	<b>218.9</b>

# Notes to the condensed financial statements

## 1. General information

The Company is a limited liability company incorporated and domiciled in the UK with a listing on the London Stock Exchange.

The address of its registered office is 2 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 0HA.

The condensed consolidated half-yearly financial information for the half-year to 30 June 2013 was approved for issue on 14 August 2013.

On pages 27 to 30 of the Annual Report 2012 we set out the group's approach to risk management and define the principal risks that are most relevant to the group as (a) achieving profitable growth and cash flows in the face of a weakening of the economies in which we operate, particularly Europe, and (b) managing the number, scope, complexity and interdependency of many initiatives necessary to deliver improved capabilities of our people, excellence across the group's operations and outstanding service to our customers. These risks are further disaggregated and mapped against the group's strategic thrusts and include a number of "assurance risks" which relate to activities that the group must undertake in order to meet legal, fiscal and governance obligations.

In our view the principal risks remain unchanged from those indicated in the Annual Report 2012 and actions continue to be taken to substantially mitigate the impact of such risks, should they materialise.

These interim financial results do not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006, and should be read in conjunction with the Annual Report 2012. The comparative figures for the year ended 31 December 2012 are not the group's statutory accounts for that financial year. Those accounts have been reported upon by the group's auditors and delivered to the registrar of companies. The report of the auditors was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

## 2. Basis of preparation

These condensed interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

The annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2012 except for the changes described in note 3.

## 3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those financial statements. A new accounting policy for investment properties has been put in place which records investment properties at cost in line with IAS40.

The preparation of the condensed interim financial information for the half-year ended 30 June 2013 requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the date of the statement. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the statement, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

Significant seasonal or cyclical variations in the group's total revenues are not experienced during the financial year.

There were no significant changes in the nature and amount of estimates and contingent assets and liabilities reported since the published Annual Report other than those disclosed below.

### Changes in accounting policies

The group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013:

- Presentation of Items of Other Comprehensive Income – amendments to IAS1 (see (a))
- Defined Benefit Plans – amendments to IAS 19 (see (b))
- Disclosures – Offsetting Financial Assets and Financial Liabilities – amendments to IFRS 7
- IFRS 13 – Fair Value Measurement
- Improvements to IFRS: IAS1, IAS34, IAS16, IAS32

The nature and the effect of the material changes as a result of the adoption of the new standards are further explained below.

#### (a) Presentation of items of other comprehensive income

As a result of the amendments to IAS 1, the group has modified the presentation of items of other comprehensive income to present separately items that would be reclassified to profit or loss in the future from those that would never be.

The adoption of the amendment to IAS 1 has no impact on the recognised assets, liabilities and comprehensive income of the group.

#### (b) Defined benefit plans

As a result of IAS 19 (2011) the group has changed its accounting policy with respect to the basis for determining the income or expense related to its defined benefit scheme.

Under IAS 19 (2011) the group determines the net interest income for the period on the net defined asset by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset at the beginning of the annual period, taking into account any changes in the net defined benefit asset during the period as a result of contributions and benefit payments.

Consequently, the net interest on the net defined benefit asset now comprises:

- Interest cost on the defined benefit obligation;
- Interest income on plan assets; and
- Interest on the effect on the asset ceiling.

Previously, the group determined interest income on plan assets based on their long-term rate of expected return.

Under IAS 19 (2011) it is not permitted to allow for an expense reserve in the Defined Benefit Obligation, which represents the capitalised value of future expenses in relation to the scheme. The impact of this on the group balance sheet is to increase the retirement benefit asset by £29.2m at 30 June 2013.

The following tables summarise the material impacts resulting from the above changes in accounting policies on the group's income statement, balance sheet, and statement of other comprehensive income.

#### Condensed consolidated income statement

##### For the six months ended 30 June 2012

	As previously reported £m	Adjustment for discontinued operations £m	Adjustment for defined benefit plans £m	As restated £m
Revenue	1,256.4	(148.6)	-	1,107.8
Operating expenses	(1,196.0)	168.3	(0.9)	(1,028.6)
<b>Operating profit</b>	<b>60.4</b>	<b>19.7</b>	<b>(0.9)</b>	<b>79.2</b>
<b>Analysed as:</b>				
Operating profit before amortisation and impairment of intangibles, reorganisation costs and one-off items	87.3	18.5	(0.9)	104.9
One-off items – operating	(14.6)	1.2	-	(13.4)
Amortisation and impairment of intangible assets	(12.3)	-	-	(12.3)
<b>Operating profit</b>	<b>60.4</b>	<b>19.7</b>	<b>(0.9)</b>	<b>79.2</b>
Interest payable and similar charges	(52.3)	-	26.5	(25.8)
Interest receivable	36.0	-	(32.6)	3.4
Net interest credit from pensions	-	-	4.5	4.5
Share of profit from associates (net of tax)	2.5	-	-	2.5
<b>Profit before income tax</b>	<b>46.6</b>	<b>19.7</b>	<b>(2.5)</b>	<b>63.8</b>
Income tax expense	(10.2)	(4.5)	0.6	(14.1)
<b>Profit for the period from continuing operations</b>	<b>36.4</b>	<b>15.2</b>	<b>(1.9)</b>	<b>49.7</b>

##### For the year ended 31 December 2012

	As previously reported £m	Adjustment for discontinued operations £m	Adjustment for defined benefit plans £m	As restated £m
Revenue	2,546.3	(319.6)	-	2,226.7
Operating expenses	(2,400.5)	349.8	(1.9)	(2,052.6)
<b>Operating profit</b>	<b>145.8</b>	<b>30.2</b>	<b>(1.9)</b>	<b>174.1</b>
<b>Analysed as:</b>				
Operating profit before amortisation and impairment of intangibles, reorganisation costs and one-off items	222.8	26.4	(1.9)	247.3
One-off items – operating	(51.8)	3.8	-	(48.0)
Amortisation and impairment of intangible assets	(25.2)	-	-	(25.2)
<b>Operating profit</b>	<b>145.8</b>	<b>30.2</b>	<b>(1.9)</b>	<b>174.1</b>
Interest payable and similar charges	(110.2)	-	52.9	(57.3)
Interest receivable	73.9	-	(65.2)	8.7
Net interest credit from pensions	-	-	9.0	9.0
One offs – financing	(31.4)	-	-	(31.4)
Share of profit from associates (net of tax)	4.6	-	-	4.6
<b>Profit before income tax</b>	<b>82.7</b>	<b>30.2</b>	<b>(5.2)</b>	<b>107.7</b>
Income tax expense	(29.0)	(6.5)	1.4	(34.1)
<b>Profit for the period from continuing operations</b>	<b>53.7</b>	<b>23.7</b>	<b>(3.8)</b>	<b>73.6</b>

## Condensed consolidated statement of comprehensive income

### For the six months ended 30 June 2012

	As previously reported £m	Adjustment for defined benefit plans £m	As restated £m
Remeasurement of net defined benefit asset/liability	(106.3)	2.9	(103.4)
Tax related to remeasurement of net defined benefit asset/liability	25.5	(0.6)	24.9
Others	1.5	-	1.5
Total comprehensive (expense) / income	(79.3)	2.3	(77.0)

### For the year ended 31 December 2012

	As previously reported £m	Adjustment for defined benefit plans £m	As restated £m
Remeasurement of net defined benefit asset/liability	(79.7)	5.3	(74.4)
Tax related to remeasurement of net defined benefit asset/liability	20.7	(1.3)	19.4
Others	(6.5)	-	(6.5)
Total comprehensive (expense) / income	(65.5)	4.0	(61.5)

## Condensed consolidated balance sheet

### At 30 June 2012

	As previously reported £m	Adjustment for defined benefit plans £m	As restated £m
Retirement benefit assets	57.8	29.4	87.2
Deferred tax liabilities – non-current	(62.8)	(7.3)	(70.1)
Retained profits	1,549.1	22.1	1,571.2

### At 31 December 2012

	As previously reported £m	Adjustment for defined benefit plans £m	As restated £m
Retirement benefit assets	96.9	29.2	126.1
Deferred tax liabilities – non-current	(75.1)	(7.3)	(82.4)
Retained profits	1,576.3	21.9	1,598.2

#### 4. 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 changes made in 2013 with the Pest Control and Plants business units in France, Benelux and Germany (including Austria, Switzerland and Czech Republic) transferring from the West region to the East region; the UK other category business units transferring from the East region to the West region and East and West region overhead business units transferring to Central costs. The segmental information also reflects changes made in 2012 with Pacific business units transferring from the Asia region to the East region and the integration of Ambius into the West region. Prior-year comparisons have been restated. References to adjusted operating profit and adjusted profit before tax also exclude reorganisation costs and one-off items, totalling a net cost of £26.9m (2012: £13.4m) that have had a significant impact on the results of the group.

	Revenue	Revenue	Revenue	Adjusted operating profit	Restated Adjusted operating profit	Restated Adjusted operating profit
	6 months to 30 June 2013 £m	6 months to 30 June 2012 £m	Year to 31 December 2012 £m	6 months to 30 June 2013 £m	6 months to 30 June 2012 £m	Year to 31 December 2012 £m
<b>Continuing operations</b> (at actual exchange rates)						
France	183.0	177.3	351.1	27.5	25.0	58.9
Benelux	126.8	133.0	261.2	23.9	25.4	52.7
Germany	100.6	97.2	195.1	22.0	20.4	45.9
Pacific	75.9	75.4	149.9	14.2	14.5	29.7
<b>East</b>	<b>486.3</b>	<b>482.9</b>	<b>957.3</b>	<b>87.6</b>	<b>85.3</b>	<b>187.2</b>
North America	168.1	112.3	242.0	13.5	10.3	29.7
UK & Ireland	90.7	91.5	183.3	17.3	14.6	32.0
Rest of World	96.4	93.1	186.1	19.2	18.7	40.6
<b>West</b>	<b>355.2</b>	<b>296.9</b>	<b>611.4</b>	<b>50.0</b>	<b>43.6</b>	<b>102.3</b>
Asia	52.8	48.4	98.1	3.3	2.4	6.1
Initial Facilities	272.0	279.6	559.9	11.9	12.3	29.7
Central costs	-	-	-	(40.2)	(38.7)	(78.0)
<b>Total segmental</b>	<b>1,166.3</b>	<b>1,107.8</b>	<b>2,226.7</b>	<b>112.6</b>	<b>104.9</b>	<b>247.3</b>
Reorganisation costs	-	-	-	(25.4)	(8.5)	(31.2)
One-off items – operating	-	-	-	(1.5)	(4.9)	(16.8)
Amortisation of intangible assets <sup>1</sup>	-	-	-	(11.7)	(12.3)	(23.9)
Impairment of goodwill	-	-	-	-	-	(1.3)
Operating profit	-	-	-	74.0	79.2	174.1
Interest payable and similar charges	-	-	-	(35.3)	(25.8)	(57.3)
Interest receivable	-	-	-	7.2	3.4	8.7
Net interest credit from pensions	-	-	-	2.9	4.5	9.0
One-offs – financing	-	-	-	-	-	(31.4)
Share of profit from associates (net of tax)	-	-	-	-	-	-
- Asia	-	-	-	3.1	2.5	4.6
Profit before income tax	-	-	-	51.9	63.8	107.7
Income tax expense	-	-	-	(12.0)	(14.1)	(34.1)
<b>Total for the period from continuing operations</b>	<b>1,166.3</b>	<b>1,107.8</b>	<b>2,226.7</b>	<b>39.9</b>	<b>49.7</b>	<b>73.6</b>
<b>Reorganisation costs and one off items – operating</b> (at actual exchange rates)						
	6 months to 30 June 2013 £m	6 months to 30 June 2012 £m	Year to 31 December 2012 £m			
East	15.0	4.9	27.2			
West	3.9	0.5	7.3			
Asia	0.3	-	-			
Initial Facilities	6.4	4.9	9.1			
Central items	1.3	3.1	4.4			
	<b>26.9</b>	<b>13.4</b>	<b>48.0</b>			
<b>Amortisation and impairment of intangibles<sup>1</sup></b> (at actual exchange rates)						
	6 months to 30 June 2013 £m	6 months to 30 June 2012 £m	Year to 31 December 2012 £m			
East	1.5	3.5	5.5			
West	7.6	6.4	12.3			
Asia	0.7	1.0	4.0			
Initial Facilities	1.6	1.2	3.1			
Central items	0.3	0.2	0.3			
	<b>11.7</b>	<b>12.3</b>	<b>25.2</b>			

<sup>1</sup> excluding computer software

#### 4. Segmental information (continued)

Reorganisation costs and one-off items – operating (before tax at actual exchange rates)	6 months to 30 June 2013 £m	6 months to 30 June 2012 £m	Year to 31 December 2012 £m
<b>East</b>			
Reorganisation costs – Benelux <sup>1</sup>	5.2	-	7.8
Reorganisation costs – France <sup>1</sup>	4.1	-	2.0
Reorganisation costs – Germany <sup>1</sup>	4.6	-	0.9
Reorganisation costs – Australia <sup>1</sup>	1.1	-	0.2
Reorganisation costs – other businesses	-	1.6	1.0
Acquisition costs	-	-	0.1
Impairment of Belgian flat linen business	-	-	10.2
Fair Work undertaking – Australia	-	3.0	3.8
Product rationalisation	-	0.5	1.4
Profit on disposal	-	(0.2)	(0.2)
<b>Total – Textiles and Hygiene</b>	<b>15.0</b>	<b>4.9</b>	<b>27.2</b>
<b>West</b>			
Reorganisation costs – UK Hygiene business <sup>2</sup>	0.9	0.1	1.3
Reorganisation costs – other businesses	2.0	0.9	5.0
Increase in provisions <sup>3</sup>	1.8	-	-
Release of prior period provisions <sup>4</sup>	(2.1)	-	-
Acquisition and integration costs <sup>5</sup>	1.7	-	1.5
Release of unpaid contingent consideration	(0.4)	-	-
Libya write back	-	(0.5)	(0.5)
<b>Total – West</b>	<b>3.9</b>	<b>0.5</b>	<b>7.3</b>
<b>Asia</b>			
Reorganisation costs – other	0.3	0.4	0.9
Release of prior period accruals	-	(0.4)	(0.9)
<b>Total – Asia</b>	<b>0.3</b>	<b>-</b>	<b>-</b>
<b>Initial Facilities</b>			
Reorganisation costs – project Chablis <sup>6</sup>	0.9	4.3	7.7
Reorganisation costs – head office <sup>7</sup>	3.3	-	-
Reorganisation costs – Spain	0.5	-	-
Reorganisation costs – other	1.5	0.4	0.8
One off costs – other	0.2	-	-
Write down of property	-	0.2	0.2
Acquisition costs	-	-	0.4
<b>Total – Initial Facilities</b>	<b>6.4</b>	<b>4.9</b>	<b>9.1</b>
<b>Central costs</b>			
Reorganisation costs – Programme Olympic/What Next <sup>8</sup>	0.7	1.6	2.1
Reorganisation costs – other	0.3	0.6	1.5
Acquisition/disposal costs	0.3	-	-
Vacant property provisions	-	0.9	0.8
<b>Total – Central Costs</b>	<b>1.3</b>	<b>3.0</b>	<b>4.4</b>
<b>Total</b>	<b>26.9</b>	<b>13.4</b>	<b>48.0</b>
Classified as:			
Reorganisation costs	25.4	9.9	31.2
One-off items	1.5	3.5	16.8
<b>Total</b>	<b>26.9</b>	<b>13.4</b>	<b>48.0</b>

Additional notes in respect of 2012/13 one-off items

<sup>1</sup> relates to the reorganisation of business units into the integrated country operating model and includes redundancy of employees and office closure costs

<sup>2</sup> relates to the closure of major processing plants in the UK including asset write-offs and redundancy costs net of the profit on the disposal of certain properties

<sup>3</sup> relates to the closure of operational sites in the UK and includes vacant property provisions and asset write offs

<sup>4</sup> relates to the release of the Reading vacant property provision on assignment of the lease to a third party

<sup>5</sup> relates to the acquisition and integration of Western Exterminator

<sup>6</sup> consultancy and redundancy costs associated with the reorganisation of the Initial Facilities division

<sup>7</sup> reorganisation of the divisional head office including redundancy costs and office closure costs

<sup>8</sup> consultancy and pilot running costs associated with Programme Olympic/What Next

## 5. Interest payable and similar charges

	6 months to 30 June 2013 £m	6 months to 30 June 2012 £m	Year to 31 December 2012 £m
Hedged interest payable on medium term notes issued <sup>1</sup>	26.0	21.6	45.6
Interest payable on bank loans and overdrafts <sup>1</sup>	0.7	1.0	0.7
Interest and fees payable on revolving credit facility <sup>1</sup>	1.8	2.0	3.7
Interest payable on foreign exchange swaps	6.0	0.4	5.3
Interest payable on finance leases	0.5	0.4	0.9
Amortisation of discount on provisions	0.3	0.4	0.6
Fair value loss on other derivatives <sup>2,3</sup>	-	-	0.5
<b>Total interest payable and similar charges</b>	<b>35.3</b>	<b>25.8</b>	<b>57.3</b>

<sup>1</sup>interest expense on financial liabilities held at amortised cost

<sup>2</sup>gain 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 £nil (HY 2012: £nil, FY 2012: £0.3m) and fixed price commodity contracts of £nil (HY 2012: £nil, FY 2012: £0.2m)

## 6. Interest receivable

	6 months to 30 June 2013 £m	6 months to 30 June 2012 £m	Year to 31 December 2012 £m
Bank interest <sup>1</sup>	1.1	1.9	2.0
Interest receivable on foreign exchange swaps	5.4	0.4	5.2
Foreign exchange gain on translation of foreign denominated loans	0.3	1.0	1.1
Fair value gain on other derivatives <sup>2,3</sup>	0.4	0.1	0.4
<b>Total interest receivable</b>	<b>7.2</b>	<b>3.4</b>	<b>8.7</b>

<sup>1</sup>interest income on loans and receivables

<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/(losses) relating to interest rate swaps of £0.4m (HY 2012: £0.2m, FY 2012: £0.4m) and fixed price commodity contracts of £nil (HY 2012: £(0.1)m, FY 2012: £nil)

## 7. Income tax expense

	6 months to 30 June 2013 £m	Restated 6 months to 30 June 2012 £m	Restated Year to 31 December 2012 £m
<b>Analysis of charge in the period</b>			
UK Corporation tax at 23.25%* (HY 2012: 24.5%, FY 2012: 24.5%)	-	-	3.0
Overseas taxation	12.3	18.0	30.0
Adjustment in respect of previous periods	(0.3)	(5.1)	(10.3)
<b>Total current tax</b>	<b>12.0</b>	<b>12.9</b>	<b>22.7</b>
Deferred tax	-	1.2	11.4
<b>Total income tax expense</b>	<b>12.0</b>	<b>14.1</b>	<b>34.1</b>

\*the statutory mainstream rate of corporation tax was 24.0% for the year ended 31 March 2013 and reduced to 23.0% for the year ending 31 March 2014. This gives rise to a hybrid tax rate of 23.25% for the year ending 31 December 2013 (three months at 24.0% and nine months at 23.0%)

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period.

The 2013 Budget on 20 March 2013, substantively enacted on 2 July 2013, announced that the UK corporation tax rate will reduce to 20% over a period of two years from 2013.

## 8. Discontinued operations and disposals

On 26 April 2013 the group sold the City Link division. The division was not previously classified as held for sale or as a discontinued operation; and the comparative consolidated income statement has been re-presented to show the discontinued operation separately from continuing operations. Management committed to a plan to sell this division early in 2013, following a decision to concentrate on the group's core international businesses in Pest Control, Hygiene and Workwear.

The results of the discontinued operations are as follows:

	6 months to 30 June 2013 £m	6 months to 30 June 2012 £m	Year to 31 December 2012 £m
Revenue	94.8	148.6	319.6
Operating expenses	(109.0)	(168.3)	(349.8)
<b>Operating loss</b>	<b>(14.2)</b>	<b>(19.7)</b>	<b>(30.2)</b>
Income tax benefit	2.8	4.5	6.5
<b>Operating loss, net of tax</b>	<b>(11.4)</b>	<b>(15.2)</b>	<b>(23.7)</b>
Loss on sale of discontinued operation	(39.0)	-	-
<b>Loss for the period</b>	<b>(50.4)</b>	<b>(15.2)</b>	<b>(23.7)</b>
Basic earnings per share (note 9)	(2.77p)	(0.84p)	(1.30p)
Diluted earnings per share (note 9)	(2.76p)	(0.84p)	(1.30p)

The loss from discontinued operations of £50.4m (HY 2012: £15.2m, FY 2012: £23.7m) is attributable entirely to the owners of the Company.

Details of net assets disposed and disposal proceeds are as follows:

	30 June 2013 £m
Non-current assets	
- Intangible assets	4.9
- Property, plant and equipment	12.5
Current assets	46.8
Current liabilities	(38.9)
Non-current liabilities	(1.2)
Net assets and liabilities	24.1
Costs of disposal	14.9
Consideration	-
Loss on disposal	39.0
Consideration	-
Cash and cash equivalents disposed of	(3.1)
Net cash outflow from discontinued operations	(3.1)

Details of cash flows from discontinued operations are as follows:

	6 months to 30 June 2013 £m	6 months to 30 June 2012 £m	Year to 31 December 2012 £m
Net cash used in operating activities	(22.4)	(13.2)	(32.0)
Net cash used in investing activities <sup>1</sup>	(3.7)	(1.6)	(5.9)
Effect on cash flows	(26.1)	(14.8)	(37.9)

<sup>1</sup>includes a net cash outflow of £0.6m (HY 2012: £1.6m) from capital expenditure included within operating cash flow – discontinued operations on page 6



## 9. Earnings per share

### Basic

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.

	6 months to 30 June 2013 £m	6 months to 30 June 2012 £m	Year to 31 December 2012 £m
Profit from continuing operations attributable to equity holders of the Company	39.9	49.7	73.6
Loss from discontinued operations attributable to equity holders of the Company	(50.4)	(15.2)	(23.7)
Weighted average number of ordinary shares in issue	1,817.0	1,813.4	1,816.9
Basic earnings per share from continuing operations	2.20p	2.74p	4.05p
Basic earnings per share from discontinued operations	(2.77p)	(0.84p)	(1.30p)
Basic earnings per share from continuing and discontinued operations	(0.57p)	1.90p	2.75p

### 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.

	6 months to 30 June 2013 £m	6 months to 30 June 2012 £m	Year to 31 December 2012 £m
Profit from continuing operations attributable to equity holders of the Company	39.9	49.7	73.6
Loss from discontinued operations attributable to equity holders of the Company	(50.4)	(15.2)	(23.7)
Weighted average number of ordinary shares in issue	1,817.0	1,813.4	1,816.9
Adjustment for share options and LTIPs	6.3	1.5	5.2
Weighted average number of ordinary shares for diluted earnings per share	1,823.3	1,814.9	1,822.1
Diluted earnings per share from continuing operations	2.19p	2.74p	4.04p
Diluted earnings per share from discontinued operations	(2.76p)	(0.84p)	(1.30p)
Diluted earnings per share from continuing and discontinued operations	(0.57p)	1.90p	2.74p

### Adjusted

Adjusted earnings per share is the basic earnings per share adjusted for the after tax effects of reorganisation costs and one-off items, amortisation and impairment of intangibles<sup>1</sup> and net interest credit from pensions. Prior year comparatives have been restated to reflect the change in definition of adjusted earnings per share in 2013.

	6 months to 30 June 2013 £m	Restated 6 months to 30 June 2012 £m	Restated Year to 31 December 2012 £m
Profit from continuing operations attributable to equity holders of the Company	39.9	49.7	73.6
Reorganisation costs and one-off items, amortisation and impairment of intangibles <sup>1</sup> before tax and net interest credit from pensions	35.7	21.2	64.2
Tax on reorganisation costs and one-off items, amortisation and impairment of intangibles <sup>1</sup> and net interest credit from pensions	(10.4)	(6.8)	(17.2)
After tax effect of reorganisation costs and one-off items, amortisation and impairment of intangibles <sup>1</sup> and net interest credit from pensions attributable to non controlling interests	-	(0.1)	-
Adjusted profit from continuing operations attributable to equity holders of the Company	65.2	64.0	120.6

Weighted average number of ordinary shares in issue	1,817.0	1,813.4	1,816.9
Adjusted earnings per share from continuing operations	3.59p	3.53p	6.64p

### Diluted adjusted

	6 months to 30 June 2013 £m	Restated 6 months to 30 June 2012 £m	Restated Year to 31 December 2012 £m
Adjusted profit attributable to equity holders of the company	65.2	64.0	120.6
Weighted average number of ordinary shares in issue	1,817.0	1,813.4	1,816.9
Adjustment for share options and LTIPs	6.3	1.5	5.2
Weighted average number of ordinary shares for diluted earnings per share	1,823.3	1,814.9	1,822.1
Diluted adjusted earnings per share from continuing operations	3.58p	3.53p	6.62p

<sup>1</sup>excluding computer software

## 10. Dividends

	6 months to 30 June 2013 £m	6 months to 30 June 2012 £m	Year to 31 December 2012 £m
2011 final dividend paid – 1.33p per share	-	24.1	24.1
2012 interim dividend paid – 0.67p per share	-	-	12.1
2012 final dividend paid – 1.43p per share	25.9	-	-
	25.9	24.1	36.2

The directors have declared an interim dividend of 0.70p per share amounting to £12.7m payable on 24 September 2013 to shareholders on the register at 23 August 2013. These interim financial statements do not reflect this dividend payable.

## 11. Intangible assets

	Goodwill £m	Customer lists and relationships £m	Brands and patents £m	Reacquired franchise rights £m	Computer software £m	Total £m
<b>Cost</b>						
At 1 January 2012	515.0	480.1	27.1	25.4	63.2	1,110.8
Exchange differences	(3.8)	(6.5)	(0.2)	-	(0.8)	(11.3)
Additions	-	-	-	-	9.0	9.0
Disposals / retirements	-	-	-	-	(0.4)	(0.4)
Acquisition of companies and businesses	(1.3)	6.5	-	-	-	5.2
Disposal of companies and businesses	(0.3)	(0.9)	-	-	-	(1.2)
At 30 June 2012	509.6	479.2	26.9	25.4	71.0	1,112.1
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	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
At 1 January 2013	531.7	517.2	36.0	25.4	82.3	1,192.6
Exchange differences	7.8	15.0	1.4	-	1.2	25.4
Additions	-	-	-	-	14.0	14.0
Disposals / retirements	-	-	-	-	(0.2)	(0.2)
Acquisition of companies and businesses	-	2.1	1.1	-	-	3.2
Disposal of companies and businesses	(203.1)	(60.6)	-	(25.4)	(8.9)	(298.0)
At 30 June 2013	336.4	473.7	38.5	-	88.4	937.0
<b>Accumulated amortisation and impairment</b>						
At 1 January 2012	(226.0)	(420.2)	(15.4)	(25.4)	(33.4)	(720.4)
Exchange differences	0.3	5.8	0.3	-	0.5	6.9
Disposals	-	-	-	-	0.2	0.2
Disposal of companies and businesses	-	0.9	-	-	-	0.9
Amortisation charge	-	(11.4)	(0.9)	-	(4.1)	(16.4)
At 30 June 2012	(225.7)	(424.9)	(16.0)	(25.4)	(36.8)	(728.8)
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	1.9
At 31 December 2012	(226.7)	(432.9)	(17.0)	(25.4)	(38.5)	(740.5)
At 1 January 2013	(226.7)	(432.9)	(17.0)	(25.4)	(38.5)	(740.5)
Exchange differences	(1.0)	(10.4)	(0.5)	-	(0.7)	(12.6)
Disposals	-	-	-	-	0.2	0.2
Disposal of companies and businesses	203.1	60.6	-	25.4	4.0	293.1
Amortisation charge	-	(10.0)	(1.7)	-	(7.3)	(19.0)
At 30 June 2013	(24.6)	(392.7)	(19.2)	-	(42.3)	(478.8)
<b>Net Book Value</b>						
1 January 2012	289.0	59.9	11.7	-	29.8	390.4
30 June 2012	283.9	54.3	10.9	-	34.2	383.3
31 December 2012	305.0	84.3	19.0	-	43.8	452.1
<b>30 June 2013</b>	<b>311.8</b>	<b>81.0</b>	<b>19.3</b>	<b>-</b>	<b>46.1</b>	<b>458.2</b>

## 12. Property, plant and equipment

	Land & buildings £m	Service equipment £m	Other plant and equipment £m	Vehicles and office equipment £m	Total £m
<b>Cost</b>					
At 1 January 2012	184.8	693.5	275.2	242.7	1,396.2
Exchange differences	(4.6)	(19.1)	(7.0)	(4.4)	(35.1)
Additions	1.7	65.0	7.9	17.3	91.9
Disposals	(2.1)	(18.5)	(6.3)	(13.4)	(40.3)
Acquisition of companies and businesses	0.8	-	-	-	0.8
Disposal of companies and businesses	-	(0.6)	(0.2)	(0.2)	(1.0)
At 30 June 2012	180.6	720.3	269.6	242.0	1,412.5
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	-	0.4	4.0	9.9
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
At 1 January 2013	172.5	685.0	266.6	245.4	1,369.5
Exchange differences	7.5	28.9	12.0	7.2	55.6
Additions	3.7	64.3	13.6	16.6	98.2
Disposals	(0.5)	(29.0)	(2.0)	(13.9)	(45.4)
Acquisition of companies and businesses	-	2.6	-	-	2.6
Disposal of companies and businesses	(13.7)	-	(6.7)	(15.7)	(36.1)
Transfer to investment properties	(8.7)	-	-	-	(8.7)
At 30 June 2013	160.8	751.8	283.5	239.6	1,435.7
<b>Accumulated depreciation and impairment</b>					
At 1 January 2012	(51.5)	(438.3)	(187.9)	(144.8)	(822.5)
Exchange differences	1.4	12.2	5.0	3.0	21.6
Disposals	0.6	16.5	5.1	11.8	34.0
Disposal companies and businesses	-	0.4	0.1	0.2	0.7
Depreciation charge	(3.1)	(60.3)	(10.6)	(18.4)	(92.4)
At 30 June 2012	(52.6)	(469.5)	(188.3)	(148.2)	(858.6)
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)
At 1 January 2013	(49.6)	(439.9)	(182.6)	(147.1)	(819.2)
Exchange differences	(2.2)	(18.8)	(8.3)	(4.6)	(33.9)
Disposals	0.3	28.3	1.7	12.4	42.7
Disposal of companies and businesses	6.3	-	5.6	11.4	23.3
Depreciation charge	(2.8)	(64.5)	(10.5)	(18.5)	(96.3)
Transfer to investment properties	0.8	-	-	-	0.8
At 30 June 2013	(47.2)	(494.9)	(194.1)	(146.4)	(882.6)
<b>Net Book Value</b>					
At 1 January 2012	133.3	255.2	87.3	97.9	573.7
At 30 June 2012	128.0	250.8	81.3	93.8	553.9
At 31 December 2012	122.9	245.1	84.0	98.3	550.3
At 30 June 2013	113.6	256.9	89.4	93.2	553.1

### 13. Cash and cash equivalents

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Cash at bank and in hand	102.3	92.8	160.5
Short-term bank deposits	20.6	5.1	6.1
	122.9	97.9	166.6

Cash and cash equivalents include the following for the purposes of the cash flow statement:

Cash and cash equivalents	122.9	97.9	166.6
Other investments	-	-	56.1
Bank overdrafts (note 14)	(3.2)	(33.8)	(3.8)
	119.7	64.1	218.9

Included within cash at bank and in hand is £16.4m (HY 2012: £15.4m, FY2012: £15.7m) of restricted cash.

#### Offsetting financial assets and liabilities

The group operates legal arrangements whereby cash balances and overdrafts in the same currency held with the same bank are offset to give a net balance which is included within cash and cash equivalents on the balance sheet. The total cash and bank overdrafts figures before netting are shown in the tables below:

##### 30 June 2013

	Gross amounts before offsetting £m	Gross amounts set off £m	Net amounts presented £m
Cash at bank and in hand	1,106.2	(1,003.9)	102.3
Bank overdrafts (note 14)	(1,007.1)	1,003.9	(3.2)
	99.1	-	99.1

##### 30 June 2012

	Gross amounts before offsetting £m	Gross amounts set off £m	Net amounts presented £m
Cash at bank and in hand	907.6	(814.8)	92.8
Bank overdrafts (note 14)	(848.6)	814.8	(33.8)
	59.0	-	59.0

##### 31 December 2012

	Gross amounts before offsetting £m	Gross amounts set off £m	Net amounts presented £m
Cash at bank and in hand	1,037.4	(876.9)	160.5
Bank overdrafts (note 14)	(880.7)	876.9	(3.8)
	156.7	-	156.7

### 14. Bank and other borrowings

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
<b>Non-current</b>			
RCF and other bank borrowings	0.2	155.0	-
Bond debt	736.1	840.7	1,108.8
Finance lease liabilities	18.6	12.5	12.0
	754.9	1,008.2	1,120.8
<b>Current</b>			
Bank overdrafts (note 13)	3.2	33.8	3.8
Bank borrowings	0.4	0.2	-
Bond debt	464.2	-	50.0
Bond accruals	20.5	9.7	30.7
Finance lease liabilities	3.9	6.0	6.9
	492.2	49.7	91.4
<b>Total bank and other borrowings</b>	<b>1,247.1</b>	<b>1,057.9</b>	<b>1,212.2</b>

Medium term notes and bond debt comprises:

	Bond interest coupon	Effective hedged interest rate
<b>Non current</b>		
£300m bond due March 2016	Fixed 5.75%	Fixed 4.47%
€500m bond due September 2019	Fixed 3.375%	Fixed 3.45%
£1.3m debentures	Fixed 5.00%	Fixed 5.00%
£0.3m debentures	Fixed 4.50%	Fixed 4.50%
<b>Current</b>		
€500m bond due March 2014 (€14.5m repaid in 2012)	Fixed 4.625%	Fixed 4.93%
£50m bond due September 2013	Floating 3 month LIBOR + 3.25%	Fixed 7.34%
<b>Average cost of bond debt at period end rates</b>		<b>4.35%</b>

The group has two committed Revolving Credit Facilities ('RCF'), a £270m facility expiring in December 2016 and a £240m facility expiring in December 2014. During the six months to 30 June 2013 the RCF was undrawn. The marginal cost of borrowing under the RCF at the period end was 1.5%.

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

The £300m bond was re-valued 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.

The carrying values and the fair values of the group's non-current borrowings are shown below. Fair values are based on cashflows discounted at the current market rates:

	Carrying amount 30 June 2013 £m	Carrying amount 30 June 2012 £m	Carrying amount 31 December 2012 £m	Fair Value 30 June 2013 £m	Fair Value 30 June 2012 £m	Fair Value 31 December 2012 £m
Bank borrowings	<b>0.2</b>	155.0	-	<b>0.2</b>	155.0	-
£300m bond due March 2016	<b>310.5</b>	314.3	312.4	<b>326.6</b>	318.3	326.5
€500m bond due September 2019	<b>424.6</b>	-	402.9	<b>438.8</b>	-	422.8
£1.6m debentures	<b>1.0</b>	1.0	1.0	<b>2.4</b>	2.6	2.7
£50m bond due September 2013	-	49.9	-	-	50.7	-
£75m bond (repaid in October 2012)	-	74.9	-	-	99.6	-
€500m bond due March 2014 (€14.5m repaid in 2012) – current in 2013	-	400.6	392.5	-	419.2	411.3
Finance lease liabilities	<b>18.6</b>	12.5	12.0	<b>18.6</b>	12.5	12.0
	<b>754.9</b>	1,008.2	1,120.8	<b>786.6</b>	1,057.9	1,175.3

The carrying values and the fair values of the group's bonds due for repayment in the next year are shown below. Fair values are based on cashflows discounted at the current market rates:

	Carrying amount 30 June 2013 £m	Carrying amount 30 June 2012 £m	Carrying amount 31 December 2012 £m	Fair Value 30 June 2013 £m	Fair Value 30 June 2012 £m	Fair Value 31 December 2012 £m
£50m bond due September 2013	<b>50.0</b>	-	50.0	<b>50.3</b>	-	50.8
€500m bond due March 2014 (€14.5m repaid in 2012) – non-current in 2012	<b>414.2</b>	-	-	<b>427.0</b>	-	-
	<b>464.2</b>	-	50.0	<b>477.3</b>	-	50.8

For all financial instruments held by the group, those that are held at fair value are to be classified by reference to the source of inputs used to derive the fair value. The following hierarchy is used:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly as prices or indirectly through modelling based on prices;
- Level 3 – inputs for the asset or liability that are not based on observable market data.

The group holds all derivatives at fair value using discounted cash flow models based on market rates which are observable. Therefore all derivative financial instruments and available-for-sale assets held by the group fall into Level 2. Contingent consideration payable by the group falls into Level 3. No financial instruments have moved between levels in the period.

## 15. 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 major schemes are of the defined benefit type with assets held in separate trustee administered funds.

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 No2 Section, accounting for 0.5% of the total scheme's liabilities, which remains open). Actuarial valuations of the UK scheme are usually carried out every three years.

The group has come to an agreement with the UK pension scheme trustees in relation to the 31 March 2010 triennial valuation of the group's UK pension scheme and the funding thereof. As shown below, the balance sheet records an IAS 19 pension scheme surplus at 30 June 2013 of £124.6m, whereas the agreement with the trustees assumes a funding deficit, reflecting the position at 31 March 2010 and the underlying assumptions used for a funding basis. The funding deficit commencing on the agreement is £80m with a funding arrangement by the group of £12.5m per annum over an 8 year period commencing on 1 January 2013. A triennial valuation will take place this year, effective from 31 March 2013. The Company and trustees will discuss the results and provide an update on the finalised valuation in due course.

These defined benefit schemes are re-appraised 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.

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
<b>Weighted average %</b>			
Discount rate	<b>4.6%</b>	4.4%	4.4%
Future salary increases	<b>4.3%</b>	3.8%	3.9%
Future pension increases	<b>3.4%</b>	3.0%	3.1%
RPI Inflation	<b>3.6%</b>	3.1%	3.2%
CPI Inflation	<b>2.6%</b>	2.2%	2.5%

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

	30 June 2013 £m	Restated 30 June 2012 £m	Restated 31 December 2012 £m
Present value of funded obligations	(1,170.2)	(1,196.4)	(1,182.9)
Fair value of plan assets	1,284.0	1,277.1	1,298.2
	113.8	80.7	115.3
Present value of unfunded obligations	(13.7)	(11.4)	(13.5)
Net pension asset	100.1	69.3	101.8
Presented in the balance sheet as:			
Retirement benefit assets	124.6	87.2	126.1
Retirement benefit obligation	(24.5)	(17.9)	(24.3)
	100.1	69.3	101.8

The fair value of plan assets at the balance sheet date for the total of the UK RIPS and other<sup>1</sup> schemes is analysed as follows:

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Equity instruments	358.3	329.1	347.4
Debt instruments	236.7	272.9	257.6
Property	1.1	1.1	1.1
Other	8.3	7.3	7.7
Interest and inflation rate hedging instruments	73.6	78.5	93.2
Short term deposits	606.0	-	-
Funding trade	-	588.2	591.2
	1,284.0	1,277.1	1,298.2

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

	30 June 2013 £m	Restated 30 June 2012 £m	Restated 31 December 2012 £m
Current service cost <sup>2</sup>	1.1	0.9	2.2
Administrative expenses <sup>2</sup>	0.8	0.9	1.8
Net interest credit <sup>2</sup>	(2.9)	(4.5)	(9.0)
Total pension income	(1.0)	(2.7)	(5.0)

<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>2</sup> service costs and administrative expenses are charged to operating expenses and the net interest credit is shown separately on the face of the income statement.

## 16. Provisions for other liabilities and charges

	Vacant properties £m	Environmental £m	Self insurance £m	Other £m	Total £m
At 1 January 2012	53.1	19.4	23.2	12.0	107.7
Exchange differences	-	(0.4)	(0.2)	(0.2)	(0.8)
Additional provisions	1.5	0.3	1.9	5.4	9.1
Acquisitions of companies and businesses	-	-	-	(0.6)	(0.6)
Unused amounts reversed	(1.4)	(0.2)	(0.5)	(0.5)	(2.6)
Unwinding of discount on provisions	0.3	0.1	-	-	0.4
Used during the period	(5.9)	(1.3)	(3.3)	(4.0)	(14.5)
At 30 June 2012	47.6	17.9	21.1	12.1	98.7
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
At 1 January 2013	46.3	17.4	18.9	15.8	98.4
Exchange differences	0.2	1.0	0.7	0.6	2.5
Additional provisions	9.0	-	2.1	16.4	27.5
Disposal of companies and businesses	-	-	-	(1.2)	(1.2)
Unused amounts reversed	(4.3)	(1.0)	-	(0.1)	(5.4)
Unwinding of discount on provisions	0.2	0.1	-	-	0.3
Used during the period	(4.8)	(0.6)	(2.8)	(13.9)	(22.1)
At 30 June 2013	46.6	16.9	18.9	17.6	100.0

Provisions analysed as follows:

	At 30 June 2013 £m	At 30 June 2012 £m	At 31 December 2012 £m
Non-current	66.6	76.8	70.1
Current	33.4	21.9	28.3
	100.0	98.7	98.4

#### 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 tenancy.

#### 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 utilized 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 utilized within the next five years.

### 17. Share Capital

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
<b>Authorised</b>			
4,100,000,000 ordinary shares of 1p each	41.0	41.0	41.0
<b>Issued and fully paid</b>			
At 1 January and period end – 1,814,831,011 shares (2012: 1,814,831,011)	18.1	18.1	18.1

### 18. Cash generated from operating activities

	6 months to 30 June 2013 £m	6 months to 30 June 2012 £m	Year to 31 December 2012 £m
Profit / (loss) for the period	(10.5)	34.5	49.9
Adjustments for:			
- Loss on sale of discontinued operations excluding costs of disposal	24.1	-	-
- Discontinued operations tax	(2.8)	(4.5)	(6.5)
- Tax	12.0	14.1	34.1
- Share of profit from associates	(3.1)	(2.5)	(4.6)
- One-off items – financing	-	-	31.4
- Net interest credit from pensions	(2.9)	(4.5)	(9.0)
- Interest income	(7.2)	(3.4)	(8.7)
- Interest expense	35.3	25.8	57.3
- Depreciation and impairment of tangible assets	96.3	92.4	194.2
- Depreciation and impairment of investment properties	3.5	-	-
- Amortisation and impairment of intangible assets <sup>1</sup>	11.7	12.3	25.2
- Amortisation of computer software	7.3	4.1	8.9
- LTIP charges	1.0	2.8	3.9
- Other non-cash items	(0.2)	0.2	-
- Loss on sale of property, plant and equipment	0.8	2.0	4.7
- Loss on disposal / retirement of intangible assets	-	0.2	0.2
- Profit on disposal of companies and businesses	-	(0.7)	(0.9)
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation):			
- Inventories	(8.1)	(3.4)	0.2
- Trade and other receivables	(17.4)	(35.7)	(19.4)
- Trade and other payables and provisions	(46.8)	(10.0)	(3.6)
Cash generated from operating activities before special pension contribution	93.0	123.7	357.3
Special pension contribution	(12.5)	(12.5)	(12.5)
Cash generated from operating activities	80.5	111.2	344.8

<sup>1</sup> excluding computer software

## 19. Reconciliation of net (decrease) / increase in cash and cash equivalents to net debt

	6 months to 30 June 2013 £m	6 months to 30 June 2012 £m	Year to 31 December 2012 £m
Net (decrease) / increase in cash and cash equivalents	(104.4)	(7.1)	150.2
Movement on finance leases	(2.5)	(5.7)	(5.9)
Movement on other investments	2.1	-	-
Movement on loans	-	(60.5)	(222.5)
(Increase) / decrease in debt resulting from cash flows	(104.8)	(73.3)	(78.2)
Foreign exchange translation and other items	(27.8)	32.3	7.7
Movement on net debt in the period	(132.6)	(41.0)	(70.5)
Opening net debt	(989.5)	(919.0)	(919.0)
<b>Closing net debt</b>	<b>(1,122.1)</b>	<b>(960.0)</b>	<b>(989.5)</b>
Closing net debt comprises:			
Cash and cash equivalents	122.9	97.9	166.6
Other investments <sup>1</sup>	2.1	-	56.1
Bank and other short-term borrowings	(492.2)	(49.7)	(91.4)
Bank and other long-term borrowings	(754.9)	(1,008.2)	(1,120.8)
<b>Total net debt</b>	<b>(1,122.1)</b>	<b>(960.0)</b>	<b>(989.5)</b>

<sup>1</sup> other investments include term bank deposits maturing in more than 3 months

## 20. Operating and free cash flow

	6 months to 30 June 2013 £m	6 months to 30 June 2012 £m	Year to 31 December 2012 £m
Cash generated from operating activities	80.5	111.2	344.8
Add back: special pension contribution	12.5	12.5	12.5
	93.0	123.7	357.3
Purchase of property, plant and equipment (PPE)	(98.9)	(89.5)	(182.7)
Purchase of intangible fixed assets	(14.0)	(8.5)	(23.4)
Leased property, plant and equipment	(6.1)	(8.7)	(12.3)
Proceeds from sale of PPE	1.9	3.8	9.2
Dividends received from associates	-	-	8.9
<b>Operating cash flow</b>	<b>(24.1)</b>	<b>20.8</b>	<b>157.0</b>
Interest received	6.9	3.7	2.7
Interest paid	(36.7)	(40.9)	(46.0)
Interest element of finance lease payments	(0.5)	(0.4)	(0.9)
Income tax paid	(17.6)	(17.3)	(35.6)
One-off items - financing	-	-	(31.4)
Disposal of available-for-sale investments	1.3	2.0	2.1
<b>Free cash flow</b>	<b>(70.7)</b>	<b>(32.1)</b>	<b>47.9</b>

## 21. Business combinations

The group purchased 100% of the share capital or the trade and assets of six companies and businesses in the period. The total consideration in respect of acquisitions was £6.0m and the cash outflow from current and past period acquisitions, net of cash acquired was £4.8m.

From the dates of acquisition to 30 June 2013, these acquisitions contributed £1.9m to revenue and £nil to operating profit. If the acquisitions had occurred on 1 January 2013, the revenue and operating profit of the combined entity would have amounted to £1,171.6m and £74.9m respectively.

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

	2013 £m
Purchase consideration:	
- Cash paid	2.1
- Businesses exchanged	3.5
- Deferred consideration	0.4
Total purchase consideration	6.0
Fair value of net assets acquired	5.4
<b>Goodwill from current period acquisitions</b>	<b>0.6</b>

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.

Deferred consideration of £0.4m is payable over the next two years.

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



The provisional fair value<sup>1</sup> of assets and liabilities arising from acquisitions in the period:

	2013 £m
Non-current assets	
- Intangible assets	2.4
- Property, plant and equipment	2.6
Current assets <sup>2</sup>	1.5
Current liabilities	(0.6)
Non-current liabilities	(0.5)
Net assets acquired	5.4

<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.

<sup>2</sup> includes trade and other receivables of £1.5m which represents the gross and fair value of the assets acquired

The 2012 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 2012, as follows:

	2012 Adjustment £m
Total purchase consideration	-
Fair value of net assets acquired	0.6
Goodwill on prior period acquisitions	(0.6)

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

	2012 Adjustment £m
Non-current assets	
- Intangible assets	0.8
Current liabilities	(0.2)
Net assets acquired	0.6

	2013 £m
Total purchase consideration	6.0
Businesses exchanges	(3.5)
Consideration payable in future periods	(0.4)
Purchase consideration (paid in cash)	2.1
Cash and cash equivalents in acquired companies and businesses	-
Cash outflow on current period acquisitions	2.1
Deferred consideration from prior periods paid	2.7
Cash outflow on current and past acquisitions	4.8

## 22. 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 period ended 30 June 2013 was £1.1m (HY 2012: £1.3m, FY 2012: £2.5m). Please refer to note 3 for details of the accounting for these costs.

The group has made a loan to a consortium of private investors which enabled them to purchase a 25.1% stake in the group's South African business. The group has a receivable from this consortium as at 30 June 2013 of £14.3m (HY 2012: £17.4m, FY 2012: £17.0m). On 2 May 2013 an agreement was reached to repurchase the 25.1% stake for a consideration of ZAR 4.0m (£0.3m) plus the outstanding capital value of the loan at the execution date. At 30 June 2013 a number of conditions of the sale had not been met therefore the transaction was not recognised in the first half of year. All conditions are expected to be met before the year end which will result in the recognition of an estimated £1.8m one-off gain in the Income Statement.

## 23. Capital commitments

The only capital commitments outstanding at 30 June 2013 were those incurred in the normal course of business.

## 24. Contingent liabilities

There have been no material changes to the group's contingent liabilities since 31 December 2012 other than described below.

On 26 April 2013 the group disposed of its City Link business to Better Capital LLP. The group retained certain parent company guarantees against leasehold properties that continue to be occupied by City Link. At 30 June 2013 the total value of these guarantees is £20.8m. In the event that any of these guarantees were called the Group would seek to mitigate its liability through finding an alternative tenant.

## 25. Events occurring after the balance sheet date

There were no significant events occurring after the balance sheet date.

## Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU
- the interim management report includes a fair review of the information required by:
  - DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so

By Order of the Board

Alan Brown  
14 August 2013

The directors of Rentokil Initial plc are listed in the Rentokil Initial plc Annual Report for 31 December 2012. A List of the current directors is maintained on the Rentokil Initial website: [www.rentokil-initial.com](http://www.rentokil-initial.com)

## INDEPENDENT REVIEW REPORT TO RENTOKIL INITIAL PLC

### Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 which comprises the condensed consolidated income statement, condensed consolidated balance sheet, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

### Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

### Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

### Paul Sawdon

for and on behalf of KPMG Audit Plc,  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL

14 August 2013