

RENTOKIL INITIAL PLC (RTO)
PRELIMINARY RESULTS FOR YEAR ENDED 31 DECEMBER 2013

Results £million	Q4 2013	Growth		FY 2013	Growth	
	AER	AER	CER	AER	AER	CER
Revenue	575.7	1.3%	1.6%	2,327.1	4.5%	3.2%
Adjusted operating profit ¹	78.5	3.7%	3.5%	261.9	5.9%	4.1%
Adjusted profit before tax ¹	62.6	(0.5%)	0.5%	206.2	1.4%	0.4%
Profit before tax	27.1	867.9%	760.6%	122.6	13.8%	13.2%
Operating cash flow ²	104.6			141.2		
Adjusted EPS ³				8.42p	2.2%	

2013 Highlights (at constant exchange rates)

- 2013 revenue, profit and cash performance in line with expectations
- Revenue £2.3bn (+3.2%), largely reflecting contribution from Western acquisition:
 - Quarterly improvement in organic growth in core businesses, +1.1% in Q4, +0.5% for the year
- Adjusted operating profit £257.4m (+4.1%):
 - West region £117.5m (+14.8%), reflecting impact of Western acquisition with North America £37.2m (+25.3%), supported by 18.8% growth in UK & Ireland
 - Continued strong performance from Asia, with profits of £8.1m (+32.8%)
 - East region £183.5m (-2.1%) driven by weak performance in Benelux
- Profit before tax £122.6m at AER (+13.8%), impacted by increase in interest charge of £11.4m and £3.5m lower pension credit; 2012 impacted by financing one-offs (£31.4m)
- Operating cash flow £141.2m at AER, down £53.7m due to working capital outflows and increased restructuring & capex costs
- Expansion of global pest control presence; acquisition of 19 bolt-ons in 2013 and early 2014 with combined revenues of £19m
- Recommended final dividend of 1.61p; full year dividend of 2.31p (10% increase year on year)

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- **Disposal of Initial Facilities to Interserve Plc for a total cash consideration of £250m**
 - **Announcement of a differentiated plan** - Following a period of restructuring and investment the Company announces today its strategy to deliver shareholder value over the medium term. The Rentokil Initial Model is designed to drive higher revenue, generate sustainable profit growth and increased free cash flow. It focuses on:
 - A clear organisational structure built around strong regional businesses
 - Three core categories of pest control, hygiene and workwear
 - Differentiated strategies for investment and growth
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Andy Ransom, Chief Executive Officer of Rentokil Initial plc, said:

"We have delivered a steady financial performance in 2013, despite ongoing economic challenges in Europe, rounding out the year with a solid fourth quarter in line with expectations.

"We have also announced this morning the disposal of Initial Facilities to Interserve Plc. The transaction really is a 'win win win'. It is an excellent outcome for our colleagues and customers in Initial Facilities, represents a great opportunity for Interserve and it is the right deal for Rentokil Initial and its shareholders. This divestment, together with the sale of City Link in April 2013, allows us to focus on our core service categories of pest control, hygiene and workwear.

"Though we see no immediate improvement in trading conditions in Europe (particularly the Benelux) in 2014 we expect to offset ongoing margin pressure with cost efficiencies and anticipate a material improvement in free cash flow as restructuring expenses and capex are reduced. In addition our new strategy, with its differentiated plan to drive shareholder value, gives us confidence in making further operational and financial progress in the coming year."

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

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

² cash flow before interest, tax, acquisitions, disposals, foreign exchange adjustments and discontinued operations

³ 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 from pensions

FINANCIAL SUMMARY

£million	Fourth Quarter			Full Year		
	2013	2012	change	2013	2012	change
Continuing Operations¹						
At 2012 constant exchange rates²						
Revenue	579.6	570.6	1.6%	2,297.6	2,226.7	3.2%
Adjusted operating profit ³	78.9	76.2	3.5%	257.4	247.3	4.1%
Reorganisation costs and one-off items - operating ⁴	(28.3)	(22.9)	(23.6%)	(62.5)	(48.0)	(30.2%)
Amortisation and impairment of intangible assets ⁵	(9.7)	(8.2)	(18.3%)	(26.6)	(25.2)	(5.6%)
Operating profit	40.9	45.1	(9.3%)	168.3	174.1	(3.3%)
One-off items - financing	1.5	(31.4)	-	1.5	(31.4)	-
Share of profit from associates (net of tax)	1.0	0.9	11.1%	5.2	4.6	13.0%
Net interest payable (excluding pensions)	(16.1)	(13.6)	(18.4%)	(58.5)	(48.6)	(20.4%)
Net interest credit from pensions	1.1	2.3	(52.2%)	5.4	9.0	(40.0%)
Profit before tax	28.4	3.3	760.6%	121.9	107.7	13.2%
Adjusted profit before tax ³	63.8	63.5	0.5%	204.1	203.3	0.4%
Operating cash flow ⁶	103.7	113.4		138.0	194.9	
Continuing Operations¹						
At actual exchange rates						
Revenue	575.7	568.1	1.3%	2,327.1	2,226.7	4.5%
Adjusted operating profit ³	78.5	75.7	3.7%	261.9	247.3	5.9%
Reorganisation costs and one-off items - operating ⁴	(28.5)	(22.9)	(24.5%)	(63.7)	(48.0)	(32.7%)
Amortisation and impairment of intangible assets ⁵	(9.6)	(8.1)	(18.5%)	(26.9)	(25.2)	(6.7%)
Operating profit	40.4	44.7	(9.6%)	171.3	174.1	(1.6%)
One-off items - financing	1.5	(31.4)	-	1.5	(31.4)	-
Share of profit from associates (net of tax)	0.7	0.8	(12.5%)	4.3	4.6	(6.5%)
Net interest payable (excluding pensions)	(16.6)	(13.6)	(22.1%)	(60.0)	(48.6)	(23.5%)
Net interest credit from pensions	1.1	2.3	(52.2%)	5.5	9.0	(38.9%)
Profit before tax	27.1	2.8	867.9%	122.6	107.7	13.8%
Taxation				(31.4)	(34.1)	7.9%
Profit after tax				91.2	73.6	23.9%
Adjusted profit before tax ³	62.6	62.9	(0.5%)	206.2	203.3	1.4%
Operating cash flow ⁶	104.6	113.0		141.2	194.9	
Basic earnings per share				4.95p	3.92p	26.3%
Basic adjusted earnings per share ⁷				8.42p	8.24p	2.2%
Dividend per share (proposed/paid)				1.61p	1.43p	

¹ all figures are for continuing operations

² results at constant exchange rates have been translated at the full year average exchange rates for the year ended 31 December 2012. £/\$ average rates: FY 2013 1.5713; FY 2012 1.5898, £/€ average rates: FY 2013 1.1820; FY 2012 1.2320

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

⁴ see Note 2 for further details

⁵ including impairment of intangibles of £3.4m (2012: £1.3m) at constant and actual rates of exchange (excluding computer software)

⁶ cash flow before interest, tax, acquisitions, disposals, foreign exchange adjustments and discontinued operations

⁷ 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 from pensions

The above table includes the results for Initial Facilities, the sale of which was announced on 28 February 2014. The revenue, adjusted operating profit, operating profit, adjusted profit before tax and profit before tax figures excluding Initial Facilities are set out below. The performance of the group will be set out on this basis from H1 onwards.

£million	Initial Facilities			Continuing Group		
	2013	2012	change	2013	2012	change
At 2012 constant exchange rates^{1,2}						
Revenue	534.0	559.9	(4.6%)	1,763.6	1,666.8	5.8%
Adjusted operating profit ³	25.8	29.7	(13.1%)	231.6	217.6	6.4%
Reorganisation costs and one-off items ⁴	(11.7)	(9.1)	(28.6%)	(50.8)	(38.9)	(30.6%)
Amortisation and impairment of intangible assets ⁵	(3.3)	(3.1)	(6.5%)	(23.3)	(22.1)	(5.4%)
Operating profit	10.8	17.5	(38.3%)	157.5	156.1	0.6%
Profit before tax	11.2	18.4	(39.1%)	110.7	89.3	24.0%
Adjusted profit before tax ³	26.2	30.6	(14.4%)	178.0	172.7	3.1%
At actual exchange rates¹						
Revenue	535.7	559.9	(4.3%)	1,791.4	1,666.8	7.5%
Adjusted operating profit ³	25.8	29.7	(13.1%)	236.1	217.6	8.5%
Reorganisation costs and one-off items ⁴	(11.7)	(9.1)	(28.6%)	(52.0)	(38.9)	(33.7%)
Amortisation and impairment of intangible assets ⁵	(3.3)	(3.1)	(6.5%)	(23.6)	(22.1)	(6.8%)
Operating profit	10.8	17.5	(38.3%)	160.5	156.1	2.5%
Profit before tax	11.2	18.4	(39.1%)	111.4	89.3	24.7%
Adjusted profit before tax ³	26.2	30.6	(14.4%)	180.0	172.7	4.2%

¹ all figures are for continuing operations

² results at constant exchange rates have been translated at the full year average exchange rates for the year ended 31 December 2012. £/\$ average rates: FY 2013 1.5713; FY 2012 1.5898, £/€ average rates: FY 2013 1.1820; FY 2012 1.2320

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

⁴ see Note 2 for further details

⁵ including impairment of intangibles of £3.4m (2012: £1.3m) at constant and actual rates of exchange (excluding computer software)

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

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A presentation for investors and analysts will be held on Friday 28 February 2014 at 8.45am at the Inmarsat Conference Centre, 99 City Road, London, EC1Y 1AX. This will be available via a live audio web cast at www.rentokil-initial.com.

Basis of preparation

Segmental information has been presented in accordance with IFRS 8 “Operating Segments” which the group has implemented with effect from 1 January 2009. This statement reflects internal organisation changes made in 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 and divisional overheads. Prior year comparisons have been restated. In all cases references to operating profit are for continuing businesses before amortisation and impairment of intangible assets (excluding computer software). References to adjusted operating profit and adjusted profit before tax also exclude operating reorganisation costs and one-off items, totalling a net cost of £62.5m (2012: £48.0m) that have had a significant impact on the results of the group. These costs have been separately identified as they are not considered to be “business as usual” expenses and have a varying impact on different businesses and reporting periods. Details of operating reorganisation costs and one-off items incurred in the period, for which adjustments have been made, are set out in Note 2. All comparisons are at constant 2012 full year average exchange rates.

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

OVERVIEW OF THE 12 MONTHS TO DECEMBER 2013

Revenue in the **West** region rose 17.9% (0.9% organic) driven largely by North America through the acquisition of Western Exterminator. Revenue in the UK and Ireland was adversely impacted by tough economic conditions; however cost savings have enabled profit growth. Europe posted a marginal decline in 2013 revenues reflecting ongoing economic challenges in Southern regions. Low single-digit revenue and profit growth from the Rest of World operations reflected solid performances by East Africa, the Nordics and the Caribbean while prior-year acquisitions in Central and South America, Middle East, North Africa and Turkey have traded in line with expectations. The integrated operating model has been implemented across the region and is underpinning net operating margins. Profit for the region increased by 14.8% on the prior year.

Revenue in the **East** region declined by 2.1% (-0.4% organic) year on year. Trading conditions in continental Europe have continued to be difficult with Benelux impacted by significant pricing pressure and France and Germany experiencing some softening in demand. France delivered a steady performance in its core workwear and hygiene operations, supported by moving to an integrated operating model, while Germany was held back by the impact of falling gold prices on dental revenues in its medical hygiene business. Overall performance was also impacted by weak pest control job sales in Australia due to adverse weather conditions in H1. Significant investment in restructuring programmes in France, Benelux and Germany is now largely complete. Profit in the East region declined by 2.1%.

Asia continues to build on its solid platform for growth, delivering a revenue increase of 7.0% (7.2% organic) year on year. Both the pest control and hygiene categories performed well, benefiting from ongoing market development. Our operations in the emerging markets of India, China and Vietnam delivered combined revenue growth of 37.3% albeit from a low base. Growth in the mature market of Malaysia was in mid-single digits building on 2012's strong performance. Profit growth of 32.8% across the region reflects leverage from revenue growth combined with ongoing productivity improvements.

The Company announced on 29 April 2013 the sale of its parcels division, **City Link** to Better Capital. A one-off loss on disposal was incurred of £41.0m of which £30.5m related to a non-cash write down of assets. These are reported within discontinued operations.

CENTRAL AND DIVISIONAL OVERHEADS

Central and divisional overheads decreased by £2.0m in Q4 and £0.8m in the year reflecting the implementation of a programme designed to reduce annual central and divisional overheads by £10m, announced with the Q3 IMS, as well as lower provisions for bonus payments in Q4.

REORGANISATION COSTS AND ONE-OFF ITEMS - OPERATING

Net reorganisation costs and one-off items (operating) at actual exchange rates in the year amounted to £63.7m (2012: £48.0m). £51.7m (2012: £31.2m) 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 (operating) of £12.0m (2012: £16.8m) include costs relating to acquisitions and disposals and movements in vacant property

provisions. Details of reorganisation costs and one-off items (operating) incurred in the period, for which adjustments have been made, are set out in Note 2.

INTEREST AND ONE-OFF ITEMS - FINANCING

Net interest payable was £60.0m at actual exchange rates compared to £48.6m in the prior year, an increase of £11.4m. The increase is predominantly due to the carry cost resulting from raising funds ahead of the maturity of our €500m bond in March 2014. Following the maturity of the March 2014 bond the average cost of gross debt for the group will be less than 4%. In 2013 a £1.5m credit was recognised as a one-off item (financing) in respect of the unwinding of historic gains and losses from equity on disposal of an available-for-sale asset.

TAX

The income tax expense for the year was £31.4m on the reported profit before tax of £122.6m. After adjusting profit for the amortisation and impairment of intangible assets (excluding computer software), reorganisation costs and one-off items and net pension credit from pensions, the effective tax rate for the year is 25.2% (2012: 25.4% as restated – please refer to note 1). This compares with a blended rate of tax for the countries in which the group operates of 27% (2012: 28% as restated). The reduction is principally due to the recognition of a deferred tax asset in relation to certain UK tax losses carried forward as at 31 December 2013.

NET DEBT AND CASH FLOW

£ million at actual exchange rates	Year to Date		
	2013 £m	2012 £m	Change £m
Adjusted operating profit ¹	261.9	247.3	14.6
Reorganisation costs and one-off items – operating	(63.7)	(48.0)	(15.7)
Depreciation	205.2	197.1	8.1
Other non-cash	10.8	16.8	(6.0)
EBITDA	414.2	413.2	1.0
Working capital	(34.6)	(10.4)	(24.2)
Movement on provisions	(6.3)	(4.5)	(1.8)
Capex – additions	(238.3)	(212.6)	(25.7)
Capex – disposals	6.2	9.2	(3.0)
Operating cash flow – continuing operations	141.2	194.9	(53.7)
Operating cash flow – discontinued operations	(23.0)	(37.9)	14.9
Operating cash flow	118.2	157.0	(38.8)
Interest	(51.2)	(44.2)	(7.0)
Tax	(37.2)	(35.6)	(1.6)
One-off items – financing	-	(31.4)	31.4
Special pension contributions	(13.6)	(12.5)	(1.1)
Disposal of available-for-sale investments	1.2	2.1	(0.9)
Free cash flow	17.4	35.4	(18.0)
Acquisitions/disposals	(10.0)	(82.8)	72.8
Dividends	(38.6)	(36.2)	(2.4)
Foreign exchange translation and other items	(14.1)	13.1	(27.2)
(Increase) / decrease in net debt	(45.3)	(70.5)	25.2
Closing net debt	(1,034.8)	(989.5)	(45.3)

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

Operating cash inflow of £141.2m at actual exchange rates for continuing operations was £53.7m adverse to 2012 mainly due to increased restructuring costs, working capital outflows and capex in 2013.

Interest payments (including finance lease interest) were £7.0m higher than last year at £51.2m. Total tax payments were £37.2m compared with £35.6m in 2012 and the Company made pension funding payments of £13.6m at the beginning of the year. Free cash inflow of £17.4m was £18.0m adverse compared to the prior year.

The acquisition/disposal outflow of £10.0m compares with £82.8m last year. The Company paid a dividend of £38.6m in 2013, £2.4m higher than 2012. Foreign exchange translation and other items reduced cash flow by a further £14.1m, leaving an overall outflow of £45.3m and net debt of £1,034.8m.

CAPITAL EXPENDITURE

Net capital expenditure from continuing operations of £232.1m was £28.7m higher than 2012 due to increased restructuring capex in continental Europe.

PENSIONS

At 31 December 2013 the Company's UK defined benefit pension scheme, which is closed to new members, was valued at an accounting surplus of £70.6m on the Company's balance sheet. The trustees value the scheme on a different basis and are currently in the process of finalising the 31 March 2013 valuation with the Company. On this valuation basis the plan is 99% funded with an estimated deficit of £18m. This deficit is expected to be met by the investment return on pension assets over the period of the recovery plan. In order to mitigate the risk that it does not, however, annual contributions of c.£3m per annum over the next six years, with the first payment made by March 2014, will be paid into a joint escrow account by the group. In the event that the deficit is not cleared by the time of the 31 March 2019 valuation, it will be funded from the escrow account. The funds will be credited back to the Company at such time as the fund goes into surplus.

ACQUISITIONS & DISPOSALS

The Company is pursuing a strategy of growth through carefully targeted acquisitions and purchased a number of bolt-ons in the pest control, workwear, hygiene and plants categories during 2013. In pest control we acquired 12 businesses in the UK, Norway, Portugal, French Guyana, Brazil, North America and Canada and entered into a joint venture with an eminent local partner in Saudi Arabia. Combined annual revenues of the above prior to acquisition totalled approximately £9.2m.

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 £4.9m 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. In plants we acquired two small businesses the U.S generating annual revenues of approximately £0.8m.

This year to date we have accelerated our M&A ambitions to pursue targets in high growth markets and in areas which add local density to our existing operations. We have acquired a further seven pest control companies in Northern Ireland, the Republic of Ireland, Spain, Italy and North America with combined annual revenues of £9.8m.

As noted above, we announced the disposal of City Link to Better Capital, a private equity investor, on 29 April 2013.

In a separate announcement this morning the Company has announced it has agreed the sale of its Initial Facilities business to Interserve Plc for a total cash consideration of £250m. Completion, which is subject to the agreement of Interserve's shareholders at an EGM on 17 March, is expected by the end of March 2014.

FUNDING

At 31 December 2013 the group had net debt of £1,034.8m and a strong liquidity position, comprising over £400m of funds and £270m of available undrawn committed facilities.

The group has £402.7m of bond maturities in the next 12 months, which have been funded at least one year in advance, in accordance with the group's policy and with Standard and Poor's liquidity requirements for investment grade companies.

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 funding needs, including those modelled in a downside case.

DIVIDEND

Despite continuing challenging market conditions the Company has made solid progress in 2013 and we anticipate further operational and financial progress in 2014. Taking this into consideration the Board is recommending a final dividend in respect of 2013 of 1.61p per share, payable to shareholders on the register at the close of business on 11 April 2014 to be paid on 21 May 2014. This equates to a full year dividend of 2.31p per share, an increase of 10.0% compared to 2012, on an approximately one third/two thirds interim/final basis.

OUTLOOK

We have delivered a steady financial performance in 2013, despite ongoing economic challenges in Europe, rounding out the year with a solid fourth quarter in line with expectations.

Today's announcement of the sale of Initial Facilities to Interserve Plc is an excellent outcome for our colleagues and customers in Initial Facilities, represents a great opportunity for Interserve and it is the right deal for Rentokil Initial and its shareholders. This divestment, together with the sale of City Link in April 2013, allows us to focus on our core service categories of pest control, hygiene and workwear.

Though we see no immediate improvement in trading conditions in Europe (particularly the Benelux) in 2014 we expect to offset ongoing margin pressure with cost efficiencies and anticipate a material improvement in free cash flow as restructuring expenses and capex are reduced. In addition our new strategy, with its differentiated plan to drive shareholder value, gives us confidence in making further operational and financial progress in the coming year.

STRATEGIC REVIEW

After five years of necessary reinvestment and operational progress the Company has created a new plan to build on the investment phase and drive shareholder value over the medium term. The plan is based upon greater focus, a differentiated approach to improving performance and strong financial discipline.

Business context

Major changes have been made to stabilise the group over the last five years. Poorly performing businesses have been largely turned around, state of service has risen to a consistent 98% and significant investment has been made in key operations and financial systems. Focus has been placed on cost control and productivity and a new integrated country operating model established. We have strengthened our M&A capability executing a series of carefully targeted acquisitions aligned to category strategy.

Following significant operational progress the Company expects greater progress in financial performance including organic growth, margin progression and cash. Our focus is on building on this stable platform to deliver profitable growth and drive shareholder value.

A differentiated plan to drive shareholder value

We aim to drive shareholder value through:

Higher revenue:	by focusing on our core categories of pest control, hygiene and workwear
Sustainable profit growth:	through reduction in central / divisional overheads and restructuring costs, and by improving service productivity, pricing and margin management
Greater cash conversion:	through managing working capital, bringing capex in line with depreciation and significantly reducing restructuring costs. Cash to be used to invest in M&A, pursue our progressive dividend policy and pay down debt

To do this we have implemented the Rentokil Initial Model defined by the drive towards profitable growth. Our business organisation now comprises strong regional businesses grouped into **five distinct regions**: Europe, North America, Pacific, Asia and UK & Rest of World. Our core competencies are our colleagues as experts, our **category leadership**, and our lean multi-business model. We will manage the business for profitable growth by grouping our categories and geographies into a **growth potential and profit contribution matrix** and by utilising **six operational levers to address growth** challenges.

1. Strong regional businesses

In 2013 our core businesses have been run on a day-to-day basis by one manager per country, each responsible for the core categories in his / her region. Countries were grouped into three geographic regions – East, West and Asia. Initial Facilities has been run separately as a stand alone business given its site-based operating model.

In 2014 we will build on this platform with a flatter, geographic grouping. This new, logical structure ends the period of organisational change. The East and West regions will cease to exist and will be replaced by regional clusters. No further change is envisaged to the group's organisation structure, and external reporting in 2014 will reflect the new groupings.

The five key geographic regions are:

Europe

- Germany, Austria, Switzerland, France, Benelux, Spain, Portugal, Italy, Greece (categories: pest control, hygiene, workwear)

North America

- US, Canada and Mexico (categories: pest control and plants)

Asia

- Countries include Indonesia, Thailand, Malaysia, Singapore, China, Vietnam, India and Brunei (categories: pest control and hygiene)

Pacific

- Australia, New Zealand and Fiji (categories: pest control, hygiene and plants)

UK & Rest of World

- UK, Caribbean, Denmark, Sweden, Norway, Finland, South Africa, Ireland, the Middle East, North Africa and Turkey (categories: pest control, hygiene and plants)

2. Three core categories

The Company is focused on its three core categories of **pest control, hygiene and workwear**. Together they comprise 66% of group revenue and have delivered 81% of revenue growth and 85% of profit growth over the last three years. Shared operational synergies include the fact that they are people-serviced, route-based and organised around a branch network.

Rentokil Pest Control

- Our lead category (35.1% of group revenues)
- Leading positions in most markets including Europe, Asia and Pacific
- Strategic focus:
 - Using pest operations as a vehicle for entering new markets (e.g. emerging economies of Brazil and Turkey)
 - Capitalising on North American growth opportunity (currently region's No.3) to enhance our national accounts infrastructure
 - Developing international account sales capability
 - Ongoing service productivity improvements

Initial Hygiene

- Complementary business to pest control - compatible operational model and a strong profit contribution (27.5% of group revenues)
- Leading positions in 26 of our 43 markets
- Strategic focus:
 - Leveraging award-winning Signature range of hygiene products to sell more services per customer; targeting higher-margin customers and increasing retention rates
 - Improving pricing and margin management particularly for single-service customers
 - Seeking to build market share through acquisitions at local / national level in Europe

Initial Workwear

- Complementary fit with hygiene, benefiting from a shared brand, linked service and integrated route-based operations (23.5% of group revenues)
- Only organisation with international scale in four main continental European markets
- 94% retention, average customer tenure of 16 years
- Strategic focus:
 - Repositioning business to focus on workwear (garments) and on increasing sharing of best practice and product ranges across countries of operation
 - Seeking acquisitions in cleanroom and consolidation opportunities in European workwear

3. Managing the portfolio for growth

The strategic review we have undertaken has involved a detailed analysis across the Company in order to group our categories and geographies into a growth potential and profit contribution matrix. Allocation to each quadrant will drive implementation and execution of the right strategy for each business. It will also facilitate efficient allocation of capital to where it is most needed and where it will generate the best returns.

We have identified four quadrants across these vectors: **Emerging, Manage for Value, Growth and Protect & Enhance**.

Emerging - high growth potential, low profit contribution

- Focus on: investment in capabilities and effectively directing sales to extend our footprint
- M&A strategy: pest control-led market entry, focus on acquiring local management capabilities, bolt-ons for density – accept lower IRR (>15%) after adjusting for risk
- Categories/geographies include: pest control and hygiene; Asia, the Middle East, North Africa, Turkey, East Africa and Latin America

Manage for value - low growth potential, lower profit contribution

- Focus on: productivity and route density, reducing cost base and improving retention
- M&A strategy: acquiring bolt-ons for density – requires high IRR (~30%), divesting sub-scale unprofitable businesses,
- Categories/geographies include: plants; Ireland, Spain, Portugal, Italy and Greece

Growth - high growth potential, high profit contribution

- Focus on: investing to take share and develop existing customers whilst filling gaps in our geographic footprint
- M&A strategy: extend geographic reach into new cities and build out sub-scale regions, lower IRR (>15%) as platform for growth
- Categories/geographies include: pest control and cleanroom; North America, UK, Germany, Austria, Switzerland and Caribbean

Protect & Enhance - low growth potential, high profit contribution

- Focus on: service productivity, route density, retaining and growing existing customers and development of new offers and services
- M&A strategy: consolidate regional and local strengths; acquire new capabilities in adjacent service areas, above average IRR (c.25%)
- Categories/geographies include: hygiene and workwear; France, Benelux, Nordics, Australia, New Zealand and South Africa

4. Operational levers for growth

The drive for growth will be delivered through the differentiated plan for each quadrant, described above. In addition, the businesses will utilise six revenue growth levers. First, we will target our offer appropriately ensuring we are providing the right offer to the right customers but also that we are masters of our markets, adapting our thinking to local needs. Second, we will deliver sales effectiveness in both building the sales pipeline and through sales brilliance. Finally, we will drive retention and growth through delivery of outstanding customer service, account management and service differentiation.

Medium-term objectives

As a result of the strategic review outlined above the Company is committed to delivering a number of medium-term financial objectives. These commitments will form a key element of its strategy going forward.

We will seek to deliver:

- Mid-single digit revenue growth, supported by M&A investment and divestment of non-core or poorly performing businesses
- High-single digit profit growth, leveraging revenue ambitions
- Significant improvement in sustainable cash flow which will be used to fund:
 - M&A investment, on average c.£50m per annum
 - Progressive dividend policy
 - Incremental reduction in debt

These commitments are built around our focus on clear investment criteria to ensure optimal allocation of capital and to drive shareholder value.

We will also seek to deliver:

- Post-tax IRR of 20% on acquisitions
 - Reduced for Growth/Emerging (but >15%)
 - Higher for Protect & Enhance (c.25%) and Manage for Value (c.30%)
- Prioritised approach to investment
 - Restructuring costs of £20m per annum
 - IT capital expenditure of £25m per annum
- Capex broadly in line with depreciation
 - £20m reduction in 2014

Regional Analysis – continuing operations

3 months to 31 December 2013

£million

	3 months to 31 December 2013 AER	Change from Q4 2012 AER	Change from Q4 2012 CER
<u>Revenue</u>			
France	93.4	5.3%	1.7%
Benelux	60.1	(8.1%)	(11.1%)
Germany	50.8	2.0%	(1.0%)
Pacific	33.2	(11.0%)	-
East	237.5	(1.5%)	(2.6%)
North America	87.2	31.7%	33.6%
UK & Ireland	46.3	0.7%	0.2%
Rest of World	46.6	(0.9%)	1.7%
West	180.1	13.1%	14.6%
Asia	24.7	(1.6%)	5.6%
Initial Facilities	133.4	(6.5%)	(6.7%)
At actual exchange rates	575.7	1.3%	
Exchange	3.9		
At constant exchange rates	579.6		1.6%
<u>Adjusted operating profit</u>			
France	19.2	8.5%	3.9%
Benelux	13.8	(4.2%)	(7.6%)
Germany	12.6	(7.4%)	(9.6%)
Pacific	6.9	(15.9%)	(7.3%)
East	52.5	(2.6%)	(4.3%)
North America	11.5	19.8%	19.6%
UK & Ireland	10.5	23.5%	23.5%
Rest of World	11.1	0.9%	4.5%
West	33.1	13.7%	15.0%
Asia	2.4	14.3%	28.6%
Initial Facilities	8.4	(20.0%)	(20.0%)
Central and divisional overheads	(17.9)	9.6%	9.6%
Segmental profit	78.5	3.7%	3.5%
Reorganisation costs and one-off items	(28.5)	(24.5%)	(23.6%)
Amortisation of intangible assets¹	(9.6)	(18.5%)	(18.3%)
At actual exchange rates	40.4	(9.6%)	
Exchange	0.5		
At constant exchange rates	40.9		(9.3%)

¹ excluding computer software

Regional Analysis – continuing operations (continued)

12 months to 31 December 2013

£million

	12 months to 31 December 2013 AER	Change from FY 2012 AER	Change from FY 2012 CER
<u>Revenue</u>			
France	369.8	5.3%	1.1%
Benelux	247.8	(5.1%)	(9.0%)
Germany	202.8	3.9%	(0.1%)
Pacific	142.7	(4.8%)	0.1%
East	963.1	0.6%	(2.1%)
North America	349.1	44.3%	42.9%
UK & Ireland	184.3	0.5%	0.2%
Rest of World	191.2	2.7%	3.0%
West	724.6	18.5%	17.9%
Asia	103.7	5.7%	7.0%
Initial Facilities	535.7	(4.3%)	(4.6%)
At actual exchange rates	2,327.1	4.5%	
Exchange	(29.5)		
At constant exchange rates	2,297.6		3.2%
<u>Adjusted operating profit</u>			
France	64.2	8.8%	4.2%
Benelux	51.2	(2.8%)	(6.8%)
Germany	46.2	0.7%	(3.1%)
Pacific	27.1	(8.8%)	(4.7%)
East	188.7	0.7%	(2.1%)
North America	37.6	26.6%	25.3%
UK & Ireland	38.2	19.4%	18.8%
Rest of World	41.4	2.0%	3.7%
West	117.2	14.6%	14.8%
Asia	7.7	26.2%	32.8%
Initial Facilities	25.8	(13.1%)	(13.1%)
Central and divisional overheads	(77.5)	0.6%	0.9%
Segmental profit	261.9	5.9%	4.1%
Reorganisation costs and one-off items	(63.7)	(32.7%)	(30.2%)
Amortisation of intangible assets¹	(26.9)	(6.7%)	(5.6%)
At actual exchange rates	171.3	(1.6%)	
Exchange	(3.0)		
At constant exchange rates	168.3		(3.3%)

¹ excluding computer software

Category Analysis – continuing operations

3 months to 31 December 2013

£million	3 months to 31 December 2013 AER	Change from Q4 2012 AER	Change from Q4 2012 CER
<u>Revenue</u>			
Pest Control	150.7	10.0%	12.3%
Hygiene	121.6	(0.9%)	0.2%
Workwear	103.9	(2.2%)	(5.3%)
Plants	40.0	(0.2%)	0.5%
Facilities Services	133.4	(6.5%)	(6.7%)
Other	26.1	33.8%	34.2%
Total	575.7	1.3%	1.6%
<u>Adjusted operating profit</u>			
Pest Control	32.9	8.6%	9.2%
Hygiene	28.3	(4.7%)	(3.7%)
Workwear	18.9	(1.6%)	(4.7%)
Plants	7.6	4.1%	2.7%
Facilities Services	8.4	(20.0%)	(20.0%)
Other	(17.6)	17.4%	17.8%
Total	78.5	3.7%	3.5%

12 months to 31 December 2013

£million	12 months to 31 December 2013 AER	Change from FY 2012 AER	Change from FY 2012 CER
<u>Revenue</u>			
Pest Control	629.0	16.1%	15.6%
Hygiene	493.2	0.7%	(0.3%)
Workwear	420.7	0.7%	(3.4%)
Plants	135.1	(0.7%)	(1.5%)
Facilities Services	535.7	(4.3%)	(4.6%)
Other	113.4	39.0%	36.4%
Total	2,327.1	4.5%	3.2%
<u>Adjusted operating profit</u>			
Pest Control	126.4	12.1%	11.0%
Hygiene	102.7	(1.1%)	(1.7%)
Workwear	67.1	(0.4%)	(4.5%)
Plants	14.5	5.8%	5.1%
Facilities Services	25.8	(13.1%)	(13.1%)
Other	(74.6)	(6.9%)	(7.1%)
Total	261.9	5.9%	4.1%

ANNUAL CONTRACT PORTFOLIO - CONTINUING BUSINESSES

6 Months to 31 December 2013

£m at constant 2012 exchange rates	1.7.13	New Business / Additions	Terminations/ Reductions	Net Price Increases	Acquisitions /(Disposals)	31.12.13	31.12.13 at actual exchange
East	812.4	46.6	(54.0)	2.1	(0.7)	806.4	829.0
West	536.1	41.5	(41.4)	3.9	0.4	540.5	542.2
Asia	89.4	10.1	(7.2)	0.3	(5.9)	86.7	85.3
Initial Facilities	494.9	39.1	(55.8)	1.7	(1.5)	478.4	480.1
TOTAL	1,932.8	137.3	(158.4)	8.0	(7.7)	1,912.0	1,936.6

12 Months to 31 December 2013

£m at constant 2012 exchange rates	1.1.13	New Business / Additions	Terminations / Reductions	Net Price Increases	Acquisitions /(Disposals)	31.12.13	31.12.13 at actual exchange
East	833.5	97.2	(109.6)	5.6	(20.3)	806.4	829.0
West ¹	529.3	85.2	(83.7)	9.0	0.7	540.5	542.2
Asia	84.3	22.0	(14.3)	0.6	(5.9)	86.7	85.3
Initial Facilities	499.5	74.8	(100.7)	3.1	1.7	478.4	480.1
TOTAL	1,946.6	279.2	(308.3)	18.3	(23.8)	1,912.0	1,936.6

¹restated 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).

Condensed consolidated income statement

	Notes	2013 £m	Restated* 2012 £m
Revenue	2	2,327.1	2,226.7
Operating expenses		(2,155.8)	(2,052.6)
Operating profit		171.3	174.1
Analysed as:			
Operating profit before amortisation and impairment of intangibles ¹ , reorganisation costs and one-off items	2	261.9	247.3
Reorganisation costs	2	(51.7)	(31.2)
One-off items - operating	2	(12.0)	(16.8)
Amortisation and impairment of intangible assets ¹	2	(26.9)	(25.2)
Operating profit	2	171.3	174.1
Interest payable and similar charges	3	(70.9)	(57.3)
Interest receivable	4	10.9	8.7
Net interest credit from pensions	14	5.5	9.0
One-off items – financing		1.5	(31.4)
Share of profit from associates, net of tax of £3.1 (2012: £3.4m)		4.3	4.6
Profit before income tax		122.6	107.7
Income tax expense ²	5	(31.4)	(34.1)
Profit for the period from continuing operations		91.2	73.6
Discontinued operations:			
Loss for the period from discontinued operations	6	(52.5)	(23.7)
Profit for the period (including discontinued operations)		38.7	49.9
Attributable to:			
Equity holders of the company		37.5	47.6
Non controlling interests		1.2	2.3
		38.7	49.9
Basic earnings per share			
- Continuing operations	8	4.95p	3.92p
- Discontinued operations	8	(2.89p)	(1.30p)
- Continuing and discontinued operations	8	2.06p	2.62p
Diluted earnings per share			
- Continuing operations	8	4.94p	3.91p
- Discontinued operations	8	(2.89p)	(1.30p)
- Continuing and discontinued operations	8	2.06p	2.61p
Basic adjusted earnings per share³			
- Continuing operations	8	8.42p	8.24p
Diluted adjusted earnings per share			
- Continuing operations	8	8.40p	8.22p

¹ excluding computer software

² taxation includes £30.9m (2012: £19.6m as restated) in respect of overseas taxation

³ 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 from pensions

*restated as a result of IAS 19R and discontinued operations. Please refer to note 1 for further details

Condensed consolidated statement of comprehensive income

	2013 £m	Restated 2012 £m
Profit for the year	38.7	49.9
Other comprehensive income:		
Items that are not reclassified subsequently to the income statement:		
Remeasurement of net defined benefit asset/liability	(75.6)	(74.4)
Tax related to remeasurement of net defined benefit asset/liability	18.6	19.4
Items that may be reclassified subsequently to the income statement:		
Net exchange adjustments offset in reserves	(33.1)	(10.8)
Revaluation of available-for-sale investments	(0.5)	0.3
Available-for-sale investments reclassified to the income statement	(1.5)	-
Effective portion of changes in fair value of cash flow hedge	1.2	1.9
Recycling of cash flow hedge reserve on settlement	-	2.1
Net loss not recognised in income statement	(90.9)	(61.5)
Total comprehensive expense for the year	(52.2)	(11.6)
Attributable to:		
Equity holders of the company	(52.7)	(13.6)
Non controlling interests	0.5	2.0
	(52.2)	(11.6)

Condensed consolidated balance sheet

	Notes	2013 £m	Restated 2012 £m
Assets			
Non-current assets			
Intangible assets	10	425.0	452.1
Property, plant and equipment	11	537.1	550.3
Investment property		4.4	-
Investments in associated undertakings		13.0	13.9
Other investments		0.2	56.5
Deferred tax assets		9.2	8.0
Retirement benefit assets	14	70.6	126.1
Other receivables		8.2	25.3
Derivative financial instruments		0.2	48.1
		1,067.9	1,280.3
Current assets			
Other investments		292.0	1.0
Inventories		63.8	54.0
Trade and other receivables		417.4	459.5
Current tax assets		5.7	3.0
Assets held for sale	7	-	9.4
Derivative financial instruments		3.4	2.4
Cash and cash equivalents	12	143.8	166.6
		926.1	695.9
Liabilities			
Current liabilities			
Trade and other payables		(492.8)	(563.3)
Current tax liabilities		(66.5)	(68.2)
Provisions for other liabilities and charges	15	(30.0)	(28.3)
Bank and other short-term borrowings	13	(444.2)	(91.4)
Derivative financial instruments		(7.8)	(3.6)
		(1,041.3)	(754.8)
Net current liabilities		(115.2)	(58.9)
Non-current liabilities			
Other payables		(13.0)	(14.7)
Bank and other long-term borrowings	13	(1,022.5)	(1,120.8)
Deferred tax liabilities		(62.7)	(82.4)
Retirement benefit obligations	14	(23.6)	(24.3)
Provisions for other liabilities and charges	15	(62.9)	(70.1)
Derivative financial instruments		-	(36.3)
		(1,184.7)	(1,348.6)
Net liabilities		(232.0)	(127.2)
Equity			
Capital and reserves attributable to the company's equity holders			
Called up share capital	16	18.2	18.1
Share premium account		6.8	6.8
Other reserves		(1,790.2)	(1,757.0)
Retained profits		1,533.1	1,598.2
		(232.1)	(133.9)
Non controlling interests		0.1	6.7
Total equity		(232.0)	(127.2)

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
At 1 January 2012 – as reported	18.1	6.8	(1,750.8)	1,616.2	5.5	(104.2)
Adjustment for defined benefit plans (note 1)	-	-	-	21.7	-	21.7
At 1 January 2012 – as restated	18.1	6.8	(1,750.8)	1,637.9	5.5	(82.5)
Profit for the period	-	-	-	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
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
Tax related to remeasurement of net defined benefit asset/liability	-	-	-	19.4	-	19.4
Total comprehensive expense for the period	-	-	(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)
At 31 December 2012	18.1	6.8	(1,757.0)	1,598.2	6.7	(127.2)
At 1 January 2013	18.1	6.8	(1,757.0)	1,598.2	6.7	(127.2)
Profit for the year	-	-	-	37.5	1.2	38.7
Other comprehensive income:						
Net exchange adjustments offset in reserves	-	-	(32.4)	-	(0.7)	(33.1)
Remeasurement of net defined benefit asset/liability	-	-	-	(75.6)	-	(75.6)
Revaluation of available-for-sale investments	-	-	(0.5)	-	-	(0.5)
Available-for-sale investments reclassified to the income statement	-	-	(1.5)	-	-	(1.5)
Effective portion of changes in fair value of cash flow hedge	-	-	1.2	-	-	1.2
Tax related to remeasurement of net defined benefit asset/liability	-	-	-	18.6	-	18.6
Total comprehensive expense for the year	-	-	(33.2)	(19.5)	0.5	(52.2)
Transactions with owners:						
Issue of ordinary shares	0.1	-	-	(0.1)	-	-
Dividends paid to equity shareholders	-	-	-	(38.6)	-	(38.6)
Cost of share options and long-term incentive plan	-	-	-	2.0	-	2.0
Transactions with non controlling interests:						
Acquisition of non controlling interests	-	-	-	(8.9)	(3.7)	(12.6)
Dividends paid to non controlling interests	-	-	-	-	(3.4)	(3.4)
At 31 December 2013	18.2	6.8	(1,790.2)	1,533.1	0.1	(232.0)

Treasury shares of £11.1 million (2012: £11.1 million) have been netted against retained earnings. Treasury shares represent 6.0 million (2012: 6.1 million) shares held by the Rentokil Initial Employee Share Trust. The market value of these shares at 31 December 2013 was £6.9 million (2012: £5.9 million). 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
At 1 January 2012	(1,722.7)	10.4	(5.1)	(35.1)	1.7	(1,750.8)
Net exchange adjustments offset in reserves	-	-	-	(10.5)	-	(10.5)
Revaluation of available-for-sale investments	-	-	-	-	0.3	0.3
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/(expense) for the year	-	-	4.0	(10.5)	0.3	(6.2)
At 31 December 2012	(1,722.7)	10.4	(1.1)	(45.6)	2.0	(1,757.0)
At 1 January 2013	(1,722.7)	10.4	(1.1)	(45.6)	2.0	(1,757.0)
Net exchange adjustments offset in reserves	-	-	-	(32.4)	-	(32.4)
Revaluation of available-for-sale investments	-	-	-	-	(0.5)	(0.5)
Available-for-sale investments reclassified to the income statement	-	-	-	-	(1.5)	(1.5)
Effective portion of changes in fair value of cash flow hedge	-	-	1.2	-	-	1.2
Total comprehensive income/(expense) for the period	-	-	1.2	(32.4)	(2.0)	(33.2)
At 31 December 2013	(1,722.7)	10.4	0.1	(78.0)	-	(1,790.2)

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. The effect of this capital reorganisation transaction, which was treated as a reserve acquisition in the group financial statements, was to increase distributable reserves by £1,792.3 million.

Condensed consolidated cash flow statement

	Notes	2013 £m	2012 £m
Cash flows from operating activities			
Cash generated from operating activities before special pension contribution	17	349.0	357.3
Special pension contribution		(13.6)	(12.5)
Cash generated from operating activities	17	335.4	344.8
Interest received		10.6	2.7
Interest paid		(60.9)	(46.0)
Income tax paid		(37.2)	(35.6)
Net cash generated from operating activities		247.9	265.9
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)		(201.1)	(182.7)
Purchase of intangible fixed assets		(27.6)	(23.4)
Proceeds from sale of PPE		6.3	9.2
Acquisition of companies and businesses, net of cash acquired	20	(12.0)	(83.7)
Disposal of companies and businesses	6	2.0	0.9
Disposal of available-for-sale investments		1.2	2.1
Dividends received from associates		1.9	8.9
Net cash flows from investing activities		(229.3)	(268.7)
Cash flows from financing activities			
Dividends paid to equity shareholders		(38.6)	(36.2)
Dividends paid to non controlling interests		(3.4)	(0.8)
Interest element of finance lease payments		(0.9)	(0.9)
Capital element of finance lease payments		(8.1)	(6.6)
Cash inflow on settlement of debt related foreign exchange forward contracts		5.7	6.4
One-off items – financing		-	(31.4)
Net investment in term deposits		(292.1)	-
Proceeds from issue of debt		290.4	402.9
Loan repayments		(50.0)	(180.4)
Net cash flows from financing activities		(97.0)	153.0
Net (decrease)/increase in cash and cash equivalents	18	(78.4)	150.2
Cash and cash equivalents at beginning of year		218.9	71.0
Exchange gains/(losses) on cash and cash equivalents		2.9	(2.3)
Cash and cash equivalents at end of the financial period	12	143.4	218.9

Notes to the condensed financial statements

1. 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 31 December 2012.

The following tables summarise the material impacts resulting from the above changes in accounting policies and the representation of City Link as discontinued operations on the group's income statement, earnings per share (also includes the impact of the change in definition of adjusted earnings per share – please refer to Note 8), balance sheet, statement of other comprehensive income.

Condensed consolidated income statement

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)
Operating profit	145.8	30.2	(1.9)	174.1
Analysed as:				
Operating profit before amortisation and impairment of intangibles, reorganisation costs and one-off items	222.8	26.4	(1.9)	247.3
Reorganisation costs and one-off items – operating	(51.8)	3.8	-	(48.0)
Amortisation and impairment of intangible assets	(25.2)	-	-	(25.2)
Operating profit	145.8	30.2	(1.9)	174.1
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
Profit before income tax	82.7	30.2	(5.2)	107.7
Income tax expense	(29.0)	(6.5)	1.4	(34.1)
Profit for the period from continuing operations	53.7	23.7	(3.8)	73.6

Earnings per share

For the year ended 31 December 2012

	As previously reported £m	Adjustment for discontinued operations £m	Adjustment for defined benefit plans £m	Adjustment to definition of adjusted EPS £m	As restated £m
Profit from continuing operations attributable to equity holders of the Company	51.4	23.7	(3.8)	-	71.3
Reorganisation costs and one-off items, amortisation and impairment of intangibles ¹ before tax and net interest credit from pensions	108.4	(3.8)	-	(9.0)	95.6
Tax on reorganisation costs and one-off items, amortisation and impairment of intangibles ¹ and net interest credit from pensions	(19.4)	-	-	2.2	(17.2)
Adjusted profit from continuing operations attributable to equity holders of the Company	140.4	19.9	(3.8)	(6.8)	149.7
Loss from discontinued operations attributable to equity holders of the Company	-	(23.7)	-	-	(23.7)
Weighted average number of ordinary shares in issue	1,816.9	-	-	-	1,816.9
Adjustment for share options and LTIPs	5.2	-	-	-	5.2
Weighted average number of ordinary shares for diluted earnings per share	1,822.1	-	-	-	1,822.1
Basic earnings per share					
Continuing operations	2.83p	1.30p	(0.21p)	-	3.92p
Discontinued operations	-	(1.30p)	-	-	(1.30p)
Continuing and discontinued operations	2.83p	-	(0.21p)	-	2.62p
Diluted earnings per share					
Continuing operations	2.82p	1.30p	(0.21p)	-	3.91p
Discontinued operations	-	(1.30p)	-	-	(1.30p)
Continuing and discontinued operations	2.82p	-	(0.21p)	-	2.61p
Basic adjusted earnings per share²	7.73p	1.09p	(0.21p)	(0.37p)	8.24p
Diluted adjusted earnings per share²	7.71p	1.09p	(0.21p)	(0.37p)	8.22p

¹ excluding computer software

² 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 from pensions

Condensed consolidated statement of comprehensive income

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 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

2. Segmental information

Segmental information has been presented in accordance with IFRS 8 “Operating Segments” which the group has implemented with effect from 1 January 2009. This statement reflects internal organisation changes made in 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 and divisional overheads. Prior-year comparisons have been restated.

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

Segmental revenue represents the total revenue of each individual business unit within a reporting segment. Segmental profit is the profit measure used to measure performance internally and is calculated as profit before tax, interest, amortisation and impairment of intangibles (excluding computer software) and re-organisation costs and one-off items (adjusted operating profit).

	Revenue	Revenue	Adjusted operating profit	Restated Adjusted operating profit
	2013 £m	2012 £m	2013 £m	2012 £m
Continuing operations (at actual exchange rates)				
France	369.8	351.1	64.2	58.9
Benelux	247.8	261.2	51.2	52.7
Germany	202.8	195.1	46.2	45.9
Pacific	142.7	149.9	27.1	29.7
East	963.1	957.3	188.7	187.2
North America	349.1	242.0	37.6	29.7
UK & Ireland	184.3	183.3	38.2	32.0
Rest of World	191.2	186.1	41.4	40.6
West	724.6	611.4	117.2	102.3
Asia	103.7	98.1	7.7	6.1
Initial Facilities	535.7	559.9	25.8	29.7
Central and divisional overheads	-	-	(77.5)	(78.0)
Total segmental	2,327.1	2,226.7	261.9	247.3
Reorganisation costs	-	-	(51.7)	(31.2)
One-off items – operating	-	-	(12.0)	(16.8)
Amortisation of intangible assets ¹	-	-	(23.5)	(23.9)
Impairment of goodwill	-	-	(3.4)	(1.3)
Operating profit	-	-	171.3	174.1
Interest payable and similar charges	-	-	(70.9)	(57.3)
Interest receivable	-	-	10.9	8.7
Net interest credit from pensions	-	-	5.5	9.0
One-offs – financing	-	-	1.5	(31.4)
Share of profit from associates (net of tax)	-	-		
- Asia	-	-	4.3	4.6
Profit before income tax	-	-	122.6	107.7
Income tax expense	-	-	(31.4)	(34.1)
Total for the period from continuing operations	2,327.1	2,226.7	91.2	73.6
Amortisation and impairment of intangibles¹ (at actual exchange rates)				
			2013 £m	2012 £m
East			2.9	5.5
West			15.2	12.3
Asia			4.5	4.0
Initial Facilities			3.3	3.1
Central items			1.0	0.3
			26.9	25.2
Tax effect			(7.3)	(7.0)
After tax effect			19.6	18.2

¹excluding computer software

2. Segmental information (continued)

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

	2013 £m	2012 £m
East		
Reorganisation costs – Benelux ¹	5.4	7.8
Reorganisation costs – France ¹	10.2	2.0
Reorganisation costs – Germany ¹	4.7	0.9
Reorganisation costs – Australia ¹	1.9	0.2
Reorganisation costs – other businesses	3.4	1.0
Impairment of Belgian flat linen business	1.1	10.2
Acquisition costs	-	0.1
Fair Work undertaking – Australia	-	3.8
Product rationalisation	-	1.4
Profit on disposal	-	(0.2)
Total – East	26.7	27.2
West		
Reorganisation costs – UK Hygiene business ²	1.8	1.3
Reorganisation costs – Ambius ²	2.8	-
Reorganisation costs – other businesses	2.3	5.0
Increase in provisions ³	1.2	-
Release of prior period provisions ⁴	(2.1)	-
Acquisition and integration costs – Western Exterminator	2.5	1.5
Release of unpaid contingent consideration	(0.4)	-
Libya write back	-	(0.5)
Total – West	8.1	7.3
Asia		
Reorganisation costs	0.4	0.9
Loss on disposal – South Korea	0.2	-
Release of prior period accruals	-	(0.9)
Total – Asia	0.6	-
Initial Facilities		
Reorganisation costs – UK Divisional reorganisation ⁵	10.7	7.7
Reorganisation costs – Spain	0.8	0.8
One-off items – other	0.2	-
Write down of property	-	0.2
Acquisition costs	-	0.4
Total – Initial Facilities	11.7	9.1
Central and divisional overheads		
Reorganisation costs – Programme Olympic/What Next ⁶	2.9	2.1
Reorganisation costs – UK head office	1.9	-
Reorganisation costs – other	2.5	1.5
Acquisition/disposal costs	1.3	-
Impairment of computer software	4.6	-
One-off items – other	2.3	-
Vacant property provisions ⁷	1.1	0.8
Total – Central and divisional overheads	16.6	4.4
Total	63.7	48.0
Classified as:		
Reorganisation costs	51.7	31.2
One-off items	12.0	16.8
Total	63.7	48.0
Tax effect	(14.9)	(12.4)
Total after tax effect	48.8	35.6

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

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

² 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

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

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

⁵ reorganisation of the divisional head office including redundancy costs and office closure costs

⁶ consultancy and pilot running costs associated with Programme Olympic/What Next

⁷ increase in existing provisions as a result of the City Link disposal

3. Interest payable and similar charges

	2013 £m	2012 £m
Hedged interest payable on medium term notes issued ¹	54.0	45.6
Interest payable on bank loans and overdrafts ¹	0.9	0.7
Interest and fees payable on revolving credit facility ¹	4.1	3.7
Interest payable on foreign exchange swaps	10.1	5.3
Interest payable on finance leases	0.9	0.9
Amortisation of discount on provisions	0.7	0.6
Fair value loss on other derivatives ^{2,3}	0.2	0.5
Total interest payable and similar charges	70.9	57.3

¹interest expense on financial liabilities held at amortised cost

²gain on financial assets/liabilities at fair value through the income statement

³the fair value loss on other derivatives includes fair value losses relating to interest rate swaps of £0.2m (2012: £0.3m) and fixed price commodity contracts of £nil (2012: £0.2m)

4. Interest receivable

	2013 £m	2012 £m
Bank interest ¹	1.5	2.0
Interest receivable on foreign exchange swaps	8.7	5.2
Foreign exchange gain on translation of foreign denominated loans	0.3	1.1
Fair value gain on other derivatives ^{2,3}	0.4	0.4
Total interest receivable	10.9	8.7

¹interest income on loans and receivables

²gain on financial assets/liabilities at fair value through the income statement

³the fair value gain on other derivatives includes fair value gains/(losses) relating to interest rate swaps of £0.4m (2012: £0.4m)

5. Income tax expense

	2013 £m	Restated 2012 £m
Analysis of charge in the period		
UK Corporation tax at 23.25%* (2012: 24.5%)	5.1	9.5
Overseas taxation	28.8	30.0
Adjustment in respect of previous periods	4.0	(10.3)
Total current tax	37.9	29.2
Deferred tax	(6.5)	4.9
Total income tax expense	31.4	34.1

*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%)

A deferred tax asset of £16.0 million has been recognised in respect of UK tax losses carried forward as at 31 December 2013. This amount has been calculated by estimating the future UK taxable profits for 2014 to 2016, against which the UK tax losses will be utilised, and applying the tax rates (substantively enacted as at the balance sheet date) applicable for each year. Following the sale of City Link in April 2013 the group is expected to make taxable profits in the UK in the future. Remaining UK tax losses of £312.9 million have not been recognised as at 31 December 2013.

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 announced that the UK corporation tax rate will reduce to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) and both rate changes were substantively enacted on 2 July 2013. This will reduce the Company's future current tax charge accordingly. The deferred tax liability at 31 December 2013 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

6. 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.

During the year the group also disposed of three smaller businesses that are not classified as discontinued operations.

The results of the discontinued operations are as follows:

	2013 £m	2012 £m
Revenue	94.8	319.6
Operating expenses	(109.0)	(349.8)
Operating loss	(14.2)	(30.2)
Income tax benefit	2.7	6.5
Operating loss, net of tax	(11.5)	(23.7)
Loss on sale of discontinued operation	(41.0)	-
Loss for the period	(52.5)	(23.7)
Basic earnings per share (note 8)	(2.89p)	(1.30p)
Diluted earnings per share (note 8)	(2.89p)	(1.30p)

The loss from discontinued operations of £52.5m (2012: £23.7m) is attributable entirely to the owners of the Company.

Details of cash flows from discontinued operations are as follows:

	2013 £m	2012 £m
Net cash used in operating activities	(22.4)	(32.0)
Net cash used in investing activities ¹	(3.7)	(5.9)
Effect on cash flows	(26.1)	(37.9)

¹includes a net cash outflow of £0.6m (2012: £5.9m) from capital expenditure included within operating cash flow – discontinued operations on page 5

Details of net assets disposed and disposal proceeds relating to all disposals are as follows:

	City Link £m	Belgian Flat Linen £m	Other Disposals £m	Total £m
Non-current assets				
- Intangible assets	4.9	-	-	4.9
- Property, plant and equipment	12.5	10.9	1.2	24.6
- Deferred tax assets	2.0	-	0.1	2.1
Current assets	46.8	-	2.7	49.5
Current liabilities	(38.9)	(0.7)	(1.7)	(41.3)
Non-current liabilities	(1.2)	-	(0.1)	(1.3)
Net assets and liabilities	26.1	10.2	2.2	38.5
Costs of disposal	14.9	-	-	14.9
Consideration	-	(9.1)	(2.1)	(11.2)
Loss on disposal	41.0	1.1	0.1	42.2
Consideration	-	9.1	2.1	11.2
Businesses exchanged	-	(3.5)	-	(3.5)
Consideration payable in future periods	-	(1.6)	-	(1.6)
Cash and cash equivalents disposed of	(3.1)	-	(1.0)	(4.1)
Net cash outflow from discontinued operations	(3.1)	4.0	1.1	2.0

7. Disposal group held for sale

At 31 December 2013 there were no disposal groups held for sale.

	2013 £m	2012 £m
Property, plant and equipment	-	9.4

8. 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.

	2013 £m	2012 £m
Profit from continuing operations attributable to equity holders of the Company	90.0	71.3
Loss from discontinued operations attributable to equity holders of the Company	(52.5)	(23.7)
Weighted average number of ordinary shares in issue	1,817.1	1,816.9
Basic earnings per share from continuing operations	4.95p	3.92p
Basic earnings per share from discontinued operations	(2.89p)	(1.30p)
Basic earnings per share from continuing and discontinued operations	2.06p	2.62p

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.

	2013 £m	2012 £m
Profit from continuing operations attributable to equity holders of the Company	90.0	71.3
Loss from discontinued operations attributable to equity holders of the Company	(52.5)	(23.7)
Weighted average number of ordinary shares in issue	1,817.1	1,816.9
Adjustment for share options and LTIPs	6.0	5.2
Weighted average number of ordinary shares for diluted earnings per share	1,823.1	1,822.1
Diluted earnings per share from continuing operations	4.94p	3.91p
Diluted earnings per share from discontinued operations	(2.89p)	(1.30p)
Diluted earnings per share from continuing and discontinued operations	2.06p	2.61p

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 intangibles¹ and net interest credit from pensions. Prior year comparatives have been restated to adjust for discontinued operations and changes in IAS 19R and to reflect the change in definition of adjusted earnings per share in 2013 – please refer to Note 1 for further details.

	2013 £m	Restated 2012 £m
Profit from continuing operations attributable to equity holders of the Company	90.0	71.3
Reorganisation costs and one-off items, amortisation and impairment of intangibles ¹ before tax and net interest credit from pensions	83.6	95.6
Tax on reorganisation costs and one-off items, amortisation and impairment of intangibles ¹ and net interest credit from pensions ²	(20.5)	(17.2)
Adjusted profit from continuing operations attributable to equity holders of the Company	153.1	149.7
Weighted average number of ordinary shares in issue	1,817.1	1,816.9
Adjusted earnings per share from continuing operations	8.42p	8.24p

¹excluding computer software

²includes tax on reorganisation costs and one-off items - operating of £14.9 million (2012: £12.4 million) (Note 2), one-off items – financing of £(0.4) million (2012: nil), amortisation and impairment of intangibles of £7.3 million (2012: £7.0 million) and net interest credit from pensions £(1.3) million (2012: £(2.2) million)

Diluted adjusted

	2013 £m	Restated 2012 £m
Adjusted profit attributable to equity holders of the company	153.1	149.7
Weighted average number of ordinary shares in issue	1,817.1	1,816.9
Adjustment for share options and LTIPs	6.0	5.2
Weighted average number of ordinary shares for diluted earnings per share	1,823.1	1,822.1
Diluted adjusted earnings per share from continuing operations	8.40p	8.22p

9. Dividends

	2013 £m	2012 £m
2011 final dividend paid – 1.33p per share	-	24.1
2012 interim dividend paid – 0.67p per share	-	12.1
2012 final dividend paid – 1.43p per share	25.9	-
2013 interim dividend paid – 0.70p per share	12.7	-
	38.6	36.2

An interim dividend of 0.70p per share was paid on 24 September 2013 amounting to £12.7 million. A dividend in respect of 2013 of 1.61p (2012: 1.43p) per 1p share amounting to £29.2 million (2012: £25.9 million) is to be proposed at the annual general meeting on 14 May 2014. These financial statements do not reflect this recommended dividend.

10. Intangible assets

	Goodwill £m	Customer lists and relationships £m	Brands £m	Reacquired franchise rights £m	Product development £m	Computer software £m	Total £m
Cost							
At 1 January 2012	515.0	480.1	27.1	25.4	0.1	63.1	1,110.8
Exchange differences	(6.5)	(9.3)	(0.8)	-	-	(0.8)	(17.4)
Additions	-	-	-	-	3.9	19.5	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	4.0	78.3	1,192.6
At 1 January 2013	531.7	517.2	36.0	25.4	4.0	78.3	1,192.6
Exchange differences	(13.6)	(11.7)	(0.8)	-	-	(1.0)	(27.1)
Additions	-	-	-	-	5.9	21.7	27.6
Disposals / retirements	-	(0.8)	-	-	-	(5.7)	(6.5)
Acquisition of companies and businesses	2.8	7.3	-	-	-	-	10.1
Disposal of companies and businesses	(203.3)	(60.6)	-	(25.4)	-	(8.9)	(298.2)
At 31 December 2013	317.6	451.4	35.2	-	9.9	84.4	898.5
Accumulated amortisation and impairment							
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	0.8	11.2	0.6	-	-	0.8	13.4
Disposals	-	-	-	-	-	3.8	3.8
Disposal of companies and businesses	203.0	61.3	-	25.4	-	4.0	293.7
Impairment charge	(3.4)	-	-	-	-	(5.2)	(8.6)
Amortisation charge	-	(19.7)	(3.2)	-	(0.6)	(11.8)	(35.3)
At 31 December 2013	(26.3)	(380.1)	(19.6)	-	(0.6)	(46.9)	(473.5)
Net Book Value							
1 January 2012	289.0	59.9	11.7	-	0.1	29.7	390.4
31 December 2012	305.0	84.3	19.0	-	4.0	39.8	452.1
31 December 2013	291.3	71.3	15.6	-	9.3	37.5	425.0

11. Property, plant and equipment

	Land & buildings £m	Service contract equipment £m	Other plant and equipment £m	Vehicles and office equipment £m	Total £m
Cost					
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	1.5	(3.4)	3.2	(8.2)	(6.9)
Additions	7.5	134.1	25.5	39.4	206.5
Disposals	(5.8)	(101.4)	(10.6)	(37.2)	(155.0)
Acquisition of companies and businesses	-	2.7	0.2	0.1	3.0
Disposal of companies and businesses	(12.1)	(5.6)	(7.7)	(17.1)	(42.5)
Transfer to investment properties	(8.7)	-	-	-	(8.7)
At 31 December 2013	154.9	711.4	277.2	222.4	1,365.9
Accumulated depreciation and impairment					
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	(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	(0.1)	3.4	(2.2)	4.5	5.6
Disposals	3.4	99.1	9.9	32.9	145.3
Disposal of companies and businesses	6.4	3.1	5.5	12.0	27.0
Depreciation charge	(5.2)	(126.4)	(20.3)	(36.4)	(188.3)
Transfer to investment properties	0.8	-	-	-	0.8
At 31 December 2013	(44.3)	(460.7)	(189.7)	(134.1)	(828.8)
Net Book Value					
At 1 January 2012	133.3	255.2	87.3	97.9	573.7
At 31 December 2012	122.9	245.1	84.0	98.3	550.3
At 31 December 2013	110.6	250.7	87.5	88.3	537.1

12. Cash and cash equivalents

	2013 £m	2012 £m
Cash at bank and in hand	138.2	160.5
Short-term bank deposits	5.6	6.1
	143.8	166.6
Cash and cash equivalents include the following for the purposes of the cash flow statement:		
Cash and cash equivalents	143.8	166.6
Other investments	-	56.1
Bank overdrafts (note 13)	(0.4)	(3.8)
	143.4	218.9

Included within cash at bank and in hand is £16.5m (2012: £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:

31 December 2013	Gross amounts before offsetting £m	Gross amounts set off £m	Net amounts presented £m
Cash at bank and in hand	1,778.2	(1,640.0)	138.2
Bank overdrafts (note 13)	(1640.4)	1,640.0	(0.4)
	137.8	-	137.8

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 13)	(880.7)	876.9	(3.8)
	156.7	-	156.7

13. Bank and other borrowings

	2013 £m	2012 £m
Non-current		
RCF and other bank borrowings	0.2	-
Bond debt	1,008.6	1,108.8
Finance lease liabilities	13.7	12.0
	1,022.5	1,120.8
Current		
Bank overdrafts (note 12)	0.4	3.8
Bank borrowings	0.5	-
Bond debt	402.7	50.0
Bond accruals	33.4	30.7
Finance lease liabilities	7.2	6.9
	444.2	91.4
Total bank and other borrowings	1,466.7	1,212.2

Medium term notes and bond debt comprises:

	Bond interest coupon	Effective hedged interest rate
Non current		
£300m bond due March 2016	Fixed 5.75%	Fixed 4.48%
€500m bond due September 2019	Fixed 3.375%	Fixed 3.56%
€350m bond due October 2021	Fixed 3.25%	Fixed 3.49%
£1.3m debentures	Fixed 5.00%	Fixed 5.00%
£0.3m debentures	Fixed 4.50%	Fixed 4.50%
Current		
€500m bond due March 2014 (€14.5m repaid in 2012)	Fixed 4.625%	Fixed 5.09%
£50m bond paid September 2013	Floating 3 month LIBOR + 3.25%	Fixed 7.34%
Average cost of bond debt at period end rates		4.26%

The group has one committed Revolving Credit Facility ('RCF') of a £270m facility expiring in December 2016 which accrues interest at LIBOR for the period drawn plus a margin. The marginal cost of borrowing under the RCF at the period end was 1.5%, however the facility was undrawn at that date.

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 borrowings are shown below. Fair values are based on cashflows discounted at the current market rates:

	Carrying amount 2013 £m	Carrying amount 2012 £m	Fair Value 2013 £m	Fair Value 2012 £m
Non-current				
Bank borrowings	0.2	-	0.2	-
€500m bond due March 2014 (€14.5m repaid in 2012) – current in 2013	-	392.5	-	411.3
£300m bond due March 2016	308.6	312.4	323.7	326.5
€500m bond due September 2019	412.4	402.9	430.2	422.8
€350m bond due October 2021	286.6	-	288.7	-
£1.6m debentures	1.0	1.0	1.7	2.7
Finance lease liabilities	13.7	12.0	13.7	12.0
	1,022.5	1,120.8	1,058.2	1,175.3
Current				
€500m bond due March 2014 (€14.5m repaid in 2012) – non-current in 2012	402.7	-	406.2	-
£50m bond due September 2013	-	50.0	-	50.8
	1,425.2	1,170.8	1,464.4	1,226.1

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. Bonds fall into level 1, debentures, finance leases and bank borrowings fall into level 2. Deferred and contingent consideration payable by the group falls into Level 3. No financial instruments have moved between levels in the period.

14. 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. At 31 December 2013 the group's UK defined benefit pension scheme, which is closed to new members, was valued at an accounting surplus of £70.6m on the group's balance sheet. The trustees value the scheme on a different basis and are currently in the process of finalising the 31 March 2013 valuation with the Company. On this valuation basis the plan is 99% funded with an estimated deficit of £18m. It has been agreed that this deficit is anticipated to be met by the investment return on pension assets over the period of the recovery plan, but in order to mitigate the risk that it does not annual contributions of c. £3m per annum over the next six years, with the first payment made by March 2014, will be paid into a joint escrow account by the group. In the event that the deficit is not cleared by the time of the 31 March 2019 valuation it will be funded from the escrow account. The group has recognised the pension surplus as an asset because the group has a right to reduce future pension contributions.

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

	2013 £m	2012 £m
Weighted average %		
Discount rate	4.4%	4.4%
Future salary increases	4.3%	3.9%
Future pension increases	3.4%	3.1%
RPI Inflation	3.6%	3.2%
CPI Inflation	2.6%	2.5%

The amounts recognised in the balance sheet for the total of the UK RIPS and other¹ schemes are determined as follows:

	2013 £m	Restated 2012 £m
Present value of funded obligations	(1,216.6)	(1,182.9)
Fair value of plan assets	1,277.3	1,298.2
	60.7	115.3
Present value of unfunded obligations	(13.7)	(13.5)
Net pension asset	47.0	101.8
Presented in the balance sheet as:		
Retirement benefit assets	70.6	126.1
Retirement benefit obligation	(23.6)	(24.3)
	47.0	101.8

The fair value of plan assets at the balance sheet date for the total of the UK RIPS and other¹ schemes is analysed as follows:

	2013 £m	2012 £m
Equity instruments	369.1	347.4
Debt instruments - quoted	608.0	250.4
Debt instruments - unquoted	4.5	7.2
Interest and inflation rate hedging instruments	141.2	93.2
Property	0.5	1.1
Funding trade	-	591.2
Other	154.0	7.7
	1,277.3	1,298.2

The amounts recognised in the income statement for the total of the UK RIPS and other¹ schemes are as follows:

	2013 £m	Restated 2012 £m
Current service cost ²	1.8	2.2
Past service cost ²	(0.4)	-
Administrative expenses ²	1.8	1.8
Net interest credit ²	(5.5)	(9.0)
Total pension income	(2.3)	(5.0)

¹ other retirement benefit plans are predominantly made up of defined benefit plans situated in Ireland, Germany, Australia, Belgium, Norway and France.

² 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.

15. 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	(0.1)	(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	(0.2)	0.2	0.2
Additional provisions	14.0	1.0	7.0	25.5	47.5
Disposal of companies and businesses	-	-	-	(1.2)	(1.2)
Unused amounts reversed	(7.3)	(1.5)	(2.1)	(1.4)	(12.3)
Unwinding of discount on provisions	0.5	0.2	-	-	0.7
Used during the period	(9.9)	(1.2)	(3.6)	(25.7)	(40.4)
At 31 December 2013	43.6	16.1	20.0	13.2	92.9

Provisions analysed as follows:

	2013 £m	2012 £m
Non-current	62.9	70.1
Current	30.0	28.3
	92.9	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 utilised within the next five years.

16. Share Capital

	2013 £m	2012 £m
Authorised		
4,100,000,000 ordinary shares of 1p each	41.0	41.0
Issued and fully paid		
At 1 January and 31 December – 1,817,498,329 shares (2012: 1,814,831,011)	18.2	18.1

17. Cash generated from operating activities

	2013 £m	2012 £m
Profit for the period	38.7	49.9
Adjustments for:		
- Loss on sale of discontinued operations excluding costs of disposal	26.1	-
- Discontinued operations tax	(2.7)	(6.5)
- Tax	31.4	34.1
- Share of profit from associates	(4.3)	(4.6)
- One-off items – financing	(1.5)	31.4
- Net interest credit from pensions	(5.5)	(9.0)
- Interest income	(10.9)	(8.7)
- Interest expense	70.9	57.3
- Depreciation and impairment of tangible assets	188.3	194.2
- Depreciation and impairment of investment properties	3.5	-
- Amortisation and impairment of intangible assets ¹	26.9	25.2
- Amortisation of computer software	17.0	8.9
- LTIP charges	2.0	3.9
- Other non-cash items	0.7	-
- Loss on sale of property, plant and equipment	3.4	4.7
- Loss on disposal / retirement of intangible assets	1.9	0.2
- Loss / (profit) on disposal of companies and businesses	1.2	(0.9)
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation):		
- Inventories	(11.5)	0.2
- Trade and other receivables	(0.6)	(19.4)
- Trade and other payables and provisions	(26.0)	(3.6)
Cash generated from operating activities before special pension contribution	349.0	357.3
Special pension contribution	(13.6)	(12.5)
Cash generated from operating activities	335.4	344.8

¹ excluding computer software

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

	2013 £m	2012 £m
Net (decrease) / increase in cash and cash equivalents	(78.4)	150.2
Movement on finance leases	(2.3)	(5.9)
Movement on other investments	292.1	-
Movement on loans	(240.4)	(222.5)
Increase in debt resulting from cash flows	(29.0)	(78.2)
Foreign exchange translation and other items	(17.0)	14.4
Other non-cash items	0.7	(6.7)
Movement on net debt in the period	(45.3)	(70.5)
Opening net debt	(989.5)	(919.0)
Closing net debt	(1,034.8)	(989.5)
Closing net debt comprises:		
Cash and cash equivalents	143.8	166.6
Other investments ¹	292.1	56.1
Fair value of debt related derivatives	(4.0)	-
Bank and other short-term borrowings	(444.2)	(91.4)
Bank and other long-term borrowings	(1,022.5)	(1,120.8)
Total net debt	(1,034.8)	(989.5)

¹ other investments include term bank deposits maturing in more than 3 months

The group's interest rate swaps and foreign currency derivatives have been included within net debt for the first time in 2013. This better reflects the underlying nature of these contracts.

19. Operating and free cash flow

	2013 £m	2012 £m
Cash generated from operating activities	335.4	344.8
Add back: special pension contribution	13.6	12.5
	349.0	357.3
Purchase of property, plant and equipment (PPE)	(201.1)	(182.7)
Purchase of intangible fixed assets	(27.6)	(23.4)
Leased property, plant and equipment	(10.3)	(12.3)
Proceeds from sale of PPE	6.3	9.2
Dividends received from associates	1.9	8.9
Operating cash flow	118.2	157.0
Interest received	10.6	2.7
Interest paid	(60.9)	(46.0)
Interest element of finance lease payments	(0.9)	(0.9)
Income tax paid	(37.2)	(35.6)
One-off items - financing	-	(31.4)
Special pension contributions	(13.6)	(12.5)
Disposal of available-for-sale investments	1.2	2.1
Free cash flow	17.4	35.4

20. Business combinations

The group purchased 100% of the share capital or the trade and assets of twelve companies and businesses in the period. The total consideration in respect of acquisitions was £13.2m and the cash outflow from current and past period acquisitions, net of cash acquired was £12.0m.

From the dates of acquisition to 31 December 2013, these acquisitions contributed £6.0m to revenue and £0.5m 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 £2,333.4m and £173.3m respectively.

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

	2013 £m
Purchase consideration:	
- Cash paid	7.4
- Businesses exchanged	3.5
- Deferred consideration	2.3
Total purchase consideration	13.2
Fair value of net assets acquired	(10.6)
Goodwill from current period acquisitions	2.6

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

Contingent consideration up to a maximum of £0.6m is payable over the next two years based on earn out conditions on revenue, profit and customer retention. Deferred consideration of £2.3m is payable over the next two years.

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

The provisional fair value¹ of assets and liabilities arising from acquisitions in the period:

	2013 £m
Non-current assets	
- Intangible assets	6.6
- Property, plant and equipment	3.0
Current assets ²	3.3
Current liabilities	(1.6)
Non-current liabilities	(0.7)
Net assets acquired	10.6

¹ the provisional fair values will be finalised in the 2014 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.

² includes trade and other receivables of £2.9m which represents the gross and fair value of the assets acquired

Changes in fair values of acquired assets and liabilities and consideration in respect of provisional assets and liabilities recorded as at 31 December 2012 have been adjusted in the current year, as follows:

	2012 Adjustment £m
Total purchase consideration	0.6
Fair value of net assets acquired	(0.4)
Goodwill on prior period acquisitions	0.2

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	0.7
Current liabilities	(0.1)
Non current liabilities	(0.2)
Net assets acquired	0.4

	2013 £m
Total purchase consideration	13.2
Businesses exchanges	(3.5)
Consideration payable in future periods	(2.3)
Purchase consideration (paid in cash)	7.4
Cash and cash equivalents in acquired companies and businesses	-
Cash outflow on current period acquisitions	7.4
Deferred consideration from prior periods paid	4.6
Cash outflow on current and past acquisitions	12.0

21. Related Party Transactions

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. During the year the group disposed of its 50% share in Yu Yu Calmic Co Ltd.

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 bears the costs of administration and independent pension advice of the Rentokil Initial Pension Scheme. The total amount of costs in the year ended 31 December 2013 was £2.2m (2012: £2.5m) of which £0.4m (2012: £0.3m) was recharged to the scheme.

In 2004 the group 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. During the year the group repurchased the 25.1% stake for a consideration of ZAR 4.0 million (£0.3 million) plus the outstanding capital value of the loan at the execution date and a new special purpose entity was set up to enable colleagues in South Africa to benefit from the ownership of this stake by way of dividend payments. The group has accordingly removed the non-controlling interest in the balance sheet, derecognised the loan, and reversed the capital reserve recorded in equity at the time of the original transaction. The fair value adjustments taken to other comprehensive income on the available for sale loan have been recycled through one-off items - financing.

22. Events occurring after the balance sheet date

On 28 February 2014 the group signed an agreement to sell the Initial Facilities business for consideration of £250.0 million. The income statement for 2013 excluding the Initial Facilities business has been set out below. The performance of the group will be set out on this basis from H1 2014 onwards.

	2013 £m	Restated* 2012 £m
Revenue	1,791.4	1,666.8
Operating expenses	(1,630.9)	(1,510.2)
Operating profit	160.5	156.6
Analysed as:		
Operating profit before amortisation and impairment of intangibles ¹ , reorganisation costs and one-off items	236.1	217.6
Reorganisation costs	(40.2)	(22.7)
One-off items - operating	(11.8)	(16.2)
Amortisation and impairment of intangible assets ¹	(23.6)	(22.1)
Operating profit	160.5	156.6
Interest payable and similar charges	(70.9)	(57.3)
Interest receivable	10.5	7.8
Net interest credit from pensions	5.5	9.0
One-off items – financing	1.5	(31.4)
Share of profit from associates, net of tax of £3.1 (2012: £3.4m)	4.3	4.6
Profit before income tax	111.4	89.3
Income tax expense	(28.9)	(28.8)
Profit for the period from continuing operations	82.5	60.5
Discontinued operations:		
Loss for the period from discontinued operations	(43.8)	(10.6)
Profit for the period (including discontinued operations)	38.7	49.9

¹excluding computer software

Net assets for the disposed business at 31 December 2013 are set out below.

	2013 £m
Assets	
Non-current assets	
Intangible assets	39.7
Property, plant and equipment	6.6
	46.3
Current assets	
Inventories	4.0
Trade and other receivables	99.4
Cash and cash equivalents	40.8
	144.2
Liabilities	
Current liabilities	
Trade and other payables	(85.8)
Current tax liabilities	(3.3)
	(89.1)
Non-current liabilities	
Deferred tax liabilities	(0.6)
Provisions for other liabilities and charges	(0.1)
	(0.7)
Net assets	100.7

There were no other significant post balance sheet events affecting the group since 31 December 2013.

23. Legal statements

The financial information for the year ended 31 December 2013 contained in this preliminary announcement was approved by the Board on 28 February 2014.

The financial information in this statement does not constitute the company's statutory accounts for the years ended 31 December 2013 or 2012. The financial information for 2012 and 2013 is derived from the statutory accounts for 2012, which have been delivered to the registrar of companies, and 2013, which will be delivered to the registrar of companies and issued to shareholders in March 2014. The auditors have reported on the 2012 and 2013 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The statutory accounts for 2013 are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union. The accounting policies (that comply with IFRS) used by Rentokil Initial plc ("the group") are consistent with those set out in the 2012 Annual Report, except as noted below. A full list of policies will be presented in the 2013 Annual Report. For details of new policies applicable to the group in 2013 and their impact please refer to Note 1.

24. 2013 Annual Report

Copies of the 2013 Annual Report will be despatched to shareholders who have elected to receive hard copies on 9 April 2014 and will also be available from the company's registered office at Riverbank, Meadows Business Park, Blackwater, Camberley, Surrey, GU17 9AB and at the company's website, www.rentokil-initial.com in HTML and PDF formats.

25. Financial calendar

The Annual General Meeting will be held at the Sofitel (Desoutter Suite), Gatwick Airport, North Terminal, Crawley, West Sussex RH6 0PA on Wednesday 14 May 2014 at 12.00 noon.