**RENTOKIL INITIAL PLC (RTO)**
**INTERIM RESULTS FOR SIX MONTHS TO 30 JUNE 2011**
29 July 2011

| Results (£m) | Q2 2011 AER | Growth AER | Growth CER | H1 2011 AER | Growth AER | Growth CER |
|---|---|---|---|---|---|---|
| Revenue | 639.2 | 2.4% | 0.6% | 1,248.9 | 1.4% | 0.7% |
| Adjusted operating profit[1] | 56.0 | (7.3%) | (10.5%) | 93.2 | (9.6%) | (11.6%) |
| Adjusted profit before tax[1] | 46.1 | - | (4.9%) | 73.5 | (3.9%) | (6.8%) |
| Profit before tax | 24.3 | 63.1% | 48.4% | 29.7 | (3.9%) | (9.5%) |
| Operating cash flow[2] | 31.5 | (22.4%) | (26.9%) | 24.5 | (65.0%) | (68.5%) |

**H1 Highlights (at CER)**

- **Revenue:**
  - Revenue growth of 0.7%:
    - +1.0% organic growth excluding City Link & Libya, of which Textiles & Hygiene +1.3%, Pest Control +0.9%, Asia Pacific +3.6%, Initial Facilities +0.6%
    - 1.8% growth from the net of acquisitions/disposals – all acquisitions performing ahead of expectations
    - City Link stabilised at -13.5%, impacting group revenue by -1.8%
  - Further improvement in customer retention to 84.6% (FY 2010: 83.6%) on contract business
  - Positive results from growth pilots - planned roll-out across group during 2012/13
- **Turnarounds:**
  - Textiles & Hygiene Benelux stable and performing consistently in line with plan both in revenue & profit
  - City Link financial performance remains unsatisfactory. On track to deliver substantial improvement in capability by October. New business pipeline continues to be promising.
- **Other financials:**
  - Adjusted profit before tax[1] down 6.8% (or £5.2m) to £70.9m, of which City Link £13.1m – excluding City Link, group performing robustly
  - Cash flow impacted by very strong performance in Q4 2010 and inflationary pressures on capex; stronger cash flow performance anticipated in H2
  - Cost savings of £24m; on track to deliver £60m by year end

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

"In a difficult trading environment we have made good progress against our key objectives in H1, continuing to build capability and achieving organic revenue growth (excluding City Link) earlier than expected.

"Textiles & Hygiene Benelux has performed consistently in line with plan over the past four months and will return to profit growth in H2. City Link has made considerable progress in operational and customer care systems and although its financial performance remains unsatisfactory, trading has been stable since February.

"Our 2011 cost savings programme is on track but inflationary pressures are particularly evident in Textiles & Hygiene and Ambius. The pricing environment has eased slightly in continental European markets.

"In City Link, I am encouraged by our strong operational progress and the new business pipeline, the combination of which should lead to improved year-on-year performance in Q4 though the full impact of our initiatives is unlikely to be felt this year. Elsewhere, we expect further progress across the group in H2 despite ongoing challenging conditions in some of our markets."

*AER – actual exchange rates; CER – constant 2010 exchange rates*
*[1] before amortisation and impairment of intangibles (excluding computer software) and one-off items*
*[2] cash flow before interest, tax, acquisitions, disposals and foreign exchange adjustments*

## Financial Summary

| £million | Second Quarter | | | Half Year | | |
|---|---|---|---|---|---|---|
| | **2011** | **2010** | ***change*** | **2011** | **2010** | ***change*** |
| **Continuing Operations[1]** | | | | | | |
| **At 2010 constant exchange rates[2]** | | | | | | |
| Revenue | **629.7** | 625.7 | *0.6%* | **1,236.4** | 1,228.0 | *0.7%* |
| Adjusted operating profit[3] | **54.3** | 60.7 | *(10.5%)* | **90.7** | 102.6 | *(11.6%)* |
| One-off items[4] | **(9.7)** | (17.3) | *43.9%* | **(20.0)** | (17.9) | *(11.7%)* |
| Amortisation and impairment of intangible assets | **(11.6)** | (13.8) | *15.9%* | **(23.3)** | (27.7) | *15.9%* |
| Operating profit | **33.0** | 29.6 | *11.5%* | **47.4** | 57.0 | *(16.8%)* |
| Share of profit from associates (net of tax) | **1.1** | 0.9 | *22.2%* | **2.2** | 1.9 | *15.8%* |
| Net interest payable | **(11.1)** | (15.0) | *26.0%* | **(22.0)** | (28.4) | *22.5%* |
| Profit before tax | **23.0** | 15.5 | *48.4%* | **27.6** | 30.5 | *(9.5%)* |
| Adjusted profit before tax[3] | **44.3** | 46.6 | *(4.9%)* | **70.9** | 76.1 | *(6.8%)* |
| Operating cash flow[5] | **29.9** | 40.9 | *(26.9%)* | **22.0** | 69.8 | *(68.5%)* |
| **Continuing Operations[1]** | | | | | | |
| **At actual exchange rates** | | | | | | |
| Revenue | **639.2** | 624.5 | *2.4%* | **1,248.9** | 1,231.8 | *1.4%* |
| Adjusted operating profit[3] | **56.0** | 60.4 | *(7.3%)* | **93.2** | 103.1 | *(9.6%)* |
| One-off items[4] | **(9.8)** | (17.4) | *43.7%* | **(20.1)** | (18.0) | *(11.7%)* |
| Amortisation and impairment of intangible assets | **(12.0)** | (13.8) | *13.0%* | **(23.7)** | (27.6) | *14.1%* |
| Operating profit | **34.2** | 29.2 | *17.1%* | **49.4** | 57.5 | *(14.1%)* |
| Share of profit from associates (net of tax) | **1.2** | 0.9 | *33.3%* | **2.3** | 1.9 | *21.1%* |
| Net interest payable | **(11.1)** | (15.2) | *27.0%* | **(22.0)** | (28.5) | *22.8%* |
| Profit before tax | **24.3** | 14.9 | *63.1%* | **29.7** | 30.9 | *(3.9%)* |
| Adjusted profit before tax[3] | **46.1** | 46.1 | - | **73.5** | 76.5 | *(3.9%)* |
| Operating cash flow[5] | **31.5** | 40.6 | *(22.4%)* | **24.5** | 70.0 | *(65.0%)* |

[1] *all figures are for continuing operations and are unaudited*
[2] *results at constant exchange rates have been translated at the full year average exchange rates for the year ended 31 December 2010. £/$ average rates: H1 2011 1.6162; FY 2010 1.5486, £/€ average rates: H1 2011 1.1463; FY 2010 1.1659*
[3] *before amortisation and impairment of intangibles (excluding computer software) and one-off items*
[4] *see Appendix 4 for further details*
[5] *cash flow before interest, tax, acquisitions, disposals and foreign exchange adjustments*

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


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A presentation for analysts and shareholders will be held on Friday 29 July 2011 at 9:15am at the offices of UBS, 1 Finsbury Avenue, London EC2. 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 on 1 January 2011 with our Scandinavian and Iberian Textiles & Hygiene units and some small Pest units transferring from the Textiles & Hygiene division to the Pest Control division. The segmental information also reflects changes made on 1 January 2010 resulting in the UK Washrooms and Ireland Healthcare businesses moving from Initial Facilities to Textiles & Hygiene and also the changes made on 1 July 2010 resulting in these same businesses moving from Textiles & Hygiene to Pest Control and the transfer of the UK Shared Service Centre from Initial Facilities to Central Costs on 1 November 2010. 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 items of a one-off nature, totalling a net cost of £20.0m (2010: £17.9m) that have had a significant impact on the results of the group. £15.2m (2010: £13.3m) of these relate directly to the group's major reorganisation program and consisted mainly of redundancy costs, consultancy and plant and office closure costs net of the profit on sale of certain properties. £4.8m specifically related to a provision against our full financial exposure arising from the suspension of our Libyan pest control business. Details of one-off items incurred in the period, for which adjustments have been made, are set out in Appendix 4. All comparisons in commentaries are at constant 2010 full year average exchange rates unless otherwise stated.

## PROGRESS ON STRATEGIC OBJECTIVES IN H1 2011

Earlier this year we outlined our four key objectives for 2011:

1. The **turnarounds** of City Link and Textiles & Hygiene Benelux;
2. The delivery of immediate, effective, and surprising **customer care**;
3. The delivery of **consistent & profitable growth** through excellent customer retention and greatly improved marketing, sales & innovation capability; and
4. **Cost savings**

## 1a. City Link

City Link has stabilised its customer base and operations after a very difficult Christmas for the industry and has continued to invest heavily in new capability. It now has a strong infrastructure with a stable hub and depot network and an exciting stream of initiatives going live in the Autumn. Delivery of these initiatives will be key to winning new business and carrying more volume through the network.

City Link's Operational Plan is centred on:

- Sales & marketing;
- Operations;
- Customer care; and
- Contingency planning for periods of peak trading

### *Sales & marketing*

City Link has targeted profitable growth in the four key areas of healthcare, technology, media and retail/online. We remain encouraged by the strength of our new business pipeline and our ability to create differentiation in a challenging market through our caged delivery network – which drives high levels of parcel protection and flexibility - and through our numerous customer care initiatives – some of which have already come on stream such as My City Link – and some of which will come to market in the autumn such as our investment in customer care technology and our investment in developing Estimated Time of Arrival (ETAs) for our parcel delivery. We also continue to invest in account management.

### *Operations*

Development of a Blueprint for City Link's depot network has progressed well in H1 and is on course for roll-out in Q3. It will introduce a consistent approach for all major processes, particularly in warehouse operations, and will deliver significant cost benefits. Progress has been made in reducing sub-contractors with employed drivers now accounting for 67% of routes. Our target of 75% will be reached before the end of Q3. Eclipse, City Link's new pricing and billing system, will be implemented by the end of September. This will increase transparency for customers and substantially reduce billing errors. City Link's head office in Camberley was closed in Q1 and its business support centre in Newton is scheduled for closure in October with combined annualised savings of £1.2m. This is a significant milestone for the business in that all sites will thereafter be primarily operational with administration functions being co-located.

***Customer care***

As customer care is both a group objective and one of City Link's four areas of focus, this is covered below under group objective 2.

***Contingency planning for periods of peak trading***

Development of early warning systems and pre-determined guidelines for dealing with severe disruption (such as those experienced at the end of 2010), have progressed well in H1. In addition, we have assessed our ability to activate other group resources across the UK at short notice, notably drivers, vehicles and warehouse resource. Full contingency plans will be in place by the peak Christmas trading period.

## 1b. Textiles & Hygiene Benelux

The business has performed consistently in line with plan, both in revenue and profit in H1. We expect further improvement in H2 with year-on-year profit growth anticipated in H2.

In the Netherlands an extensive review of pricing was completed. The business has since won a number of Government accounts. Having taken some significant price reductions in 2009/10 in order to get our pricing back in line with the market, during 2011 we have been able to pass on a number of price increases to customers, reflecting significant cost inflation and a more benign pricing environment.

In Belgium the primary focus has been on improving the performance of the Hospital unit and a dedicated team has been appointed to drive improvements in this unit. Management has been streamlined, plant productivity has increased and cost control measures have been implemented.

## 2. Customer care – immediate, effective, surprising

The group's focus on customer service has been extended to customer care. Our aim is to be pro-active in contacting, listening to and responding to *all* our customers, not just the very large.

In City Link a Customer Care Director was appointed to lead this programme which will be largely operational by October. In May the 'My City Link' initiative was launched, affording customers real time and detailed access on their parcel delivery. 'My City Link' offers a competitive advantage over other market participants and is being reviewed very positively by customers who have trialled it.

## 3. Growth - consistent & profitable

The group aims to deliver consistent and profitable organic growth through excellent customer retention, greatly improved marketing, sales & innovation capability and through acquisition.

Continued focus on customer service and care has resulted in further improvement in retention during the first half, up from 83.6% at FY 2010 to 84.6%.

Significant progress has been made in shaping the foundations and frameworks on which we will build our future growth agenda. The global sales agenda has focused on key elements of sales force capabilities, including training and development modules, operating frameworks and system tools. In addition, work is underway to introduce improved recruitment criteria to ensure the right people are looking after our customers. New supply chain and innovation capability has been brought into the textiles and hygiene businesses to ensure that segmented offers are supported by modernised product ranges.

**Growth pilots**

Programme Olympic is a programme of process-led change for our business support activities. Our objectives are to dramatically improve both customer service - driving retention and revenue growth - and financial performance. Within Programme Olympic are seven mainly UK-based growth pilots.

These are at an advanced stage of development and are showing positive results in our UK Pest business. Plans are underway for global roll-out during 2012 and 2013.

**Acquisitions**

In May 2011 Initial Facilities acquired the 25% minority shareholding of Initial Catering Ltd from Rezayat Group (High Seas Investments (Bermuda) Ltd).

In July 2011 the group entered the Turkish pest control market through the acquisition of commercial pest business National Britannia Turkey ('NB Turkey'). The company operates nationally with branches in Turkey's seven largest cities. In the same month we acquired Sydney-based pest control company Ant-Eater, which will provide further density to our Sydney operations.

The acquisitions of Knightsbridge Guarding (acquired June 2010) and the Services Division of Santia Group (acquired February 2011) have been integrated successfully into the group and both are performing ahead of expectations. Further bolt-on acquisitions are probable in H2.

## 4. Cost savings

The group achieved £24m of cost savings in H1 and anticipates achieving its full year target of £60m. The majority of savings were delivered in Textiles & Hygiene and City Link with the remainder generated by further business and central savings programmes.

In Textiles & Hygiene cost savings were generated through restructuring programmes in France, Belgium and the Netherlands, through procurement programmes begun in 2010 to harmonise product ranges, and from other divisional savings programmes. The alignment between group and country procurement has been strengthened to improve delivery of indirect savings targets.

Cost savings in City Link were generated through the recruitment of more full-time employee drivers (reducing reliance on subcontractors), closures of the Wednesbury hub and Camberley Head Office and move to curtain-sided trailers in 2010. Further savings were gained through headcount and procurement savings and other operational productivity improvements.

While good progress continues to be made on cost savings these have been offset in H1 by cost inflation on fuel, labour and products for sale. We are seeking to mitigate this where possible through price increases.

## FUNDING

The Company generated £24.5m of cash in H1. Cash flow was negatively impacted by a very strong performance in Q4 2010 (attributable to the phasing of cash collections in Initial Facilities), lower profitability and higher capex levels.

Capex in H1 was 100% of depreciation reflecting inflationary pressures, sales growth in Textiles & Hygiene and upweighted investment in systems to support Programme Olympic and improvements in customer care. We anticipate capex levels for the year to be at, or slightly above, 100% of depreciation with continuing inflationary pressures, as well as increased investment in IT systems. Given this increased investment we now expect cash conversion for the year to be in the range of 90% to 95%, against our previous target of 100%.

At 30 June 2011 the group had net debt of £1,024.6m. Of this £889.7m is represented by capital market notes issued by the group and the earliest maturity of these instruments is 2013. The group has good headroom in its bank facilities in terms of funds available to withdraw and in relation to its covenant.

The Company has come to a provisional agreement with the UK pension scheme trustees in relation to the 31 March 2010 triennial valuation of the Company's UK pension scheme and the funding thereof. The agreement assumes a funding deficit of around £80m at the valuation date and a funding arrangement by the Company of £12.5m per annum over an 8 year period commencing on 1 January 2012. The agreement is expected to be formally ratified in due course.

## DIVIDEND

At the year end the Company stated its criteria for the resumption of dividend payments: i.e. when i) cash flow is robust and ii) when the foundations of sustainable and profitable growth have been established in all of the Company's principal businesses. While considerable progress has been made in the turnarounds of Textiles & Hygiene Benelux and City Link during H1, full operational efficiency at City Link will not be achieved until October this year. The board has decided therefore not to declare an interim dividend in respect of H1 2011.

## OUTLOOK

In City Link, we are encouraged by our strong operational progress and the new business pipeline, the combination of which should lead to improved year on year performance in Q4 though the full impact of our initiatives is unlikely to be felt this year. Elsewhere, we expect further progress across the group in H2 despite ongoing challenging conditions in some of our markets.

## DIVISIONAL PERFORMANCE

### Textiles & Hygiene

| £ million | Second Quarter | | | Half Year | | |
|---|---|---|---|---|---|---|
| | **2011** | **2010** | ***change*** | **2011** | **2010** | ***change*** |
| **At 2010 constant exchange rates:** | | | | | | |
| Revenue | **193.3** | 187.3 | *3.2%* | **383.2** | 373.4 | *2.6%* |
| Adjusted operating profit (before amortisation and impairment of intangible assets[1] and one-off items) | **26.2** | 26.2 | - | **49.9** | 52.8 | *(5.5%)* |
| **At actual exchange rates:** | | | | | | |
| Adjusted operating profit (before amortisation and impairment of intangible assets[1] and one-off items) | **27.1** | 25.9 | *4.6%* | **50.9** | 53.3 | *(4.5%)* |

[1] *excluding computer software*

Revenue grew by 2.6%, an organic increase of 1.3% after adjusting for the acquisition of the Swedish dental reclamation business in 2010 and two specialist hygiene businesses in H1 2011. Strong performance continues to be achieved in Germany and growth was also aided by acquisitions in the Medical and Specialist Hygiene businesses. Customer retention remains strong in France where the business achieved 1.2% revenue growth despite ongoing difficult market conditions. Divisional performance is still restrained however by Benelux where revenue was down by 0.9% due to prior year contract losses. The operation is now stable with the business performing in line with expectations over the last three months. Divisional customer retention rose 1.0% on FY 2010 to 87.3%.

Profit fell 5.5%, an organic decline of 7.0% after adjusting for acquisitions, again held back by Benelux. Excluding Benelux and acquisitions, underlying profit was 1.3% above prior year.

### Pest Control

| £ million | Second Quarter | | | Half Year | | |
|---|---|---|---|---|---|---|
| | **2011** | **2010** | ***change*** | **2011** | **2010** | ***change*** |
| **At 2010 constant exchange rates:** | | | | | | |
| Revenue | **150.7** | 152.0 | *(0.9%)* | **283.5** | 288.3 | *(1.7%)* |
| Adjusted operating profit (before amortisation and impairment of intangible assets[1] and one-off items) | **31.8** | 30.0 | *6.0%* | **50.9** | 49.1 | *3.7%* |
| **At actual exchange rates:** | | | | | | |
| Adjusted operating profit (before amortisation and impairment of intangible assets[1] and one-off items) | **32.0** | 30.0 | *6.7%* | **51.3** | 49.3 | *4.1%* |

[1] *excluding computer software*

Revenue fell by 1.7% in H1, attributable to the disposals of the Spanish textiles and Finnish mats businesses and the suspension of operations in Libya in Q1. Organic revenue grew by 0.9% reflecting good performances across most regions. UK Pest Control continues to improve, growing by 7.2%, of which 6.7% is attributed to Santia, and although revenue in the UK & Ireland hygiene business fell, its rate of decline has slowed to 6.4% from 10.9% in H1 2010. In Europe strong performances from Germany, Austria, Belgium and the Nordics were largely offset by difficult trading conditions in Spain, Portugal and Greece, with overall revenue growth for the region of 1.2%. Growth was recorded in North America (+5.5%) South Africa, East Africa and the Caribbean.

Profit grew by 3.7%, reflecting tight cost control across most businesses. While the UK, Germany, North America and South Africa pest businesses delivered strong performances, there were declines in the UK and Spanish Washrooms operations and in the more difficult markets of Ireland, Portugal and Greece. As outlined previously we have suspended our operations in Libya and taken a £4.8m provision against our full financial exposure. This was taken as a one-off item in Q1.

In July 2011 Rentokil entered the Turkish market through the acquisition of commercial pest business NB Turkey. Based in Izmir, the company operates nationally with branches in Turkey's seven largest cities.

## Asia Pacific

| £ million | Second Quarter | | | Half Year | | |
|---|---|---|---|---|---|---|
| | **2011** | **2010** | ***change*** | **2011** | **2010** | ***change*** |
| **At 2010 constant exchange rates:** | | | | | | |
| Revenue | **56.8** | 54.5 | *4.2%* | **112.1** | 108.2 | *3.6%* |
| Adjusted operating profit (before amortisation and impairment of intangible assets[1] and one-off items) | **7.3** | 7.7 | *(5.2%)* | **14.9** | 15.1 | *(1.3%)* |
| **At actual exchange rates:** | | | | | | |
| Adjusted operating profit (before amortisation and impairment of intangible assets[1] and one-off items) | **7.8** | 7.6 | *2.6%* | **15.9** | 14.8 | *7.4%* |

*[1] excluding computer software*

Asia Pacific revenue increased by 3.6% reflecting portfolio growth in the Pacific region in Q2 2011. Asia grew by 5.2% (versus an increase of 1.4% this time last year), driven by improved sales capability. The Pacific region reversed prior year declines, growing by 2.5%. In Asia growth momentum in Indonesia, Thailand, the Philippines, China and Malaysia reflect traction in sales & marketing and other growth initiatives. The emerging businesses of Vietnam and India also delivered strong growth with ongoing investment in capability. In the Pacific, Australia Pest Control performed well aided by strong growth in contract portfolio and a rodent infestation. New Zealand and Fiji also grew well overcoming the impact of Christchurch earthquake in February.

Good cost control and growth in most markets were offset by increased management costs in China and the impact of the floods in Queensland on Pink Healthcare, resulting in an overall profit decline of 1.3%. The increased management costs in China arose out of the need to change the previous China management team at short notice.

## Ambius

| £ million | Second Quarter | | | Half Year | | |
|---|---|---|---|---|---|---|
| | **2011** | **2010** | ***change*** | **2011** | **2010** | ***change*** |
| **At 2010 constant exchange rates:** | | | | | | |
| Revenue | **27.4** | 27.1 | *1.1%* | **54.1** | 54.3 | *(0.4%)* |
| Adjusted operating profit (before amortisation and impairment of intangible assets[1] and one-off items) | **1.1** | 1.4 | *(21.4%)* | **1.6** | 2.3 | *(30.4%)* |
| **At actual exchange rates:** | | | | | | |
| Adjusted operating profit (before amortisation and impairment of intangible assets[1] and one-off items) | **1.2** | 1.4 | *(14.3%)* | **1.7** | 2.3 | *(26.1%)* |

*[1] excluding computer software*

Ambius portfolio movement continues to show an improving trend with a small positive growth in H1 of 0.8%, attributable to a 0.9% improvement in gross sales and an 8.6% improvement in terminations over the prior year. This has not yet been sufficient however to compensate for the portfolio erosion during 2010 and H1 revenue was therefore marginally down by 0.4% year on year. Job revenue however rose by an encouraging 4.5% during the period driven by growth in Europe. Gross sales in Europe grew by 2.8% while North America sales declined by 1.1%.

Profit declined by 30.4% reflecting cost inflation on plants and fuel and changes in business mix.

## City Link

| £ million | Second Quarter | | | Half Year | | |
|---|---|---|---|---|---|---|
| | **2011** | **2010** | ***change*** | **2011** | **2010** | ***change*** |
| **At 2010 constant exchange rates:** | | | | | | |
| Revenue | **72.2** | 83.6 | *(13.6%)* | **144.5** | 167.1 | *(13.5%)* |
| Adjusted operating loss (before amortisation and impairment of intangible assets[1] and one-off items) | **(7.1)** | (0.3) | *N/A* | **(17.8)** | (4.7) | *(278.7%)* |
| **At actual exchange rates:** | | | | | | |
| Adjusted operating loss (before amortisation and impairment of intangible assets[1] and one-off items) | **(7.1)** | (0.3) | *N/A* | **(17.8)** | (4.7) | *(278.7%)* |

*[1] excluding computer software*

City Link's operating loss for H1 of £17.8m is £13.1m worse than the corresponding loss in 2010 on a £22.6m (13.5%) reduction in revenue.

The operation was impacted by lower volumes as a result of customer losses in 2010 and additional costs incurred in January in order to recover from heavy snow in late December. Parcel volumes were down 9.9% in H1. The UK parcels industry continues to be extremely competitive in 2011 and trading conditions remain challenging. Price cutting is a continuing market dynamic and our revenue per consignment declined by 4.0%.

The pipeline of new business opportunities remains promising and while it has grown in size since Q1, the timing of conversion into sales is unpredictable.

Service levels in H1 were generally above 99%, apart from in January, when service was impacted following the period of heavy snow in the run up to Christmas.

Good progress has been made in recruiting employed drivers which represented 67% of all routes run at the end of H1. This has reduced our reliance on subcontractors. The implementation of a depot blueprint will provide a consistent approach to our operations across the network and further cost savings. The business is on track to deliver an Estimated Time of Arrival ("ETA") offering to customers in Q3 and successfully delivered the 'My City Link' initiative to customers in Q2.

In June 2011 we announced the appointments of David Smith as Managing Director and Robert Peto as Finance Director of City Link. Both join the business later this year from Royal Mail Group and bring significant parcel market and service industry experience to the operation.

## Initial Facilities

| **£ million** | **Second Quarter** | | | **Half Year** | | |
|---|---|---|---|---|---|---|
| | **2011** | **2010** | ***change*** | **2011** | **2010** | ***change*** |
| **At 2010 constant exchange rates:** | | | | | | |
| Revenue | **149.0** | 136.5 | *9.2%* | **295.9** | 266.3 | *11.1%* |
| Adjusted operating profit (before amortisation and impairment of intangible assets[1] and one-off items) | **5.8** | 5.5 | *5.5%* | **12.0** | 10.0 | *20.0%* |
| **At actual exchange rates:** | | | | | | |
| Adjusted operating profit (before amortisation and impairment of intangible assets[1] and one-off items) | **5.8** | 5.5 | *5.5%* | **12.0** | 10.0 | *20.0%* |

*[1] excluding computer software*

While the market remained challenging in H1 Initial Facilities performed well, with strong revenue and profit delivery. Revenue grew by 11.1%, assisted by the contributions from the acquisitions of Knightsbridge Guarding in 2010 and the fire and water businesses of Santia Services in early 2011. Underlying revenue growth, excluding acquisitions, was 0.6%.

Ongoing margin improvement, operational efficiency and cost reductions have helped contribute to a strong increase in profitability, delivering growth of 20.0%, 10.4% excluding acquisitions.

## Central Costs

| **£ million** | **Second Quarter** | | | **Half Year** | | |
|---|---|---|---|---|---|---|
| | **2011** | **2010** | ***change*** | **2011** | **2010** | ***change*** |
| **At 2010 constant exchange rates:** | | | | | | |
| Central costs | **(10.8)** | (9.8) | *(10.2%)* | **(20.8)** | (22.0) | *5.5%* |
| **At actual exchange rates:** | | | | | | |
| Central costs | **(10.8)** | (9.7) | *(11.3%)* | **(20.8)** | (21.9) | *5.0%* |

H1 central costs of £20.8m benefited from lower incentive costs in H1 compared to the prior year.

## One-off items including reorganisation costs

Net one-off costs in the first half of the year amounted to £20.0m (2010: £17.9m). £15.2m (2010: £13.3m) of these related directly to the group's major reorganisation programme, including Olympic, and consisted mainly of redundancy costs, consultancy and plant and office closure costs net of the profit on sale of certain properties. £4.8m specifically related to a provision against our full financial exposure arising from the suspension of our Libyan pest control business. These costs have been separately identified as they are not considered to be "business as usual" expenses and have a varying impact on different businesses and reporting periods. Details of one-off items incurred in the period, for which adjustments have been made, are set out in Appendix 4.

## Interest

Net interest payable was £22.0m at actual rates compared to £28.5m in the prior year. Underlying interest payable (excluding pensions, mark to market and foreign exchange differences) was £24.0m at actual rates compared to £24.5m in the prior year, a reduction of £0.5m, due to lower net debt and lower interest rates. Net interest payable included improvements of £4.1m resulting from mark to market changes, £1.6m from pension interest income and £0.3m from foreign exchange differences.

## Tax

The income statement tax charge for H1 2011 was 18.5% of profit before tax from continuing operations, compared with 23.3% in H1 2010. The effective tax rate after adjusting for the amortisation and impairment of intangibles (excluding computer software) and one-off items was 24.2% for H1 2011 compared with 24.4% in H1 2010. The principal factor that caused this low effective tax rate was the release of prior year provisions for tax no longer considered necessary as various issues were either settled or became statute barred in the period.

## Net debt and cash flow

| £ million at actual exchange rates | Year to Date | | |
|---|---|---|---|
| | **2011 HY £m** | 2010 HY £m | *Change £m* |
| Adjusted operating profit[1] | **93.2** | 103.1 | *(9.9)* |
| One-off items | **(20.1)** | (18.0) | *(2.1)* |
| Depreciation | **100.9** | 115.6 | *(14.7)* |
| Other non-cash | **4.1** | 3.3 | *0.8* |
| EBITDA | **178.1** | 204.0 | *(25.9)* |
| Working capital | **(52.1)** | (48.8) | *(3.3)* |
| Capex - additions | **(103.9)** | (88.6) | *(15.3)* |
| Capex - disposals | **2.4** | 3.4 | *(1.0)* |
| Operating cash flow | **24.5** | 70.0 | *(45.5)* |
| Interest | **(36.1)** | (40.1) | *4.0* |
| Tax | **(29.6)** | (19.1) | *(10.5)* |
| Free cash flow | **(41.2)** | 10.8 | *(52.0)* |
| Acquisitions/disposals | **(13.5)** | (4.9) | *(8.6)* |
| Foreign exchange translation and other items | **(16.3)** | 58.7 | *(75.0)* |
| Decrease in net debt | **(71.0)** | 64.6 | *(135.6)* |
| Closing net debt | **(1,024.6)** | (1,043.5) | *18.9* |

[1] *before amortisation and impairment of intangibles (excluding computer software) and one-off items*

Operating cash inflow in H1 at £24.5m was £45.5m lower than the prior year due to lower adjusted operating profit, higher one-off cash flows (included within the one-off items in the income statement in H1 2010 was a fixed asset impairment charge of £12.5m) and higher capital expenditure.

Total tax payments were £29.6m compared with £19.1m last year. The increase in total tax payments is attributable to the phasing of payments relating to prior year liabilities. Interest payments (including finance lease interest) were £4.0m lower than last year at £36.1m and the acquisition/disposal outflow of £13.5m largely reflects the acquisitions of Santia (Connaught) and the remaining non controlling interest in our catering business. Foreign exchange translation losses and other items worsened cash flow by £16.3m, leaving an overall outflow of £71.0m and net debt of £1,024.6m.

## ANNUAL CONTRACT PORTFOLIO - CONTINUING BUSINESSES

**3 Months to 30 June 2011**

| £m at constant 2010 exchange rates | 1.4.11 | New Business / Additions | Terminations/ Reductions | Net Price Increases | Acquisitions /(Disposals) | 30.6.11 | 30.6.11 at actual exchange |
|---|---|---|---|---|---|---|---|
| Textiles & Hygiene | 657.1 | 20.8 | (22.0) | 1.5 | (0.2) | 657.2 | 669.0 |
| Pest Control | 451.1 | 17.3 | (19.3) | 1.0 | 0.2 | 450.3 | 450.5 |
| Asia Pacific | 177.5 | 8.5 | (6.5) | 0.6 | - | 180.1 | 189.4 |
| Ambius | 94.6 | 3.2 | (3.5) | 0.9 | - | 95.2 | 94.7 |
| Initial Facilities | 524.4 | 24.0 | (19.7) | 1.8 | - | 530.5 | 531.4 |
| TOTAL | 1,904.7 | 73.8 | (71.0) | 5.8 | - | 1,913.3 | 1,935.0 |

**6 Months to 30 June 2011**

| £m at constant 2010 exchange rates | 1.1.11 | New Business / Additions | Terminations / Reductions | Net Price Increases | Acquisitions /(Disposals) | 30.6.11 | 30.6.11 at actual exchange |
|---|---|---|---|---|---|---|---|
| Textiles & Hygiene | 649.4 | 45.7 | (44.4) | 7.4 | (0.9) | 657.2 | 669.0 |
| Pest Control | 444.6 | 33.4 | (36.5) | 4.9 | 3.9 | 450.3 | 450.5 |
| Asia Pacific | 175.2 | 17.2 | (13.4) | 1.1 | - | 180.1 | 189.4 |
| Ambius | 94.5 | 6.3 | (7.2) | 1.6 | - | 95.2 | 94.7 |
| Initial Facilities | 522.2 | 48.9 | (44.1) | 3.5 | - | 530.5 | 531.4 |
| TOTAL | 1,885.9 | 151.5 | (145.6) | 18.5 | 3.0 | 1,913.3 | 1,935.0 |

**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 Textiles and 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 textiles businesses, where it is common practice for customers to increase or decrease service volumes according to their daily operational requirements.

**Retention rates:** The Textiles & Hygiene and group portfolio movements of additions and reductions have been restated in 2010 to net off Textile customer temporary service volume related changes which were previously reported gross as either additions or reductions to the portfolio. The calculated retention and gross sales rates have been restated accordingly.

## Divisional Analysis (at constant exchange rates)

| | **3 months to 30 June 2011 £m** | 3 months to 30 June 2010 £m | **6 months 30 June 2011 £m** | 6 months 30 June 2010 £m |
|---|---|---|---|---|
| (at 2010 constant exchange rates) | | | | |
| **Revenue** | | | | |
| **Textiles & Hygiene** | **193.3** | 187.3 | **383.2** | 373.4 |
| **Pest Control** | **150.7** | 152.0 | **283.5** | 288.3 |
| **Asia Pacific** | **56.8** | 54.5 | **112.1** | 108.2 |
| **Ambius** | **27.4** | 27.1 | **54.1** | 54.3 |
| **City Link** | **72.2** | 83.6 | **144.5** | 167.1 |
| **Initial Facilities** | **149.0** | 136.5 | **295.9** | 266.3 |
| **Segmental revenue** | **649.4** | 641.0 | **1,273.3** | 1,257.6 |
| **Inter group trading** | **(19.7)** | (15.3) | **(36.9)** | (29.6) |
| **Continuing operations at constant exchange rates** | **629.7** | 625.7 | **1,236.4** | 1,228.0 |
| **Exchange** | **9.5** | (1.2) | **12.5** | 3.8 |
| **Continuing operations at actual exchange rates** | **639.2** | 624.5 | **1,248.9** | 1,231.8 |
| **Adjusted operating profit** | | | | |
| **Textiles & Hygiene** | **26.2** | 26.2 | **49.9** | 52.8 |
| **Pest Control** | **31.8** | 30.0 | **50.9** | 49.1 |
| **Asia Pacific** | **7.3** | 7.7 | **14.9** | 15.1 |
| **Ambius** | **1.1** | 1.4 | **1.6** | 2.3 |
| **City Link** | **(7.1)** | (0.3) | **(17.8)** | (4.7) |
| **Initial Facilities** | **5.8** | 5.5 | **12.0** | 10.0 |
| **Central Costs** | **(10.8)** | (9.8) | **(20.8)** | (22.0) |
| **Segmental profit** | **54.3** | 60.7 | **90.7** | 102.6 |
| **One-off items (Appendix 4)** | **(9.7)** | (17.3) | **(20.0)** | (17.9) |
| **Amortisation of intangible assets[1]** | **(11.6)** | (13.8) | **(23.3)** | (27.7) |
| **Continuing operations at constant exchange rates** | **33.0** | 29.6 | **47.4** | 57.0 |
| **Exchange** | **1.2** | (0.4) | **2.0** | 0.5 |
| **Continuing operations at actual exchange rates** | **34.2** | 29.2 | **49.4** | 57.5 |

[1] *excluding computer software*

## Revenue growth (at CER)

| | **Second Quarter** | | **Half Year** | |
|---|---|---|---|---|
| | **Total** | **Organic[1]** | **Total** | **Organic[1]** |
| **Textiles & Hygiene** | **3.2%** | **1.9%** | **2.6%** | **1.3%** |
| **Pest Control** | **(0.9%)** | **0.2%** | **(1.7%)** | **(0.3%)** |
| **Asia Pacific** | **4.2%** | **4.2%** | **3.6%** | **3.6%** |
| **Ambius** | **1.1%** | **-** | **(0.4%)** | **(0.7%)** |
| **City Link** | **(13.6%)** | **(13.6%)** | **(13.5%)** | **(13.5%)** |
| **Initial Facilities** | **9.2%** | **(1.9%)** | **11.1%** | **0.6%** |
| **Group** | **0.6%** | **(1.3%)** | **0.7%** | **(1.1%)** |

[1] *organic revenue growth excludes the effect of acquisitions, disposals and inter group trading*

## Divisional Analysis (at actual exchange rates)

| | **3 months to 30 June 2011 £m** | 3 months to 30 June 2010 £m | **6 months 30 June 2011 £m** | 6 months 30 June 2010 £m |
|---|---|---|---|---|
| (at actual exchange rates) | | | | |
| **Revenue** | | | | |
| **Textiles & Hygiene** | **199.0** | 185.4 | **389.8** | 376.8 |
| **Pest Control** | **150.6** | 152.6 | **283.2** | 289.7 |
| **Asia Pacific** | **60.2** | 54.4 | **118.1** | 106.5 |
| **Ambius** | **27.2** | 27.4 | **53.7** | 54.7 |
| **City Link** | **72.2** | 83.6 | **144.5** | 167.1 |
| **Initial Facilities** | **149.6** | 136.4 | **296.5** | 266.6 |
| **Segmental revenue** | **658.8** | 639.8 | **1,285.8** | 1,261.4 |
| **Inter group trading** | **(19.6)** | (15.3) | **(36.9)** | (29.6) |
| **Continuing operations at actual exchange rates** | **639.2** | 624.5 | **1,248.9** | 1,231.8 |
| **Adjusted operating profit** | | | | |
| **Textiles & Hygiene** | **27.1** | 25.9 | **50.9** | 53.3 |
| **Pest Control** | **32.0** | 30.0 | **51.3** | 49.3 |
| **Asia Pacific** | **7.8** | 7.6 | **15.9** | 14.8 |
| **Ambius** | **1.2** | 1.4 | **1.7** | 2.3 |
| **City Link** | **(7.1)** | (0.3) | **(17.8)** | (4.7) |
| **Initial Facilities** | **5.8** | 5.5 | **12.0** | 10.0 |
| **Central Costs** | **(10.8)** | (9.7) | **(20.8)** | (21.9) |
| **Segmental profit** | **56.0** | 60.4 | **93.2** | 103.1 |
| **One-off items (Appendix 4)** | **(9.8)** | (17.4) | **(20.1)** | (18.0) |
| **Amortisation of intangible assets[1]** | **(12.0)** | (13.8) | **(23.7)** | (27.6) |
| **Impairment of goodwill** | **-** | - | **-** | - |
| **Continuing operations at actual exchange rates** | **34.2** | 29.2 | **49.4** | 57.5 |

[1] *excluding computer software*

## One-off Items including reorganisation costs

| | **3 months to 30 June 2011 £m** | 3 months to 30 June 2010 £m | **6 months 30 June 2011 £m** | 6 months 30 June 2010 £m |
|---|---|---|---|---|
| **Textiles & Hygiene** | **(3.2)** | (2.5) | **(4.3)** | (2.7) |
| **Pest Control** | **(1.1)** | (5.8) | **(6.6)** | (5.8) |
| **Asia Pacific** | **(0.4)** | - | **(0.4)** | - |
| **Ambius** | **-** | - | **-** | - |
| **City Link** | **(2.1)** | (8.5) | **(3.7)** | (8.9) |
| **Initial Facilities** | **(1.9)** | (0.5) | **(3.1)** | (0.5) |
| **Central Costs** | **(1.0)** | - | **(1.9)** | - |
| **At constant exchange rates** | **(9.7)** | (17.3) | **(20.0)** | (17.9) |
| **Exchange** | **(0.1)** | (0.1) | **(0.1)** | (0.1) |
| **At actual exchange rates** | **(9.8)** | (17.4) | **(20.1)** | (18.0) |

Net one-off costs in the first half of the year amounted to £20.0m (2010: £17.9m). £15.2m (2010: £13.3m) of these related directly to the group's major reorganisation programme, including Olympic, and consisted mainly of redundancy costs, consultancy and plant and office closure costs net of the profit on sale of certain properties. £4.8m specifically related to a provision against our full financial exposure arising from the suspension of our Libyan pest control business. These costs have been separately identified as they are not considered to be "business as usual" expenses and have a varying impact on different businesses and reporting periods.

## Condensed consolidated income statement

| | Notes | **6 months to 30 June 2011 £m** | 6 months to 30 June 2010 £m | Year to 31 December 2010 £m |
|---|---|---|---|---|
| Revenue | 4 | **1,248.9** | 1,231.8 | 2,496.5 |
| Operating expenses | | **(1,199.5)** | (1,174.3) | (2,435.0) |
| **Operating profit** | | **49.4** | 57.5 | 61.5 |
| | | | | |
| **Analysed as:** | | | | |
| Operating profit before amortisation and impairment of intangibles[1] and one-off items | | **93.2** | 103.1 | 239.3 |
| One-off items | | **(20.1)** | (18.0) | (25.1) |
| Amortisation and impairment of intangible assets[1] | | **(23.7)** | (27.6) | (152.7) |
| **Operating profit** | 4 | **49.4** | 57.5 | 61.5 |
| | | | | |
| Interest payable and similar charges | 5 | **(53.5)** | (60.9) | (114.4) |
| Interest receivable | 6 | **31.5** | 32.4 | 63.3 |
| Share of profit from associates (net of tax) | | **2.3** | 1.9 | 4.1 |
| **Profit before income tax** | | **29.7** | 30.9 | 14.5 |
| Income tax expense[2] | 7 | **(5.5)** | (7.2) | (34.8) |
| **Profit/(Loss) for the period** | | **24.2** | 23.7 | (20.3) |
| | | | | |
| **Attributable to:** | | | | |
| Equity holders of the company | | **22.7** | 22.3 | (23.4) |
| Non controlling interests | | **1.5** | 1.4 | 3.1 |
| | | **24.2** | 23.7 | (20.3) |
| | | | | |
| **Basic earnings per share** | 8 | **1.26p** | 1.23p | (1.29p) |
| **Diluted earnings per share** | 8 | **1.25p** | 1.23p | (1.29p) |
| **Adjusted earnings per share** | 8 | **2.99p** | 3.12p | 7.81p |
| **Diluted adjusted earnings per share** | 8 | **2.97p** | 3.10p | 7.75p |

[1] *excluding computer software*
[2] *taxation includes £6.8m (HY 2010: £8.3m, FY 2010: £22.6m) in respect of overseas taxation*

The board is not recommending the payment of an interim dividend, See note 9.

## Condensed consolidated statement of comprehensive income

| | **6 months to 30 June 2011 £m** | 6 months to 30 June 2010 £m | Year to 31 December 2010 £m |
|---|---|---|---|
| Profit/(Loss) for the period | **24.2** | 23.7 | (20.3) |
| **Other comprehensive income:** | | | |
| Net exchange adjustments offset in reserves | **(8.7)** | 31.2 | 33.5 |
| Actuarial gain on defined benefit pension plans | **36.9** | 44.2 | 15.4 |
| Revaluation of available-for-sale investments | **0.7** | 1.1 | 1.1 |
| Movement on cash flow hedge reserve | **0.4** | (3.0) | (1.3) |
| Tax on items taken directly to reserves | **(9.6)** | (12.3) | (4.2) |
| Cumulative exchange recycled to income statement on disposal of foreign operations | - | - | (2.3) |
| Net profit not recognised in income statement | **19.7** | 61.2 | 42.2 |
| | | | |
| Total comprehensive income | **43.9** | 84.9 | 21.9 |
| | | | |
| **Attributable to:** | | | |
| Equity holders of the company | **42.5** | 83.2 | 17.7 |
| Non controlling interests | **1.4** | 1.7 | 4.2 |
| | **43.9** | 84.9 | 21.9 |

# Condensed consolidated balance sheet

| | Notes | At 30 June 2011 £m | At 30 June 2010 £m | At 31 December 2010 £m |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | 10 | **541.3** | 655.3 | 552.1 |
| Property, plant and equipment | 11 | **606.6** | 559.9 | 589.7 |
| Investments in associated undertakings | | **20.5** | 17.3 | 18.7 |
| Other investments | | **1.6** | 0.5 | 2.8 |
| Deferred tax assets | | **11.1** | 18.3 | 10.3 |
| Retirement benefit assets | 14 | **45.0** | - | 5.0 |
| Other receivables | | **29.0** | 26.3 | 29.6 |
| Derivative financial instruments | | **32.0** | 33.9 | 39.7 |
| | | **1,287.1** | 1,311.5 | 1,247.9 |
| **Current assets** | | | | |
| Other investments | | **2.1** | 3.2 | 0.9 |
| Inventories | | **49.7** | 49.6 | 44.7 |
| Trade and other receivables | | **452.1** | 435.7 | 414.1 |
| Derivative financial instruments | | **3.5** | 13.0 | 0.9 |
| Cash and cash equivalents | 12 | **101.1** | 130.3 | 93.0 |
| Held-for-sale assets | | **-** | 16.1 | - |
| | | **608.5** | 647.9 | 553.6 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | | **(527.8)** | (519.3) | (533.8) |
| Current tax liabilities | | **(75.5)** | (96.0) | (96.5) |
| Provisions for other liabilities and charges | 15 | **(24.1)** | (31.4) | (31.1) |
| Bank and other short-term borrowings | 13 | **(60.9)** | (93.5) | (58.6) |
| Derivative financial instruments | | **(7.3)** | (0.4) | (3.0) |
| | | **(695.6)** | (740.6) | (723.0) |
| **Net current liabilities** | | **(87.1)** | (92.7) | (169.4) |
| **Non-current liabilities** | | | | |
| Other payables | | **(12.5)** | (13.1) | (12.3) |
| Bank and other long-term borrowings | 13 | **(1,064.8)** | (1,080.3) | (988.0) |
| Deferred tax liabilities | | **(80.3)** | (70.1) | (69.9) |
| Retirement benefit obligations | 14 | **(17.8)** | (18.7) | (16.9) |
| Provisions for other liabilities and charges | 15 | **(88.9)** | (73.5) | (86.8) |
| Derivative financial instruments | | **(24.5)** | (25.9) | (29.8) |
| | | **(1,288.8)** | (1,281.6) | (1,203.7) |
| **Net liabilities** | | **(88.8)** | (62.8) | (125.2) |
| **Equity** | | | | |
| **Capital and reserves attributable to the company's equity holders** | | | | |
| Called up share capital | 16 | **18.1** | 18.1 | 18.1 |
| Share premium account | | **6.8** | 6.8 | 6.8 |
| Other reserves | | **(1,754.9)** | (1,748.3) | (1,747.4) |
| Retained profits | | **1,634.6** | 1,650.6 | 1,586.8 |
| | | **(95.4)** | (72.8) | (135.7) |
| Non controlling interests | | **6.6** | 10.0 | 10.5 |
| **Total equity** | | **(88.8)** | (62.8) | (125.2) |

## Condensed consolidated statement of changes in equity

| | Called up share capital £m | Share premium account £m | Other reserves £m | Retained earnings £m | Non controlling interests £m | Total equity £m |
|---|---|---|---|---|---|---|
| **At 1 January 2010** | 18.1 | 6.8 | (1,777.3) | 1,593.0 | 9.3 | (150.1) |
| Profit for the period | - | - | - | 22.3 | 1.4 | 23.7 |
| Other comprehensive income: | | | | | | |
| Net exchange adjustments offset in reserves | - | - | 30.9 | - | 0.3 | 31.2 |
| Actuarial gain on defined benefit pension plans | - | - | - | 44.2 | - | 44.2 |
| Revaluation of available-for-sale investments | - | - | 1.1 | - | - | 1.1 |
| Movement on cash flow hedge reserve | - | - | (3.0) | - | - | (3.0) |
| Tax on items taken directly to reserves | - | - | - | (12.3) | - | (12.3) |
| Cumulative exchange recycled to income statement on disposal of foreign operations | - | - | - | - | - | - |
| Total comprehensive income for the period | - | - | 29.0 | 54.2 | 1.7 | 84.9 |
| Transactions with owners: | | | | | | |
| Cost of share options and long-term incentive plan | - | - | - | 3.4 | - | 3.4 |
| Transactions with non controlling interests: | | | | | | |
| Acquisition of non controlling interests | - | - | - | - | - | - |
| Dividends paid to non controlling interests | - | - | - | - | (1.0) | (1.0) |
| **At 30 June 2010** | 18.1 | 6.8 | (1,748.3) | 1,650.6 | 10.0 | (62.8) |
| **At 1 January 2010** | 18.1 | 6.8 | (1,777.3) | 1,593.0 | 9.3 | (150.1) |
| Loss for the year | - | - | - | (23.4) | 3.1 | (20.3) |
| Other comprehensive income: | | | | | | |
| Net exchange adjustments offset in reserves | - | - | 32.4 | - | 1.1 | 33.5 |
| Actuarial gain on defined benefit pension plans | - | - | - | 15.4 | - | 15.4 |
| Revaluation of available-for-sale investments | - | - | 1.1 | - | - | 1.1 |
| Movement on cash flow hedge reserve | - | - | (1.3) | - | - | (1.3) |
| Tax on items taken directly to reserves | - | - | - | (4.2) | - | (4.2) |
| Cumulative exchange recycled to income statement on disposal of foreign operations | - | - | (2.3) | - | - | (2.3) |
| Total comprehensive income/(expense) for the year | - | - | 29.9 | (12.2) | 4.2 | 21.9 |
| Transactions with owners: | | | | | | |
| Cost of share options and long-term incentive plan | - | - | - | 6.0 | - | 6.0 |
| Transactions with non controlling interests: | | | | | | |
| Acquisition of non controlling interests without a change in control | - | - | - | - | (0.4) | (0.4) |
| Dividends paid to non controlling interests | - | - | - | - | (2.6) | (2.6) |
| **At 31 December 2010** | 18.1 | 6.8 | (1,747.4) | 1,586.8 | 10.5 | (125.2) |
| **At 1 January 2011** | **18.1** | **6.8** | **(1,747.4)** | **1,586.8** | **10.5** | **(125.2)** |
| Profit for the period | **-** | **-** | **-** | **22.7** | **1.5** | **24.2** |
| Other comprehensive income: | | | | | | |
| Net exchange adjustments offset in reserves | **-** | **-** | **(8.6)** | **-** | **(0.1)** | **(8.7)** |
| Actuarial gain on defined benefit pension plans | **-** | **-** | **-** | **36.9** | **-** | **36.9** |
| Revaluation of available-for-sale investments | **-** | **-** | **0.7** | **-** | **-** | **0.7** |
| Movement on cash flow hedge reserve | **-** | **-** | **0.4** | **-** | **-** | **0.4** |
| Tax on items taken directly to reserves | **-** | **-** | **-** | **(9.6)** | **-** | **(9.6)** |
| Total comprehensive income/(expense) for the period | **-** | **-** | **(7.5)** | **50.0** | **1.4** | **43.9** |
| Transactions with owners: | | | | | | |
| Cost of share options and long-term incentive plan | **-** | **-** | **-** | **2.6** | **-** | **2.6** |
| Transactions with non controlling interests: | | | | | | |
| Acquisition of non controlling interests without a change in control | **-** | **-** | **-** | **(4.8)** | **(0.3)** | **(5.1)** |
| Dividends paid to non controlling interests | **-** | **-** | **-** | **-** | **(5.0)** | **(5.0)** |
| **At 30 June 2011** | **18.1** | **6.8** | **(1,754.9)** | **1,634.6** | **6.6** | **(88.8)** |

Treasury shares of £10.3m (HY 2010: £11.1m, FY 2010: £11.1m) have been netted against retained earnings. Treasury shares represent 6.9m (HY 2010: 7.4m, FY 2010: 7.4m) shares held by the Rentokil Initial Employee Share Trust. The market value of these shares at 30 June 2011 was £6.5m (HY 2010: £8.0m, FY 2010: £7.2m). Dividend income from, and voting rights on, the shares held by the Trust have been waived. The decrease in the period represents the use of shares to satisfy the exercise of share options. No cash was received by the company in respect of this exercise.

## 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 | Availa ble-for-sale £m | Total £m |
|---|---|---|---|---|---|---|
| **At 1 January 2010** | (1,722.7) | 10.4 | (5.0) | (59.8) | (0.2) | (1,777.3) |
| Net exchange adjustments offset in reserves | - | - | - | 30.9 | - | 30.9 |
| Revaluation of available-for-sale investments | - | - | - | - | 1.1 | 1.1 |
| Movement on cash flow hedge reserve | - | - | (3.0) | - | - | (3.0) |
| Total comprehensive income/(expense) for the period | - | - | (3.0) | 30.9 | 1.1 | 29.0 |
| **At 30 June 2010** | (1,722.7) | 10.4 | (8.0) | (28.9) | 0.9 | (1,748.3) |
| **At 1 January 2010** | (1,722.7) | 10.4 | (5.0) | (59.8) | (0.2) | (1,777.3) |
| Net exchange adjustments offset in reserves | - | - | - | 32.4 | - | 32.4 |
| Revaluation of available-for-sale investments | - | - | - | - | 1.1 | 1.1 |
| Movement on cash flow hedge reserve | - | - | (1.3) | - | - | (1.3) |
| Cumulative exchange recycled to income statement on disposal of foreign operations | - | - | - | (2.3) | - | (2.3) |
| Total comprehensive income for the year | - | - | (1.3) | 30.1 | 1.1 | 29.9 |
| **At 31 December 2010** | (1,722.7) | 10.4 | (6.3) | (29.7) | 0.9 | (1,747.4) |
| **At 1 January 2011** | **(1,722.7)** | **10.4** | **(6.3)** | **(29.7)** | **0.9** | **(1,747.4)** |
| Net exchange adjustments offset in reserves | **-** | **-** | **-** | **(8.6)** | **-** | **(8.6)** |
| Revaluation of available-for-sale investments | **-** | **-** | **-** | **-** | **0.7** | **0.7** |
| Movement on cash flow hedge reserve | **-** | **-** | **0.4** | **-** | **-** | **0.4** |
| Total comprehensive income/(expense) for the period | **-** | **-** | **0.4** | **(8.6)** | **0.7** | **(7.5)** |
| **At 30 June 2011** | **(1,722.7)** | **10.4** | **(5.9)** | **(38.3)** | **1.6** | **(1,754.9)** |

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

## Condensed consolidated cash flow statement

| | Notes | **6 months to 30 June 2011 £m** | 6 months to 30 June 2010 £m | Year to 31 December 2010 £m |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Cash generated from operating activities | 17 | **126.0** | 155.2 | 405.5 |
| Interest received | | **1.8** | 4.4 | 5.3 |
| Interest paid | | **(37.5)** | (44.0) | (48.3) |
| Income tax paid | | **(29.6)** | (19.1) | (35.0) |
| Net cash generated from operating activities | | **60.7** | 96.5 | 327.5 |
| | | | | |
| **Cash flows from investing activities** | | | | |
| Purchase of property, plant and equipment (PPE) | | **(94.3)** | (84.5) | (183.2) |
| Purchase of intangible fixed assets | | **(6.8)** | (2.6) | (9.4) |
| Proceeds from sale of PPE | | **2.4** | 3.4 | 13.0 |
| Acquisition of companies and businesses, net of cash acquired | 20 | **(14.8)** | (6.2) | (17.9) |
| Disposal of companies and businesses | | **1.3** | 1.3 | 10.0 |
| Dividends received from associates | | **-** | - | 1.9 |
| Net cash flows from investing activities | | **(112.2)** | (88.6) | (185.6) |
| | | | | |
| **Cash flows from financing activities** | | | | |
| Dividends paid to non controlling interests | | **(5.0)** | (1.0) | (2.6) |
| Interest element of finance lease payments | | **(0.4)** | (0.5) | (0.9) |
| Capital element of finance lease payments | | **(3.3)** | (3.7) | (7.4) |
| Loan repayments | | **51.1** | (11.1) | (122.9) |
| Net cash flows from financing activities | | **42.4** | (16.3) | (133.8) |
| | | | | |
| Net (decrease)/increase in cash and bank overdrafts | 18 | **(9.1)** | (8.4) | 8.1 |
| Cash and bank overdrafts at beginning of year | | **73.7** | 59.7 | 59.7 |
| Exchange (losses)/gains on cash and bank overdrafts | | **(7.3)** | 5.2 | 5.9 |
| **Cash and bank overdrafts at end of the financial period** | 12 | **57.3** | 56.5 | 73.7 |

# Notes to the condensed financial statements

## 1. General Information

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

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

The condensed consolidated half-yearly financial information for the half year to 30 June 2011 was approved for issue on 29 July 2011.

These interim financial results do not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006, and should be read in conjunction with the Annual Report 2010. The comparative figures for the year ended 31 December 2010 are not the group's statutory accounts for that financial year. Those accounts have been reported upon by the group's auditors and delivered to the registrar of companies. The report of the auditors was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

## 2. Basis of preparation

These condensed set of interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.  As required by the Disclosure and Transparency Rules of the Financial Services Authority, the condensed set of interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 31 December 2010 except for the changes described in note 3.

## 3. Accounting Policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those financial statements.

The preparation of the condensed interim financial information for the half-year ended 30 June 2011 requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the date of the statement. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the statement, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

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

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

The following new standards and amendments to standards as adopted by the European Union at 30 June 2011 are mandatory for the first time for the financial year beginning 1 January 2011 and do not have a significant impact on the group.

IAS 24 Related party disclosures (revised 2009)
Amendments to IFRS 2 Group Cash-settled Share Based Payment Transactions
Amendments to IFRS 7 Financial Instruments: Disclosures
Amendments to IAS 1 Presentation of Financial Statements
Amendments to IAS 34 Interim Financial Reporting
Amendments to IFRIC 13 Customer Loyalty Programmes

## 4. Segmental information

Segmental information has been presented in accordance with IFRS 8 "Operating Segments" which the group has implemented with effect from 1 January 2009. This statement reflects internal organisation changes made on 1 January 2011 with our Scandinavian and Iberian Textiles & Hygiene units and some small Pest units transferring from the Textiles & Hygiene division to the Pest Control division. The segmental information also reflects changes made on 1 January 2010 resulting in the UK Washrooms and Ireland Healthcare businesses moving from Initial Facilities to Textiles & Hygiene and also the changes made on 1 July 2010 resulting in these same businesses moving from Textiles & Hygiene to Pest Control and the transfer of the UK Shared Service Centre from Initial Facilities to Central Costs on 1 November 2010. Prior year comparisons have been restated.

| | **Revenue 6 months to 30 June 2011 £m** | Revenue 6 months to 30 June 2010 £m | Revenue Year to 31 December 2010 £m | **Adjusted operating profit 6 months to 30 June 2011 £m** | Adjusted operating profit 6 months to 30 June 2010 £m | Adjusted operating profit Year to 31 December 2010 £m |
|---|---|---|---|---|---|---|
| **At constant exchange rates** | | | | | | |
| Textiles & Hygiene | **383.2** | 373.4 | 751.0 | **49.9** | 52.8 | 110.1 |
| Pest Control | **283.5** | 288.3 | 579.5 | **50.9** | 49.1 | 108.6 |
| Asia Pacific | **112.1** | 108.2 | 218.3 | **14.9** | 15.1 | 29.6 |
| Ambius | **54.1** | 54.3 | 117.2 | **1.6** | 2.3 | 8.6 |
| City Link | **144.5** | 167.1 | 335.5 | **(17.8)** | (4.7) | (9.6) |
| Initial Facilities | **295.9** | 266.3 | 554.0 | **12.0** | 10.0 | 25.9 |
| Central costs | **-** | - | - | **(20.8)** | (22.0) | (33.9) |
| **Total segmental** | **1,273.3** | 1,257.6 | 2,555.5 | **90.7** | 102.6 | 239.3 |
| Inter group revenue | **(36.9)** | (29.6) | (59.0) | **-** | - | - |
| | **1,236.4** | 1,228.0 | 2,496.5 | **90.7** | 102.6 | 239.3 |
| Exchange | **12.5** | 3.8 | - | **2.5** | 0.5 | - |
| **At actual exchange rates** | **1,248.9** | 1,231.8 | 2,496.5 | **93.2** | 103.1 | 239.3 |
| One-off items | **-** | - | - | **(20.1)** | (18.0) | (25.1) |
| Amortisation of intangible assets[1] | **-** | - | - | **(23.7)** | (27.6) | (54.9) |
| Impairment of goodwill | **-** | - | - | **-** | - | (97.8) |
| Operating Profit | **-** | - | - | **49.4** | 57.5 | 61.5 |
| Interest payable and similar charges | **-** | - | - | **(53.5)** | (60.9) | (114.4) |
| Interest receivable | **-** | - | - | **31.5** | 32.4 | 63.3 |
| Share of profit from associates (net of tax) - Asia Pacific | **-** | - | - | **2.3** | 1.9 | 4.1 |
| Profit before income tax | **-** | - | - | **29.7** | 30.9 | 14.5 |
| Income tax expense | **-** | - | - | **(5.5)** | (7.2) | (34.8) |
| **Total for the period** | **1,248.9** | 1,231.8 | 2,496.5 | **24.2** | 23.7 | (20.3) |

**Inter group revenues** (at constant exchange rates)

| | **6 months to 30 June 2011 £m** | 6 months to 30 June 2010 £m | Year to 31 December 2010 £m |
|---|---|---|---|
| Textiles & Hygiene | **19.6** | 17.3 | 34.0 |
| Pest Control | **2.6** | 1.9 | 3.8 |
| Asia Pacific | **0.2** | 0.2 | 0.3 |
| Ambius | **0.1** | 0.1 | 0.2 |
| City Link | **0.6** | 0.5 | 1.1 |
| Initial Facilities | **13.8** | 9.6 | 19.6 |
| | **36.9** | 29.6 | 59.0 |

**One off items** (at actual exchange rates)

| | **6 months to 30 June 2011 £m** | 6 months to 30 June 2010 £m | Year to 31 December 2010 £m |
|---|---|---|---|
| Textiles & Hygiene | **4.4** | 2.7 | 5.0 |
| Pest Control | **6.6** | 5.9 | 9.4 |
| Asia Pacific | **0.4** | - | (1.6) |
| Ambius | **-** | - | - |
| City Link | **3.7** | 8.9 | 10.5 |
| Initial Facilities | **3.1** | 0.5 | 3.1 |
| Central items | **1.9** | - | (1.3) |
| | **20.1** | 18.0 | 25.1 |

**Amortisation and impairment of intangibles[1]** (at actual exchange rates)

| | **6 months to 30 June 2011 £m** | 6 months to 30 June 2010 £m | Year to 31 December 2010 £m |
|---|---|---|---|
| Textiles & Hygiene | **2.1** | 2.7 | 4.9 |
| Pest Control | **8.5** | 8.8 | 17.3 |
| Asia Pacific | **8.2** | 8.2 | 20.7 |
| Ambius | **1.0** | 1.2 | 2.2 |
| City Link | **2.3** | 5.5 | 104.8 |
| Initial Facilities | **1.4** | 1.1 | 2.5 |
| Central items | **0.2** | 0.1 | 0.3 |
| | **23.7** | 27.6 | 152.7 |

[1] *excluding computer software*

## 4. Segmental information (continued)

| **One-off items including reorganisation costs** (before tax at actual exchange rates) | **6 months to 30 June 2011 £m** | 6 months to 30 June 2010 £m | Year to 31 December 2010 £m |
|---|---|---|---|
| **Textiles & Hygiene** | | | |
| Reorganisation costs – plant rationalisation[1] | **-** | - | 0.4 |
| Reorganisation costs – Shared Service Centres[2] | **-** | 1.4 | 3.6 |
| Reorganisation costs – other businesses | **4.4** | 1.3 | 1.0 |
| Total - Textiles and Hygiene | **4.4** | 2.7 | 5.0 |
| | | | |
| **Pest Control** | | | |
| Libya write off[3] | **4.8** | - | - |
| Reorganisation costs – Shared Service Centres[4] | **0.9** | 1.1 | 3.0 |
| Reorganisation costs – UK Hygiene business | **0.1** | - | 0.3 |
| Reorganisation costs – other businesses | **0.8** | 0.1 | 1.5 |
| (Profit)/loss on disposal of businesses[5] | **-** | 4.7 | 4.6 |
| Total - Pest Control | **6.6** | 5.9 | 9.4 |
| | | | |
| **Asia Pacific** | | | |
| Reorganisation costs – other | **0.4** | - | - |
| (Profit)/loss on disposal of businesses[6] | **-** | - | (1.6) |
| Total - Asia Pacific | **0.4** | - | (1.6) |
| | | | |
| **City Link** | | | |
| Reorganisation costs[7] | **3.7** | 1.7 | 3.3 |
| Reorganisation costs - closure of hub[8] | **-** | 7.2 | 7.2 |
| Total - City Link | **3.7** | 8.9 | 10.5 |
| | | | |
| **Initial Facilities** | | | |
| Reorganisation costs – project Chablis[9] | **2.5** | 0.3 | 2.2 |
| Reorganisation costs - other | **0.6** | 0.2 | 0.9 |
| Total – Initial Facilities | **3.1** | 0.5 | 3.1 |
| | | | |
| **Central costs** | | | |
| Reorganisation costs - programme Olympic[10] | **1.9** | - | 4.5 |
| Pension changes – past service costs[11] | **-** | - | (35.0) |
| Lease Guarantee[12] | **-** | - | 29.2 |
| Total - Central Costs | **1.9** | - | (1.3) |
| | | | |
| **Total** | **20.1** | 18.0 | 25.1 |

*Additional notes in respect of 2010/11 one-off items*

[1] *relates to the closure of major processing plants in France, Belgium and the Netherlands including asset write-offs and redundancy costs net of the profit on the disposal of certain properties*
[2] *relates to the introduction of Shared Service Centres in Europe for back office processing and includes redundancy of employees and consultancy incurred in the implementation of these Shared Service Centres*
[3] *provision against our full financial exposure arising from the suspension of our Libyan pest control business*
[4] *redundancy costs - transfer of administration to Pest Control*
[5] *loss on the disposal of the Spanish Textiles business partly offset by a small profit on disposal of the mats business in Finland including recycled exchange*
[6] *adjustments made to the profit on disposal of businesses sold in earlier years*
[7] *costs associated with the integration of Target Express and City Link businesses and represents redundancy, provision for the exit of non operational properties and the exit of vehicle leases*
[8] *loss on disposal of the main City Link Hub*
[9] *consultancy and redundancy costs associated with the reorganisation of the division into three business streams*
[10] *consultancy and pilot running costs associated with the various performance improvement initiatives*
[11] *reduction in pension liabilities following a change (move from RPI to CPI) in the calculation of certain future pension increases*
[12] *charge in respect of a claim under a lease guarantee made by a subsidiary following the disposal of a business some 20 years ago*

## 5. Interest payable and similar charges

| | 6 months to 30 June 2011 £m | 6 months to 30 June 2010 £m | Year to 31 December 2010 £m |
|---|---|---|---|
| Hedged interest payable on medium term notes issued[1] | **22.1** | 20.5 | 44.0 |
| Interest payable on bank loans and overdrafts[1] | **1.5** | 2.0 | 3.0 |
| Interest payable on revolving credit facility[1] | **0.7** | 2.4 | 4.0 |
| Interest payable on foreign exchange swaps | **0.2** | 2.4 | 3.2 |
| Interest payable on finance leases | **0.4** | 0.4 | 0.9 |
| Amortisation of discount on provisions | **0.8** | 0.4 | 0.8 |
| **Underlying interest payable** | **25.7** | 28.1 | 55.9 |
| Interest on defined benefit plan liabilities (note 14) | **28.2** | 28.9 | 58.5 |
| Foreign exchange gain on translation of foreign denominated loans | **(0.1)** | 0.1 | (0.3) |
| Fair value loss on other derivatives[2,3] | **(0.3)** | 3.8 | 0.3 |
| | **27.8** | 32.8 | 58.5 |
| **Total interest payable and similar charges** | **53.5** | 60.9 | 114.4 |

*[1]interest expense on financial liabilities held at amortised cost*
*[2](gain)/loss on financial assets/liabilities at fair value through the income statement*
*[3]the fair value (gain)/loss on other derivatives includes fair value (gains)/losses relating to forward rate agreements of £nil (HY 2010: £1.2m, FY 2010: £nil) and interest rate swaps of £(0.3)m (HY 2010: £2.6m, FY 2010: £0.3m)*

## 6. Interest receivable

| | 6 months to 30 June 2011 £m | 6 months to 30 June 2010 £m | Year to 31 December 2010 £m |
|---|---|---|---|
| Bank interest[1] | **1.5** | 3.2 | 4.1 |
| Interest receivable on foreign exchange swaps | **0.2** | 0.4 | 0.6 |
| **Underlying interest receivable** | **1.7** | 3.6 | 4.7 |
| Return on defined benefit plan assets (note 14) | **29.8** | 28.8 | 58.6 |
| **Total interest receivable** | **31.5** | 32.4 | 63.3 |

*[1]interest income on loans and receivables*

## 7. Income tax expense

| | 6 months to 30 June 2011 £m | 6 months to 30 June 2010 £m | Year to 31 December 2010 £m |
|---|---|---|---|
| **Analysis of charge in the period** | | | |
| UK Corporation tax at 26.5%* (HY 2010: 28.0%, FY 2010: 28.0%) | **-** | - | 2.1 |
| Overseas taxation | **12.7** | 17.4 | 36.9 |
| Adjustment in respect of previous periods | **(3.7)** | (5.3) | (10.2) |
| Total current tax | **9.0** | 12.1 | 28.8 |
| | | | |
| Deferred tax | **(3.5)** | (4.9) | 6.0 |
| **Total income tax expense** | **5.5** | 7.2 | 34.8 |

**the mainstream rate of corporation tax was 28.0% in FY 2010 and reduced to 26.0% for FY 2011, which gives rise to a hybrid tax rate of 26.5% for the year ending 31 December 2011 (3 months at 28.0% and 9 months at 26.0%)*

On 23 March 2011, the Chancellor announced the reduction in the main rate of UK Corporation tax to 26 per cent with effect from 1 April 2011 and a further reduction to 25 per cent with effect from 1 April 2012. These changes became substantively enacted on 29 March 2011 and 5 July 2011 respectively. The effect of these rate reductions has had no material impact on the deferred tax included in the figures above.

## 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.

| | **6 months to 30 June 2011 £m** | 6 months to 30 June 2010 £m | Year to 31 December 2010 **£m** |
|---|---|---|---|
| Profit/(Loss) attributable to equity holders of the company | **22.7** | 22.3 | (23.4) |
| Weighted average number of ordinary shares in issue | **1,807.4** | 1,807.4 | 1,807.4 |
| Basic earnings per share | **1.26p** | 1.23p | (1.29p) |

**Diluted**

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

| | **6 months to 30 June 2011 £m** | 6 months to 30 June 2010 £m | Year to 31 December 2010 £m |
|---|---|---|---|
| Profit/(Loss) attributable to equity holders of the company | **22.7** | 22.3 | (23.4) |
| Weighted average number of ordinary shares in issue | **1,807.4** | 1,807.4 | 1,807.4 |
| Adjustment for share options and LTIPs[1] | **11.8** | 10.1 | **-** |
| Weighted average number of ordinary shares for diluted earnings per share | **1,819.2** | 1,817.5 | 1,807.4 |
| Diluted earnings per share from continuing and discontinued operations | **1.25p** | 1.23p | (1.29p) |

**Adjusted**

Adjusted earnings per share is the basic earnings per share adjusted for the after tax effects of one-off items and the amortisation and impairment of intangibles[2]

| | **6 months to 30 June 2011 £m** | 6 months to 30 June 2010 £m | Year to 31 December 2010 £m |
|---|---|---|---|
| Profit/(Loss) attributable to equity holders of the company | **22.7** | 22.3 | (23.4) |
| One-off items and amortisation and impairment of intangibles[2] before tax | **43.8** | 45.6 | 177.8 |
| Tax on one-off items and amortisation and impairment of intangibles[2] | **(12.3)** | (11.5) | (13.2) |
| After tax effect of one-off items and amortisation and impairment of intangibles[2] attributable to non controlling interests | **(0.2)** | - | (0.1) |
| Adjusted profit attributable to equity holders of the company | **54.0** | 56.4 | 141.1 |
| Weighted average number of ordinary shares in issue | **1,807.4** | 1,807.4 | 1,807.4 |
| Adjusted earnings per share | **2.99p** | 3.12p | 7.81p |

**Diluted adjusted**

| | **6 months to 30 June 2011 £m** | 6 months to 30 June 2010 £m | Year to 31 December 2010 £m |
|---|---|---|---|
| Adjusted profit attributable to equity holders of the company | **54.0** | 56.4 | 141.1 |
| Weighted average number of ordinary shares in issue | **1,807.4** | 1,807.4 | 1,807.4 |
| Adjustment for share options and LTIPs | **11.8** | 10.1 | 12.7 |
| Weighted average number of ordinary shares for diluted earnings per share | **1,819.2** | 1,817.5 | 1,820.1 |
| Diluted adjusted earnings per share from continuing and discontinued operations | **2.97p** | 3.10p | 7.75p |

[1] *potential issue of shares under share option and LTIPs schemes are not dilutive in 2010 as the group reported a loss*
[2] *excluding computer software*

## 9. Dividends

No dividend payments were made in 2010. The board has not declared an interim dividend in respect of H1 2011.

## 10. Intangible assets

| | Goodwill £m | Customer lists and relationships £m | Brands and patents £m | Reacquired franchise rights £m | Computer software £m | Total £m |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2010 | 486.3 | 456.8 | 23.8 | 25.4 | 38.6 | 1,030.9 |
| Exchange differences | 3.9 | (3.9) | 0.6 | - | (1.0) | (0.4) |
| Additions | - | - | - | - | 2.6 | 2.6 |
| Disposals / retirements | - | - | - | - | (1.0) | (1.0) |
| Acquisition of companies and businesses | 4.5 | 4.1 | 1.6 | - | - | 10.2 |
| Disposal of companies and businesses | - | (0.1) | - | - | - | (0.1) |
| At 30 June 2010 | 494.7 | 456.9 | 26.0 | 25.4 | 39.2 | 1,042.2 |
| | | | | | | |
| At 1 January 2010 | 486.3 | 456.8 | 23.8 | 25.4 | 38.6 | 1,030.9 |
| Exchange differences | 12.2 | 12.9 | 0.7 | - | 0.6 | 26.4 |
| Additions | - | - | - | - | 9.4 | 9.4 |
| Disposals / retirements | - | - | - | - | (1.9) | (1.9) |
| Acquisition of companies and businesses | 6.5 | 7.8 | 2.5 | - | - | 16.8 |
| Disposal of companies and businesses | (1.2) | (4.1) | - | - | - | (5.3) |
| At 31 December 2010 | 503.8 | 473.4 | 27.0 | 25.4 | 46.7 | 1,076.3 |
| | | | | | | |
| At 1 January 2011 | **503.8** | **473.4** | **27.0** | **25.4** | **46.7** | **1,076.3** |
| Exchange differences | **3.6** | **8.3** | **-** | **-** | **1.0** | **12.9** |
| Additions | **-** | **-** | **-** | **-** | **6.8** | **6.8** |
| Disposals / retirements | **-** | **-** | **-** | **-** | **(1.2)** | **(1.2)** |
| Acquisition of companies and businesses | **0.2** | **5.5** | **-** | **-** | **-** | **5.7** |
| At 30 June 2011 | **507.6** | **487.2** | **27.0** | **25.4** | **53.3** | **1,100.5** |
| | | | | | | |
| **Accumulated amortisation and impairment** | | | | | | |
| At 1 January 2010 | (16.3) | (294.7) | (8.0) | (20.1) | (23.6) | (362.7) |
| Exchange differences | (0.4) | 5.2 | (0.3) | - | 0.8 | 5.3 |
| Disposals | - | - | - | - | 0.9 | 0.9 |
| Reclassifications | - | 0.8 | (0.8) | - | - | - |
| Amortisation charge | - | (22.8) | (1.5) | (3.3) | (2.8) | (30.4) |
| At 30 June 2010 | (16.7) | (311.5) | (10.6) | (23.4) | (24.7) | (386.9) |
| | | | | | | |
| At 1 January 2010 | (16.3) | (294.7) | (8.0) | (20.1) | (23.6) | (362.7) |
| Exchange differences | (0.8) | (6.1) | (1.2) | - | (0.4) | (8.5) |
| Disposals | - | - | - | - | 1.6 | 1.6 |
| Disposal of companies and businesses | - | 3.7 | - | - | - | 3.7 |
| Impairment charge[1] | (97.8) | - | - | - | - | (97.8) |
| Amortisation charge | - | (46.5) | (3.1) | (5.3) | (5.6) | (60.5) |
| At 31 December 2010 | (114.9) | (343.6) | (12.3) | (25.4) | (28.0) | (524.2) |
| | | | | | | |
| At 1 January 2011 | **(114.9)** | **(343.6)** | **(12.3)** | **(25.4)** | **(28.0)** | **(524.2)** |
| Exchange differences | **(0.3)** | **(7.6)** | **-** | **-** | **(0.8)** | **(8.7)** |
| Disposals | **-** | **-** | **-** | **-** | **0.6** | **0.6** |
| Amortisation charge | **-** | **(22.3)** | **(1.4)** | **-** | **(3.2)** | **(26.9)** |
| At 30 June 2011 | **(115.2)** | **(373.5)** | **(13.7)** | **(25.4)** | **(31.4)** | **(559.2)** |
| | | | | | | |
| **Net Book Value** | | | | | | |
| 1 January 2010 | 470.0 | 162.1 | 15.8 | 5.3 | 15.0 | 668.2 |
| 30 June 2010 | 478.0 | 145.4 | 15.4 | 2.0 | 14.5 | 655.3 |
| 31 December 2010 | 388.9 | 129.8 | 14.7 | - | 18.7 | 552.1 |
| **30 June 2011** | **392.4** | **113.7** | **13.3** | **-** | **21.9** | **541.3** |

[1] *includes an impairment charge for City Link of £95.0m*

## 11. Property, plant and equipment

| | Land & buildings £m | Equipment for rental £m | Other plant and equipment £m | Vehicles and office equipment £m | Total £m |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January 2010 | 206.5 | 661.3 | 308.5 | 238.5 | 1,414.8 |
| Exchange differences | (10.7) | (36.5) | (18.1) | (4.1) | (69.4) |
| Additions | 6.4 | 59.8 | 8.1 | 10.3 | 84.6 |
| Disposals | (1.1) | (16.3) | (10.5) | (13.8) | (41.7) |
| Acquisition of companies and businesses | - | - | - | 0.2 | 0.2 |
| Disposal of companies and businesses | - | (0.8) | - | (0.1) | (0.9) |
| Assets held for sale | (21.8) | (12.1) | (11.0) | - | (44.9) |
| At 30 June 2010 | 179.3 | 655.4 | 277.0 | 231.0 | 1,342.7 |
| | | | | | |
| At 1 January 2010 | 206.5 | 661.3 | 308.5 | 238.5 | 1,414.8 |
| Exchange differences | (3.3) | (3.8) | (6.9) | 6.0 | (8.0) |
| Additions | 9.5 | 127.2 | 20.9 | 32.7 | 190.3 |
| Disposals | (19.3) | (85.5) | (29.2) | (33.1) | (167.1) |
| Acquisition of companies and businesses | 1.0 | - | - | 0.1 | 1.1 |
| Disposal of companies and businesses | (2.8) | (15.3) | (10.8) | (1.2) | (30.1) |
| At 31 December 2010 | 191.6 | 683.9 | 282.5 | 243.0 | 1,401.0 |
| | | | | | |
| At 1 January 2011 | **191.6** | **683.9** | **282.5** | **243.0** | **1,401.0** |
| Exchange differences | **7.7** | **29.7** | **12.1** | **5.7** | **55.2** |
| Additions | **1.7** | **69.8** | **8.0** | **15.6** | **95.1** |
| Disposals | **(2.8)** | **(16.3)** | **(2.9)** | **(15.5)** | **(37.5)** |
| Acquisition of companies and businesses | **0.8** | **-** | **0.1** | **0.2** | **1.1** |
| Disposal of companies and businesses | **-** | **(0.1)** | **-** | **(0.1)** | **(0.2)** |
| At 30 June 2011 | **199.0** | **767.0** | **299.8** | **248.9** | **1,514.7** |
| | | | | | |
| **Accumulated depreciation and impairment** | | | | | |
| At 1 January 2010 | (49.6) | (399.5) | (198.5) | (130.9) | (778.5) |
| Exchange differences | 3.0 | 23.0 | 12.2 | 2.8 | 41.0 |
| Disposals | 0.8 | 15.4 | 9.8 | 12.2 | 38.2 |
| Disposal companies and businesses | - | 0.5 | - | - | 0.5 |
| Impairment charge | (8.3) | (1.8) | (2.4) | - | (12.5) |
| Depreciation charge | (3.2) | (64.7) | (12.1) | (20.3) | (100.3) |
| Assets held for sale | 10.3 | 10.0 | 8.5 | - | 28.8 |
| At 30 June 2010 | (47.0) | (417.1) | (182.5) | (136.2) | (782.8) |
| | | | | | |
| At 1 January 2010 | (49.6) | (399.5) | (198.5) | (130.9) | (778.5) |
| Exchange differences | 0.7 | 1.4 | 4.6 | (3.0) | 3.7 |
| Disposals | 11.4 | 84.0 | 27.3 | 29.5 | 152.2 |
| Disposal of companies and businesses | 0.5 | 11.1 | 6.0 | 1.0 | 18.6 |
| Depreciation charge | (13.8) | (131.0) | (23.7) | (38.8) | (207.3) |
| At 31 December 2010 | (50.8) | (434.0) | (184.3) | (142.2) | (811.3) |
| | | | | | |
| At 1 January 2011 | **(50.8)** | **(434.0)** | **(184.3)** | **(142.2)** | **(811.3)** |
| Exchange differences | **(2.1)** | **(19.4)** | **(8.2)** | **(3.8)** | **(33.5)** |
| Disposals | **1.4** | **16.1** | **2.6** | **14.1** | **34.2** |
| Disposal of companies and businesses | **-** | **0.1** | **-** | **0.1** | **0.2** |
| Depreciation charge | **(3.3)** | **(63.6)** | **(11.3)** | **(19.5)** | **(97.7)** |
| At 30 June 2011 | **(54.8)** | **(500.8)** | **(201.2)** | **(151.3)** | **(908.1)** |
| | | | | | |
| **Net Book Value** | | | | | |
| At 1 January 2010 | 156.9 | 261.8 | 110.0 | 107.6 | 636.3 |
| At 30 June 2010 | 132.3 | 238.3 | 94.5 | 94.8 | 559.9 |
| At 31 December 2010 | 140.8 | 249.9 | 98.2 | 100.8 | 589.7 |
| **At 30 June 2011** | **144.2** | **266.2** | **98.6** | **97.6** | **606.6** |

## 12. Cash and cash equivalents

| | 30 June 2011 £m | 30 June 2010 £m | 31 December 2010 £m |
|---|---|---|---|
| Cash at bank and in hand | **94.6** | 126.6 | 86.9 |
| Short-term bank deposits | **6.5** | 3.7 | 6.1 |
| | **101.1** | 130.3 | 93.0 |
| | | | |
| Cash and bank overdrafts include the following for the purposes of the cash flow statement: | | | |
| Cash and cash equivalents | **101.1** | 130.3 | 93.0 |
| Bank overdrafts (note 13) | **(43.8)** | (73.8) | (19.3) |
| | **57.3** | 56.5 | 73.7 |

## 13. Bank and other borrowings

| | 30 June 2011 £m | 30 June 2010 £m | 31 December 2010 £m |
|---|---|---|---|
| **Non-current** | | | |
| RCF and other bank borrowings | **165.4** | 220.1 | 113.8 |
| Bond debt | **889.7** | 851.4 | 867.5 |
| Finance lease liabilities | **9.7** | 8.8 | 6.7 |
| | **1,064.8** | 1,080.3 | 988.0 |
| **Current** | | | |
| Bank overdrafts (note 12) | **43.8** | 73.8 | 19.3 |
| Bank borrowings | **2.5** | 5.1 | 2.6 |
| Bond accruals | **10.7** | 9.9 | 29.7 |
| Finance lease liabilities | **3.9** | 4.7 | 7.0 |
| | **60.9** | 93.5 | 58.6 |
| | | | |
| **Total bank and other borrowings** | **1,125.7** | 1,173.8 | 1,046.6 |

Medium term notes and bond debt comprises:

| | Bond interest coupon | Effective hedged rate |
|---|---|---|
| **Non current** | | |
| £300m bond due March 2016 | Fixed 5.75% | Fixed 4.76% |
| £75m bond due September 2013/2033 | Floating 3 month LIBOR + 3.98% | Fixed 7.89% |
| £50m bond due October 2013 | Floating 3 month LIBOR + 3.25% | Fixed 7.44% |
| €500m bond due March 2014 | Fixed 4.625% | Fixed 4.89% |
| **Average cost of bond debt at year end rates** | | 5.26% |

The group has a committed £500m revolving credit facility which expires in October 2012 and which accrues interest at LIBOR for the period drawn plus 0.4%. The cost of borrowing under the RCF at the period end was 0.8995%.

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.

## 14. Retirement benefit obligations

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

The Company has come to a provisional agreement with the UK pension scheme trustees in relation to the 31 March 2010 triennial valuation of the Company's UK pension scheme and the funding thereof. As shown below, the balance sheet records an IAS 19 pension scheme surplus at 30 June 2011, whereas the agreement with the trustees assumes a funding deficit, reflecting the position at 31 March 2010 and the underlying assumptions used for a funding basis. Further details in respect of the annual contributions to be made by the Company are set out on page 5 of the interim statement.

| | **30 June 2011 £m** | 30 June 2010 £m | 31 December 2010 £m |
|---|---|---|---|
| **Weighted average %** | | | |
| Discount rate | **5.6%** | 5.4% | 5.4% |
| Expected return on plan assets | **5.7%** | 6.0% | 5.7% |
| Future salary increases | **4.5%** | 4.2% | 4.4% |
| Future pension increases | **3.6%** | 3.3% | 3.5% |
| RPI Inflation | **3.8%** | 3.5% | 3.7% |
| CPI Inflation | **2.9%** | N/A | 3.0% |

The amounts recognised in the balance sheet for the total of the UK RIPS and other[1] schemes are determined as follows:

| | | | |
|---|---|---|---|
| Present value of funded obligations | **(1,048.2)** | (1,067.2) | (1,071.0) |
| Fair value of plan assets | **1,086.5** | 1,058.4 | 1,070.2 |
| | **38.3** | (8.8) | (0.8) |
| Present value of unfunded obligations | **(11.1)** | (9.9) | (11.1) |
| Net pension liability | **27.2** | (18.7) | (11.9) |
| Presented in the balance sheet as | | | |
| Retirement benefit assets | **45.0** | - | 5.0 |
| Retirement benefit obligation | **(17.8)** | (18.7) | (16.9) |
| | **27.2** | (18.7) | (11.9) |

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

| | **30 June 2011 £m** | 30 June 2010 £m | 31 December 2010 £m |
|---|---|---|---|
| Equity instruments | **201.2** | 166.5 | 197.3 |
| Debt instruments | **400.5** | 513.2 | 446.5 |
| Property | **0.7** | 0.6 | 0.7 |
| Other | **4.9** | 11.7 | 66.9 |
| Swaps | **479.2** | 366.4 | 358.8 |
| | **1,086.5** | 1,058.4 | 1,070.2 |

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

| | | | |
|---|---|---|---|
| Current service cost[2] | **0.7** | 0.6 | 1.5 |
| Past service cost[3] | **-** | | (35.0) |
| Interest cost[2] | **28.2** | 28.9 | 58.5 |
| Amount charged to pension liability | **28.9** | 29.5 | 25.0 |
| Expected return on plan assets[2] | **(29.8)** | (28.8) | (58.6) |
| Total pension income | **(0.9)** | 0.7 | (33.6) |

*[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 are charged to operating expenses and interest cost and return on plan assets to interest payable and receivable respectively.*
*[3] a credit in respect of a change in pension liabilities as a result of using CPI rather than RPI for calculating certain future pensions increases*

## 15. Provisions for other liabilities and charges

| | Vacant properties £m | Environmental £m | Self insurance £m | Other £m | Total £m |
|---|---|---|---|---|---|
| At 1 January 2010 | 28.8 | 23.6 | 34.5 | 38.9 | 125.8 |
| Exchange differences | - | (0.6) | 1.4 | (0.8) | - |
| Additional provisions | 0.1 | 0.4 | 1.6 | 2.9 | 5.0 |
| Unwinding of discount on provisions | 0.2 | 0.2 | - | - | 0.4 |
| Used during the period | (2.5) | (1.0) | (4.3) | (18.5) | (26.3) |
| At 30 June 2010 | 26.6 | 22.6 | 33.2 | 22.5 | 104.9 |
| | | | | | |
| At 1 January 2010 | 28.8 | 23.6 | 34.5 | 38.9 | 125.8 |
| Exchange differences | - | (0.3) | 0.7 | (0.5) | (0.1) |
| Additional provisions | 30.8 | - | 4.0 | 4.8 | 39.6 |
| Unused amounts reversed | (0.3) | (1.1) | (2.4) | (0.7) | (4.5) |
| Unwinding of discount on provisions | 0.3 | 0.5 | - | - | 0.8 |
| Used during the year | (6.2) | (2.6) | (8.4) | (26.5) | (43.7) |
| At 31 December 2010 | 53.4 | 20.1 | 28.4 | 16.0 | 117.9 |
| | | | | | |
| At 1 January 2011 | **53.4** | **20.1** | **28.4** | **16.0** | **117.9** |
| Exchange differences | **-** | **0.5** | **(0.4)** | **0.2** | **0.3** |
| Additional provisions | **2.1** | **0.1** | **1.8** | **3.2** | **7.2** |
| Unused amounts reversed | **-** | **-** | **-** | **(0.2)** | **(0.2)** |
| Unwinding of discount on provisions | **0.6** | **0.2** | **-** | **-** | **0.8** |
| Used during the period | **(3.9)** | **(0.5)** | **(4.9)** | **(3.7)** | **(13.0)** |
| At 30 June 2011 | **52.2** | **20.4** | **24.9** | **15.5** | **113.0** |

Provisions analysed as follows:

| | **At 30 June 2011 £m** | At 30 June 2010 £m | At 31 December 2010 £m |
|---|---|---|---|
| Non-current | **88.9** | 73.5 | 86.8 |
| Current | **24.1** | 31.4 | 31.1 |
| | **113.0** | 104.9 | 117.9 |

**Vacant properties**

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

**Environmental**

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

**Self insurance**

The group purchases external insurance from a portfolio of international insurers for its key insurable risks. The group has historically self-insured its risks but during the latter part of 2008, other than for third party motor liability and workers compensation in the USA and the global property damage/business interruption, this practice was stopped and these became fully covered in the insurance market. Provision is still held for self-insured past cover. 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

| | **30 June 2011 £m** | 30 June 2010 £m | 31 December 2010 £m |
|---|---|---|---|
| **Authorised** | | | |
| 4,100,000,000 ordinary shares of 1p each | **41.0** | 41.0 | 41.0 |
| | | | |
| **Issued and fully paid** | | | |
| At 1 January and period end – 1,814,831,011 shares (2010: 1,814,831,011) | **18.1** | 18.1 | 18.1 |

### 17. Cash generated from operating activities

| | **6 months to 30 June 2011 £m** | 6 months to 30 June 2010 **£m** | Year to 31 December 2010 £m |
|---|---|---|---|
| Profit/(Loss) for the period | **24.2** | 23.7 | (20.3) |
| Adjustments for: | | | |
| - Tax | **5.5** | 7.2 | 34.8 |
| - Share of profit from associates | **(2.3)** | (1.9) | (4.1) |
| - Interest income | **(31.5)** | (32.4) | (63.3) |
| - Interest expense | **53.5** | 60.9 | 114.4 |
| - Depreciation and impairment of tangible assets | **97.7** | 112.8 | 207.3 |
| - Amortisation and impairment of intangible assets[1] | **23.7** | 27.6 | 152.7 |
| - Amortisation of computer software | **3.2** | 2.8 | 5.6 |
| - LTIP charges | **2.6** | 3.4 | 6.0 |
| - Loss on sale of property, plant and equipment | **0.9** | 0.1 | 1.9 |
| - Loss on disposal / retirement of intangible assets | **0.6** | 0.1 | 0.3 |
| - (Profit)/Loss on disposal of companies and businesses | **-** | (0.3) | 5.3 |
| - Cumulative translation exchange gain recycled | **-** | - | (2.3) |
| Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation): | | | |
| - Inventories | **(3.1)** | (2.4) | 4.1 |
| - Trade and other receivables | **(24.1)** | (5.0) | 22.6 |
| - Trade and other payables and provisions | **(24.9)** | (41.4) | (59.5) |
| Cash generated from operating activities | **126.0** | 155.2 | 405.5 |

[1] *excluding computer software*

### 18. Reconciliation of net (decrease)/increase in cash and bank overdrafts to net debt

| | **6 months to 30 June 2011 £m** | 6 months to 30 June 2010 £m | Year to 31 December 2010 £m |
|---|---|---|---|
| Net (decrease)/increase in cash and bank overdrafts | **(9.1)** | (8.4) | 8.1 |
| Movement on finance leases | **0.5** | 2.2 | 2.3 |
| Movement on loans | **(51.1)** | 11.1 | 122.9 |
| (Increase)/Decrease in debt resulting from cash flows | **(59.7)** | 4.9 | 133.3 |
| Foreign exchange translation and other items | **(11.3)** | 59.7 | 21.2 |
| Movement on net debt in the period | **(71.0)** | 64.6 | 154.5 |
| | | | |
| Opening net debt | **(953.6)** | (1,108.1) | (1,108.1) |
| **Closing net debt** | **(1,024.6)** | (1,043.5) | (953.6) |
| | | | |
| Closing net debt comprises: | | | |
| Cash and cash equivalents | **101.1** | 130.3 | 93.0 |
| Bank and other short-term borrowings | **(60.9)** | (93.5) | (58.6) |
| Bank and other long-term borrowings | **(1,064.8)** | (1,080.3) | (988.0) |
| **Total net debt** | **(1,024.6)** | (1,043.5) | (953.6) |

### 19. Operating and free cash flow

| | **6 months to 30 June 2011 £m** | 6 months to 30 June 2010* £m | Year to 31 December 2010* £m |
|---|---|---|---|
| Cash generated from operating activities | **126.0** | 155.2 | 405.5 |
| Purchase of property, plant and equipment (PPE) | **(94.3)** | (84.5) | (183.2) |
| Purchase of intangible fixed assets | **(6.8)** | (2.6) | (9.4) |
| Leased property, plant and equipment | **(2.8)** | (1.5) | (5.1) |
| Proceeds from sale of PPE | **2.4** | 3.4 | 13.0 |
| Dividends received from associates | **-** | - | 1.9 |
| **Operating cash flow** | **24.5** | 70.0 | 222.7 |
| Interest received | **1.8** | 4.4 | 5.3 |
| Interest paid | **(37.5)** | (44.0) | (48.3) |
| Interest element of finance lease payments | **(0.4)** | (0.5) | (0.9) |
| Income tax paid | **(29.6)** | (19.1) | (35.0) |
| **Free cash flow** | **(41.2)** | 10.8 | 143.8 |

**operating and free cash flow have been restated in 2010 to exclude dividends paid to non controlling interests following a review of the definitions of these cash flow measures*

## 20. Business combinations

The group purchased 100% of the share capital or the trade and assets of 4 companies and businesses and the 25% non controlling interest in the group's existing catering business, taking the group's shareholding in this business to 100%. The total consideration in respect of acquisitions was £12.5m and the cash outflow from current period acquisitions, net of cash acquired was £12.3m.

From the dates of acquisition to 30 June 2011, these acquisitions contributed £9.9m to revenue and £0.6m to operating profit. If the acquisitions had occurred on 1 January 2011, these acquisitions would have contributed £27.7m to revenue and £1.2m to operating profit.

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

| | 2011 £m |
|---|---|
| Purchase consideration: | |
| - Cash paid | **12.1** |
| - Contingent consideration | **0.4** |
| Total purchase consideration | **12.5** |
| Fair value of net assets acquired (excluding acquisition of non controlling interests) | **(7.2)** |
| Non controlling interest acquired | **(0.3)** |
| | **5.0** |
| Recognised as: | |
| Goodwill on balance sheet | **0.2** |
| Reduction in retained earnings on acquisition of non controlling interests without a change in control | **4.8** |
| | **5.0** |

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 £0.4m is payable over the next year based on earn out conditions on revenue and profit. The group has included the contingent consideration based on the fair value of consideration at the acquisition date.

The group incurred acquisition related costs of £1.7m in respect of the above acquisitions.

The book value of assets and liabilities arising from acquisitions of subsidiaries (excluding the acquisition of non controlling interests) are as follows:

| | 2011 £m |
|---|---|
| Non-current assets | |
| - Property, plant and equipment | **1.1** |
| Current assets | **5.7** |
| Current liabilities | **(4.9)** |
| Non-current liabilities | **-** |
| Net assets acquired | **1.9** |

The provisional fair value adjustments to the book value of assets and liabilities arising from acquisitions of subsidiaries (excluding the acquisition of non controlling interests) during the year and adjustments made to prior period acquisitions are as follows:

| | 2011 £m |
|---|---|
| Non-current assets | |
| - Intangible assets | **5.5** |
| Non-current liabilities (deferred tax) | **(0.2)** |
| Net assets acquired | **5.3** |

The fair value adjustments above include £nil in respect of prior year acquisitions following the finalisation of the acquisition accounting.

The provisional fair value[1] of assets and liabilities arising from acquisitions of subsidiaries (excluding the acquisition of non controlling interests) in the year and adjustments in respect of prior period acquisitions are as follows:

| | 2011 £m |
|---|---|
| Non-current assets | |
| - Intangible assets | **5.5** |
| - Property, plant and equipment | **1.1** |
| Current assets | **5.7** |
| Current liabilities | **(4.9)** |
| Non-current liabilities | **(0.2)** |
| Net assets acquired | **7.2** |

*[1] the provisional fair values will be finalised in the 2011 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.*

## 20. Business combinations (continued)

| | 2011 £m |
|---|---|
| Total purchase consideration | **12.5** |
| Consideration payable in future periods | **(0.4)** |
| Prior period deferred consideration adjustment | **-** |
| Purchase consideration (paid in cash) | **12.1** |
| Cash and cash equivalents in acquired companies and businesses | **0.2** |
| Cash outflow on current period acquisitions | **12.3** |
| Deferred consideration from prior periods paid | **2.5** |
| Cash outflow on current and past acquisitions | **14.8** |

## 21. Related Party Transactions

Rentokil Initial (Pty) Ltd (74.9%), Yu Yu Calmic Co Ltd (50%) and Rentokil Initial (B) Sdn Bhd (70%) are non-wholly owned subsidiaries of Rentokil Initial plc. All transactions between these entities and the group were transacted at arms length during the ordinary course of business and have been eliminated on consolidation.

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

The group has made a loan to a consortium of private investors which enabled them to purchase a 25.1% stake in the South African business. The group has a receivable from this consortium as at 30 June 2011 of £20.7m (HY 2010: £19.7m, FY 2010: £21.3m). The loan is due for repayment in 2014. The repayment of the loan will be dependent upon the future dividends generated by the business.

## 22. Capital commitments

The only capital commitments outstanding at 30 June 2011 were those incurred in the normal course of business.

## 23. Contingent liabilities

There have been no material changes to the group's contingent liabilities since 31 December 2010.

## 24. Events occurring after the balance sheet date

There were no significant post-balance sheet events affecting the group since 30 June 2011.

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

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU

- the interim management report includes a fair review of the information required by:

  - DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so

By Order of the Board

Alan Brown
28 July 2011

The directors of Rentokil Initial plc are listed in the Rentokil Initial plc Annual Report for 31 December 2010.  A List of the current directors is maintained on the Rentokil Initial website: www.rentokil-initial.com

## INDEPENDENT REVIEW REPORT TO RENTOKIL INITIAL PLC

### Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 which comprises the condensed consolidated income statement, condensed consolidated balance sheet, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

### Directors' responsibilities

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

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

### Our responsibility

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

### Scope of review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Simon Figgis

**for and on behalf of KPMG Audit Plc**

*Chartered Accountants,*
15 Canada Square
London
E14 5GL

28 July 2011