RENTOKIL INITIAL PLC (RTO)
PRELIMINARY RESULTS FOR YEAR ENDED 31 DECEMBER 2011

Results	Q4 2011 AER	Growth AER	Growth CER	FY 2011 AER	Growth AER	Growth CER
Revenue	658.4	2.5%	2.6%	2,544.3	1.9%	1.2%
Adjusted operating profit[1]	67.8	0.9%	1.3%	224.7	(6.1%)	(7.6%)
Adjusted profit before tax[1]	57.8	(1.2%)	(0.3%)	184.4	(4.1%)	(6.1%)
Loss before tax	(116.2)	(108.6%)	(107.0%)	(50.5)	N/A	N/A
Operating cash flow[2]	73.7	(14.5%)	(14.0%)	154.7	(30.5%)	(32.3%)
Basic adjusted EPS[3]				7.48p	(4.2%)	

Full Year Highlights*

- Revenue and profit growth in key Pest, Hygiene, Textiles and Facilities Services categories despite market challenges:
  - Initial Facilities revenue +7%, AsiaPac +4%, Pest Control (excl. Libya) +3%, Textiles & Hygiene +3%
- Acquisitions performing well; contributing net £41m of revenue increase
- Textiles & Hygiene Benelux turnaround delivered; back to growth in Q4 2010
- Despite progress on capability, City Link financial performance disappointing: £31.3m loss reflecting reduced revenue and poor productivity
- £44m cost savings, but impacted by City Link; £50m savings target for 2012
- Operating cash flow £155m; refinancing of Revolving Credit Facility completed December 2011
- Resumption of dividend payments; proposed final dividend of 1.33p per share reflecting progress in Pest, Hygiene, Textiles, Facilities Services and strong cash flow

** at CER*

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

"Our Operational Excellence strategy – which focuses on capability development across all functions – is delivering increasing revenue growth in Pest Control, Hygiene, Textiles and Facilities Services categories despite tough market challenges. I am particularly pleased with the rates of growth achieved toward the end of Q4, which have continued into the early part of 2012. The investment in rollout of the Olympic sales growth initiatives is likely however to limit profit growth in these categories to mid single digits for the time being.

"City Link continues to disappoint. While Q4 volumes grew 8% and revenue by 0.5%, losses were £3.1m greater than Q4 2010 due to low productivity, driven in part by conservative resource planning for the Christmas period. The financial performance of the business will remain poor in H1 2012, however, we remain committed to resolving the key revenue and cost control issues facing this business. I am encouraged by the immediate impact of the new City Link MD and FD and by the quality of the improvement plan currently being implemented.

"Progress made across the rest of the group and continued strong operating cash flows have given the board sufficient confidence to recommence dividend payments with a final dividend of 1.33p per share."

AER – actual exchange rates; CER – constant 2010 exchange rates
[1] before amortisation and impairment of intangibles (excluding computer software), reorganisation costs and one-off items
[2] cash flow before interest, tax, acquisitions, disposals and foreign exchange adjustments
[3] earnings per share before the after tax effects of amortisation and impairment of intangibles (excluding computer software), reorganisation costs and one-off items

FINANCIAL SUMMARY

£million	Fourth Quarter 2011	Fourth Quarter 2010	Fourth Quarter change	Full Year 2011	Full Year 2010	Full Year change
Continuing Operations[1]						
At 2010 constant exchange rates[2]						
Revenue	**658.4**	641.7	*2.6%*	**2,525.5**	2,496.5	*1.2%*
Adjusted operating profit[3]	**67.9**	67.0	*1.3%*	**221.0**	239.3	*(7.6%)*
Reorganisation costs and one-off items[4]	**(11.7)**	(2.7)	*(333.3%)*	**(38.0)**	(25.1)	*(51.4%)*
Amortisation and impairment of intangible assets[5]	**(162.0)**	(111.4)	*(45.4%)*	**(196.0)**	(152.7)	*(28.4%)*
Operating (loss)/profit	**(105.8)**	(47.1)	*(124.6%)*	**(13.0)**	61.5	*N/A*
Share of profit from associates (net of tax)	**1.0**	1.0	-	**4.1**	4.1	-
Net interest payable	**(10.9)**	(9.8)	*(11.2%)*	**(44.6)**	(51.1)	*12.7%*
(Loss)/profit before tax	**(115.7)**	(55.9)	*(107.0%)*	**(53.5)**	14.5	*N/A*
Adjusted profit before tax[3]	**58.0**	58.2	*(0.3%)*	**180.5**	192.3	*(6.1%)*
Operating cash flow[6]	**73.9**	85.9	*(14.0%)*	**150.7**	222.7	*(32.3%)*
Continuing Operations[1]						
At actual exchange rates						
Revenue	**658.4**	642.4	*2.5%*	**2,544.3**	2,496.5	*1.9%*
Adjusted operating profit[3]	**67.8**	67.2	*0.9%*	**224.7**	239.3	*(6.1%)*
Reorganisation costs and one-off items[4]	**(11.8)**	(2.7)	*(337.0%)*	**(38.2)**	(25.1)	*(52.2%)*
Amortisation and impairment of intangible assets[5]	**(162.2)**	(111.5)	*(45.5%)*	**(196.7)**	(152.7)	*(28.8%)*
Operating (loss)/profit	**(106.2)**	(47.0)	*(126.0%)*	**(10.2)**	61.5	*N/A*
Share of profit from associates (net of tax)	**1.0**	1.1	*(9.1%)*	**4.3**	4.1	*4.9%*
Net interest payable	**(11.0)**	(9.8)	*(12.2%)*	**(44.6)**	(51.1)	*12.7%*
(Loss)/profit before tax	**(116.2)**	(55.7)	*(108.6%)*	**(50.5)**	14.5	*N/A*
Tax				**(16.6)**	(34.8)	*52.3%*
Loss after tax				**(67.1)**	(20.3)	*(230.5%)*
Adjusted profit before tax[3]	**57.8**	58.5	*(1.2%)*	**184.4**	192.3	*(4.1%)*
Operating cash flow[6]	**73.7**	86.2	*(14.5%)*	**154.7**	222.7	*(30.5%)*
Basic EPS				**(3.84p)**	(1.29p)	*(197.7%)*
Basic adjusted EPS[7]				**7.48p**	7.81p	*(4.2%)*

1 all figures are for continuing operations
2 results at constant exchange rates have been translated at the full year average exchange rates for the year ended 31 December 2010. £/$ average rates: FY 2011 1.6057; FY 2010 1.5486, £/€ average rates: FY 2011 1.1532; FY 2010 1.1659
3 before amortisation and impairment of intangibles (excluding computer software), reorganisation costs and one-off items
4 see Appendix 4 for further details
5 including impairment of intangibles of £149.2m at constant and actual rates of exchange (excluding computer software)
6 cash flow before interest, tax, acquisitions, disposals and foreign exchange adjustments
7 earnings per share before the after tax effects of amortisation and impairment of intangibles (excluding computer software), reorganisation costs and one-off items

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 2 March 2012 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. Prior year comparisons have been restated. In all cases references to operating profit are for continuing businesses before amortisation and impairment of intangible assets (excluding computer software). References to adjusted operating profit and adjusted profit before tax also exclude reorganisation costs and one-off items, totalling a net cost of £38.0m (2010: £25.1m) that have had a significant impact on the results of the group. £34.4m of these relate directly to the group's major reorganisation program and consist mainly of redundancy costs, consultancy and plant and office closure costs net of the profit on sale of certain properties. One-off items include a provision of £4.8m against our full financial exposure arising from the suspension of our Libyan pest control business, £4.0m of acquisition costs and credits of £3.9m in respect of negative goodwill and £1.3m relating to the release of prior year provisions. In 2010, a credit of £35.0m in respect of a change in pension liabilities as a result of using CPI rather than RPI for calculating certain future pensions increases and a £29.2m charge in respect of a claim under a lease guarantee made by a subsidiary following the disposal of a business some 20 years ago are also included in one-off items. 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. All comparisons are at constant 2010 full year average exchange rates.

The financial information in this statement does not constitute the company's statutory accounts for the years ended 31 December 2011 or 2010. The financial information for 2010 and 2011 is derived from the statutory accounts for 2010, which have been delivered to the registrar of companies, and 2011, which will be delivered to the registrar of companies and issued to shareholders in March 2012. The auditors have reported on the 2010 and 2011 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

PROGRESS ON KEY OBJECTIVES IN 2011

Turnaround businesses

Two businesses were identified as turnaround businesses in 2011, Textiles & Hygiene Benelux and City Link. We have been pleased with the performance of Textiles & Hygiene Benelux during the year with the business achieving planned revenue and profit growth in 2011. We expect the business to continue to perform well in 2012.

Considerable progress has been made in City Link in 2011 in the areas of sales & marketing, operations, customer care and contingency plans for key trading. As a consequence, service levels have been strong throughout the year, in contrast to Q4 2010. We have however been disappointed by the financial performance of the business with lower revenue per consignment and poor productivity resulting in increased losses.

Given the poor performance of the business in 2011 we have written off intangible assets at the 2011 year end relating to City Link. The total write down amounted to £146m of which £108m related to goodwill and £38m related to customer lists.

The new City Link leadership team brings a great deal of successful UK Parcels industry experience to the business. They have begun to implement a comprehensive recovery plan which we expect to show material results by Q3 2012. The plan targets productivity savings in excess of £20m primarily through driver productivity, supported by route and round optimisation and a move to variable pay for subcontractors. There are also initiatives to reduce trunking, warehouse operations and back office costs.

Customer care

City Link made significant progress in this area in 2011, implementing a programme which was fully operational ahead of the peak Christmas trading period. The quality and speed of response to customer and consignee enquiries has shown a marked improvement and further progress is expected in 2012.

Following the success of the City Link programme, best practice initiatives will begin to be implemented across the group in 2012. In addition, proactive customer account management processes will also be rolled out, following successful trials within the UK Pest & Hygiene business in 2011. Customer Voice Counts (a measurement of customer satisfaction) will be adopted as a target for incentive purposes.

Growth – consistent & profitable

Our focus on profitable sales growth began to build some momentum in 2011 with organic growth being achieved by Pest Control excluding Libya (1.7%), Textiles & Hygiene (1.4%) and Asia Pacific (3.8%). Despite challenges in many of our markets, retention remained unchanged during the year at 83.9%. We have also been pleased with the progress made on our Programme Olympic growth pilots which have contributed to the 8% organic growth of the UK Pest Control business in H2 2011.

We expect to build further momentum in organic sales growth as we start to deploy the Programme Olympic initiatives across the rest of the Pest Control Division in 2012 and the rest of the group in 2013. We have also restructured our marketing & innovation teams to drive more focus in these areas, especially in the key categories of pest control, hygiene and textiles.

Sales growth in 2011 has also been delivered through a number of successful acquisitions during the year. These acquisitions have:

- strengthened our proposition in territories where we currently operate (Ant-Eater, an Australian pest control business and Westplant, a Netherlands based interior plants business)
- expanded our geographical footprint in new locations (National Britannia Turkey and Tetengo, pest control businesses based in Turkey and Mexico respectively)
- increased our service offering (the acquisitions by Initial Facilities of the Services Division of Santia Group and MSS Facilities Management to add Fire, Water and Maintenance to our portfolio of facilities management services)
- provided more control over our supply chain (the acquisition by Textiles & Hygiene of a business in France which designs, develops and sources workwear garments)

We will continue to target further growth through acquisition in 2012, with a particular focus on pest control opportunities in North America, Latin America and the Middle East.

Cost savings

The group continued to deliver cost savings in 2011, achieving cost reductions of £44m through a combination of restructuring, procurement, service productivity and back office rationalisation, supported by various Programme Olympic initiatives. Cost savings were £16m below target primarily due to slower than expected progress on service productivity in City Link. Cost savings are an essential part of the group's operating model, offsetting the impact of labour, fuel and product inflation and providing capacity for investment in capability. Cost savings have been targeted at £50m for 2012 through procurement, service productivity and back office rationalisation.

FUNDING

The group generated operating cash flows of £154.7m in 2011 (2010: £222.7m), representing 92% conversion from profit (after adjusting for one-off cash flows of £51.6m) against a target of 100%. Cash flow was negatively impacted in H1 2011 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 2011 was 103% of depreciation reflecting inflationary pressures, sales growth in Textiles & Hygiene and upweighted investment in systems to support Programme Olympic and improvements in customer care.

At 31 December 2011 the group had net debt of £919.0m. Of this, £855.0m is represented by capital market notes issued by the group. The earliest maturity of any of these instruments is 2013. In December 2011 the group entered into a new £270m Revolving Credit Facility maturing in December 2016. The group has adequate headroom in its bank facilities in terms of funds available to withdraw and in relation to its interest cover and net debt covenants.

At the 2011 interim stage we announced we had reached 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 its funding. Final agreement has now been reached with the trustees which assumes a funding deficit of £80m at the valuation date and a funding arrangement by the Company of £12.5m per annum over an eight-year period commencing in January 2012. It is noted that the funding deficit agreed with the trustees was calculated on a different basis to the valuation of the pension scheme's assets and liabilities on the Company's balance sheet, which were calculated using applicable accounting standards. At 31 December 2011 the UK scheme was valued at a surplus of £144m on the Company's balance sheet.

DIVIDEND

Although the board is not satisfied with the current financial performance of City Link, good progress has been made with the turnaround of Textiles & Hygiene Benelux and the rest of the group's businesses are performing well in difficult conditions. Further, through strong operating cash flow performance, the Company has reduced significantly its debt levels over the last three years and has also resolved its medium-term pension funding and borrowing arrangements. Taking this into consideration, the board proposes to resume the payment of dividends to shareholders and is recommending a final dividend in respect of 2011 of 1.33p per share, payable to shareholders on the register at the close of business on 10 May 2012 to be paid on 15 May 2012. This equates to a full year dividend of 2p per share on a one third, two thirds, interim / final basis. The board intends to pursue a progressive dividend policy going forward.

OUTLOOK FOR 2012

Our Operational Excellence strategy, which focuses on capability development across all functions – is delivering increasing revenue growth in Pest Control, Hygiene, Textiles and Facilities Services categories despite tough market challenges. We are particularly pleased with the rates of growth achieved toward the end of Q4, which have continued into the early part of 2012. The investment in rollout of the Olympic initiatives is likely however to limit profit growth in these categories to mid single digits for the time being.

City Link continues to disappoint. While Q4 volumes grew 8% and revenue by 0.5%, losses were £3.1m greater than Q4 2010 due to low productivity, driven in part by conservative resource planning for the Christmas period. The financial performance of the business will remain poor in H1 2012, however, we remain committed to resolving the key revenue and cost control issues facing the business. We are encouraged by the immediate impact of the new City Link CEO and CFO and by the quality of the improvement plan currently being implemented.

Progress made across the rest of the group and continued strong operating cash flows has given the board sufficient confidence to recommence dividend payments with a final dividend of 1.33p per share.

DIVISIONAL PERFORMANCE

Textiles & Hygiene

£ million	**Fourth Quarter**			**Full Year**		
	2011	**2010**	***change***	**2011**	**2010**	***change***
At 2010 constant exchange rates:						
Revenue	**195.7**	190.6	*2.7%*	**771.3**	751.0	*2.7%*
Adjusted operating profit (before amortisation and impairment of intangible assets[1], reorganisation costs and one-off items)	**33.5**	26.8	*25.0%*	**115.0**	110.1	*4.5%*
At actual exchange rates:						
Adjusted operating profit (before amortisation and impairment of intangible assets[1], reorganisation costs and one-off items)	**33.4**	26.7	*25.1%*	**116.6**	110.1	*5.9%*

[1] excluding computer software

Full year revenue grew by 2.7%, an organic increase of 1.4% after adjusting for the acquisitions of the Swedish dental business in late 2010, two specialist hygiene businesses in H1 2011 and the French textiles supply business in Q4 2011. Revenue growth was however impacted by a challenging economic environment in Italy and the UK. Inflationary and commodity cost increases, particularly cotton prices, were managed well. This is best reflected in France, where despite continued competitor pressure, the business achieved organic revenue growth of 1.5%. Benelux delivered growth of 1.2%, demonstrating a significant turnaround on the prior year. Germany reported another robust performance, delivering growth of 5.8%. This was however partially offset by Italy's revenue decline of 3.2%. Divisional customer retention was 86.2%, unchanged on the prior year.

Profit rose by 3.8% on 2010, after adjusting for acquisitions. The Benelux businesses achieved the highest growth at 16.6% reflecting the turnaround of the business, control over pricing and significant benefits derived from restructuring. Germany's continued strong performance saw profit rise by 12%. France achieved an organic profit growth of 5.9% in challenging economic conditions with customer retention improving by 2.2% on the previous year. These solid performances in the larger markets were offset by some of the smaller businesses in Italy, Eastern Europe, Specialist Hygiene and UK Supplies (as well as increased investment in divisional overheads).

While the economic outlook in continental Europe for 2012 looks very uncertain, Divisional initiatives launched in 2011 across many areas, including marketing, sales and service productivity, will help the Division mitigate against the impact of challenging conditions and inflation. Key objectives for the coming year include: continued refinement of pricing policy; a focus on product innovation to support the hygiene offer; the delivery of further cost savings through procurement, restructuring and back office administration and; increased investment in infrastructure to drive growth and cost savings.

Pest Control

£ million	**Fourth Quarter**			**Full Year**		
	2011	**2010**	***change***	**2011**	**2010**	***change***
At 2010 constant exchange rates:						
Revenue	**143.8**	138.2	*4.1%*	**581.3**	579.5	*0.3%*
Adjusted operating profit (before amortisation and impairment of intangible assets[1], reorganisation costs and one-off items)	**27.9**	26.4	*5.7%*	**112.4**	108.6	*3.5%*
At actual exchange rates:						

Adjusted operating profit (before amortisation and impairment of intangible assets[1], reorganisation costs and one-off items)	**27.3**	26.4	*3.4%*	**112.2**	108.6	*3.3%*

[1] *excluding computer software*

Revenue for the Division grew by 0.3%, up 3.1% excluding disposals and the suspension of operations in Libya in Q1. UK Pest Control grew by 11.3%, of which 6.7% is attributed to the acquisition of the pest control operations of Santia Services and, although revenue in the UK & Ireland Hygiene business fell, its rate of decline slowed to 5.7% from 9.7% in 2010. In Europe strong performances from Germany, Austria, Switzerland and the Nordics were largely offset by difficult trading conditions in Spain, Portugal and Greece, which have been impacted by the Eurozone crisis, with overall revenue growth for the region of 1.8%. North America, the Division's largest business, delivered strong growth of 5.5%, South Africa 3.4% and East Africa & the Caribbean 7.1%.

Profit rose by 3.5%, up 4.6% excluding disposals and Libya, reflecting continued good cost management across most businesses. Notably strong profit growth performances were recorded in UK Pest (16.2%), Germany (11.4%), Austria (20.9%), Switzerland (32.9%), the Nordics (8.3%) and North America (7.9%). Profits declined in the UK Hygiene operations and the difficult markets of Spain, Portugal, Ireland and Greece.

We expect overall market conditions to soften in 2012, particularly in Ireland and the Southern European economies which we believe will continue to be severely impacted by the economic crisis. Key objectives for the coming year include: deployment of Programme Olympic growth initiatives to drive further organic growth; a continued focus on cost saving in service productivity and back office administration (particularly North America) and; further bolt-on acquisitions in targeted regions.

Asia Pacific

£ million	**Fourth Quarter**			**Full Year**		
	2011	**2010**	***change***	**2011**	**2010**	***change***
At 2010 constant exchange rates:						
Revenue	**58.3**	55.6	*4.9%*	**227.3**	218.3	*4.1%*
Adjusted operating profit (before amortisation and impairment of intangible assets[1], reorganisation costs and one-off items)	**10.0**	7.9	*26.6%*	**31.7**	29.6	*7.1%*
At actual exchange rates:						
Adjusted operating profit (before amortisation and impairment of intangible assets[1], reorganisation costs and one-off items)	**10.7**	8.2	*30.5%*	**33.9**	29.6	*14.5%*

[1] *excluding computer software*

Asia Pacific revenue increased by 4.1% in 2011 (2010: up 0.6%). Both Asia and Pacific achieved growth with Pacific up 3.0% and Asia up 5.9%. Excluding the acquisition of Australian pest control business Anteater earlier in the year, Pacific grew by 2.3%. In Asia the momentum in key markets of Indonesia (up 15.1%) and Malaysia (up 7.3%) reflects traction in sales and marketing and other growth initiatives. The emerging businesses of India and Vietnam continued to progress, benefiting from investment in capability. Thailand had a weak close to the year due to the severe flooding throughout the country. In Pacific the Australia pest business grew 6.8% with significant gains in share. The Australia hygiene business, Pink, grew by 1.6%, an improvement on the negative growth trend of recent years.

Profits for the Division rose by 7.1% for the year. Gross margins remain stable with price increases and cost savings offsetting inflationary pressures. Investment in sales and marketing is now delivering to the bottom line.

Conditions for 2012 remain positive although there may be some slowdown in growth if Asian economies are impacted by the debt crisis in Europe. The Pacific region is solid, reflecting a robust Australian economy supported by the mining industry. Key Divisional objectives for 2012 include: continued refinement of pricing policy to reflect local market conditions, product and range innovation and to offset relatively high regional cost inflation; a focus on product innovation to support the hygiene offer; continued integration of Pest & Hygiene operations under single country management teams and; further pursuit of cost saving opportunities in back office administration, especially in the Pacific region.

Ambius

£ million	Fourth Quarter			Full Year		
	2011	**2010**	***change***	**2011**	**2010**	***change***
At 2010 constant exchange rates:						
Revenue	**37.3**	36.4	*2.5%*	**118.5**	117.2	*1.1%*
Adjusted operating profit (before amortisation and impairment of intangible assets[1], reorganisation costs and one-off items)	**5.6**	4.8	*16.7%*	**8.5**	8.6	*(1.2%)*
At actual exchange rates:						
Adjusted operating profit (before amortisation and impairment of intangible assets[1], reorganisation costs and one-off items)	**5.6**	4.8	*16.7%*	**8.6**	8.6	-

[1] *excluding computer software*

Ambius revenue grew by 1.1% in 2011, (down 0.9% organic), reflecting the Q3 acquisition of Westplant in Holland. Christmas season job sales remained strong in Q4 with the total value sold slightly ahead of the prior year. Gross sales declined by 0.8% year on year, however terminations improved by 8.0% giving a full year retention rate of 84.7%.

Profit was flat year on year, with cost saving initiatives mitigating the impact of cost inflation on plants and fuel as well as changes in business mix.

Trading for Ambius in 2012 is anticipated to show some improvements over 2011 as brand extensions continue to be a major focus for the Division. Further cost saving initiatives have been introduced in 2011, and the full benefit is expected to support profitability in 2012. Key objectives for the coming year include: ongoing development of service and product extensions to support the core offer and; further cost savings through service productivity and back office rationalisation.

City Link

£ million	Fourth Quarter			Full Year		
	2011	**2010**	***change***	**2011**	**2010**	***change***
At 2010 constant exchange rates:						
Revenue	**88.0**	87.6	*0.5%*	**306.9**	335.5	*(8.5%)*
Adjusted operating profit (before amortisation and impairment of intangible assets[1], reorganisation costs and one-off items)	**(6.7)**	(3.6)	*(86.1%)*	**(31.3)**	(9.6)	*(226.0%)*
At actual exchange rates:						
Adjusted operating profit (before amortisation and impairment of intangible assets[1], reorganisation costs and one-off items)	**(6.7)**	(3.6)	*(86.1%)*	**(31.3)**	(9.6)	*(226.0%)*

[1] *excluding computer software*

Despite operational improvements during 2011 the business made an operating loss of £31.3m on revenue down 8.5% to £306.9m, reflecting a 3.5% volume decline and 5.0% decline in Revenue Per Consignment (RPC). Losses were also impacted by slow progress on cost saving initiatives and productivity in particular.

RPC decline was driven by a loss of smaller and medium sized customers in Q1 predominantly due to poor service quality in December 2010, a very competitive market and a lack of investment in account management. Quality of service improved dramatically in 2011 and has consistently been at a high level throughout the year. City Link invested in both account management and customer service during the year and as a result is now gaining momentum in winning new business. It exited the year with an additional £25m in annualised contract sales and the new business pipeline remains in excess of £50m. There is also a need, however, to increase prices after many years of serial decline in the industry as a whole.

The B2C market is expected to continue to grow in 2012 while the B2B market remains more susceptible to economic conditions, around which there remains uncertainty. Excess capacity in the market continues to make pricing extremely competitive. Key objectives for the coming year include: top line growth with a focus on profitable new customers; development of higher margin offer lines and; the delivery of £20m in cost savings, focused on driver productivity and supported by hub & trunking, warehouse and back office cost reductions.

A strong plan has been put in place by the new leadership team. Though we do not expect an improvement in financial performance during H1 2012, we expect to see better results in H2 2012.

Initial Facilities

£ million	Fourth Quarter			Full Year		
	2011	**2010**	***change***	**2011**	**2010**	***change***
At 2010 constant exchange rates:						
Revenue	**151.8**	148.1	*2.5%*	**592.4**	554.0	*6.9%*
Adjusted operating profit (before amortisation and impairment of intangible assets[1], reorganisation costs and one-off items)	**10.3**	9.2	*12.0%*	**29.3**	25.9	*13.1%*
At actual exchange rates:						
Adjusted operating profit (before amortisation and impairment of intangible assets[1], reorganisation costs and one-off items)	**10.2**	9.2	*12.0%*	**29.3**	25.9	*13.1%*

[1] *excluding computer software*

Despite the difficult market conditions described above, Initial Facilities performed robustly in the year with revenue growing 6.9% overall, aided by the acquisitions of the Fire and Water businesses of Santia Services in early 2011. Underlying revenue, excluding acquisitions, was broadly flat.

Further progress in improving operational efficiency and ongoing cost reductions have helped contribute to improvements in profitability, with growth of 13.1% for the full year. Excluding acquisitions, profit grew by 4.1% year on year.

Continued uncertainty remains around the UK economic outlook for 2012. Consumer confidence is expected to remain weak in an environment of financial and economic instability across Europe, and on-going British government spending austerity. However, having reorganised in 2011, improved efficiency of operations and acquired the Santia Fire and Water businesses, and the MSS maintenance business, Initial Facilities is well placed to provide good-value innovative integrated facilities solutions to its customers. The acquisition of MSS in November 2011 provides strong capability in the maintenance field, which allows Initial Facilities to now provide all key facilities services directly. Key objectives for 2012 include: leveraging recent acquisitions to drive top line growth through increased new contract win rates; gross margin improvement through applying LEAN principles to service delivery and; net margin improvements through further cost savings in back office administration.

Central Costs

£ million	Fourth Quarter			Full Year		
	2011	**2010**	***change***	**2011**	**2010**	***change***
At 2010 constant exchange rates: Central costs	**(12.7)**	(4.5)	*(182.2%)*	**(44.6)**	(33.9)	*(31.6%)*
At actual exchange rates: Central costs	**(12.7)**	(4.5)	*(182.2%)*	**(44.6)**	(33.9)	*(31.6%)*

Central costs increased by £10.7m reflecting investment in Programme Olympic and higher insurance cost provisions than in 2010.

Reorganisation costs and one-off items

References to adjusted operating profit and adjusted profit before tax also exclude reorganisation costs and one-off items, totalling a net cost of £38.0m (2010: £25.1m) that have had a significant impact on the results of the group. £34.4m of these relate directly to the group's major reorganisation programme and consist mainly of redundancy costs, consultancy and plant and office closure costs net of the profit on sale of certain properties. One-off items include a provision of £4.8m against our full financial exposure arising from the suspension of our Libyan pest control business, £4.0m of acquisition costs and credits of £3.9m in respect of negative goodwill and £1.3m relating to the release of prior year provisions. In 2010, a credit of £35.0m in respect of a change in pension liabilities as a result of using CPI rather than RPI for calculating certain future pensions increases and a £29.2m charge in respect of a claim under a lease guarantee made by a subsidiary following the disposal of a business some 20 years ago are also included in one-off items. 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.

Intangible assets impairment

In accordance with the group's accounting policy, goodwill is tested for impairment annually using cash flow projections based on financial budgets and long-range plans. During the year an impairment charge of £111.5m (of which £108.1m relates to City Link) has been recognised and charged to the income statement. Additionally, an impairment charge of £37.7m has been recognised and charged to the income statement in respect of customer lists and relationships, all relating to City Link.

Interest

Net interest payable of £44.6m was £6.5m lower than in 2010. Underlying interest (excluding pensions, mark to market and foreign exchange differences) was £48.6m, compared to £51.2m in the prior year, a reduction of £2.6m, due to lower rates and net debt. Net interest payable included improvements of £3.1m from pension income and £0.8m resulting from mark to market and foreign exchange differences.

Tax

The income tax expense for the year was £16.6m on the reported loss before tax of £50.5m. The principal reason for the high tax charge (when compared with the reported loss) is that there is no tax relief due on the goodwill impairment of £111.5m. After adjusting for the goodwill impairment and also the amortisation of intangible assets, reorganisation costs and one-off items, the effective tax rate for the year is 24.9% (2010: 24.9%) of APBITA. This compares with a blended rate of tax for the countries in which the group operates of 29% (2010: 29%). The principal factor that caused the effective tax rate to be lower than the blended rate is the release of prior year provisions for tax no longer considered necessary as various issues were either settled or became statute barred in the year.

Net debt and cash flow

£ million at actual exchange rates	Year to Date		
	2011 £m	2010 £m	*Change £m*
Adjusted operating profit[1]	**224.7**	239.3	*(14.6)*
Reorganisation costs and one-off items	**(38.2)**	(25.1)	*(13.1)*
Depreciation	**204.2**	212.9	*(8.7)*
Other non-cash	**7.0**	13.1	*(6.1)*
EBITDA	**397.7**	440.2	*(42.5)*
Working capital	**(32.1)**	(32.8)	*0.7*
Capex - additions	**(216.4)**	(197.7)	*(18.7)*
Capex - disposals	**5.5**	13.0	*(7.5)*
Operating cash flow	**154.7**	222.7	*(68.0)*
Interest	**(44.4)**	(43.9)	*(0.5)*
Tax	**(44.5)**	(35.0)	*(9.5)*
Disposal of available-for-sale investments	**0.1**	-	*0.1*
Free cash flow	**65.9**	143.8	*(77.9)*
Acquisitions/disposals	**(32.0)**	(7.9)	*(24.1)*
Foreign exchange translation and other items	**0.7**	18.6	*(17.9)*
Decrease in net debt	**34.6**	154.5	*(119.9)*
Closing net debt	**(919.0)**	(953.6)	*34.6*

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

Operating cash flow was £68.0m lower than 2010 due to lower EBITDA and increased net capex, with working capital outflows being relatively flat (despite an £18m adverse impact in Q1 relating to the phasing of Initial Facilities cash flows in 2010).

Total tax payments were £44.5m compared with £35.0m in 2010, with the increase attributable to the phasing of payments relating to prior year liabilities. Interest payments were £0.5m higher than 2010 and the acquisition/disposal outflow of £32.0m largely reflects the acquisitions of Santia Services, MSS and the remaining non-controlling interest in our catering business. Foreign exchange translation and other items increased cash flow by £0.7m, leaving an overall inflow of £34.6m and net debt of £919.0m.

ANNUAL CONTRACT PORTFOLIO - CONTINUING BUSINESSES

3 Months to 31 December 2011

£m at constant 2010 exchange rates	1.10.11	New Business / Additions	Terminations/ Reductions	Net Price Increases	Acquisitions /(Disposals)	31.12.11	31.12.11 at actual exchange
Textiles & Hygiene	665.8	23.6	(28.9)	(1.0)	0.8	660.3	668.5
Pest Control	454.8	16.8	(20.1)	0.9	0.3	452.7	450.3
Asia Pacific	183.5	8.0	(6.8)	0.5	(0.8)	184.4	194.6
Ambius	96.9	2.9	(3.4)	0.2	-	96.6	96.2
Initial Facilities	517.8	11.9	(19.0)	1.4	10.8	522.9	523.4
TOTAL	1,918.8	63.2	(78.2)	2.0	11.1	1,916.9	1,933.0

12 Months to 31 December 2011

£m at constant 2010 exchange rates	1.1.11	New Business / Additions	Terminations / Reductions	Net Price Increases	Acquisitions /(Disposals)	31.12.11	31.12.11 at actual exchange
Textiles & Hygiene	649.4	88.9	(89.9)	9.8	2.1	660.3	668.5
Pest Control	444.6	67.3	(74.4)	7.5	7.7	452.7	450.3
Asia Pacific	175.2	34.2	(27.3)	2.3	-	184.4	194.6
Ambius	94.5	12.2	(14.1)	1.9	2.1	96.6	96.2
Initial Facilities	522.2	79.1	(98.9)	5.7	14.8	522.9	523.4
TOTAL	1,885.9	281.7	(304.6)	27.2	26.7	1,916.9	1,933.0

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

Divisional Analysis (at constant exchange rates)

	3 months to 31 December 2011 £m	3 months to 31 December 2010 £m	**Year ended 31 December 2011 £m**	Year ended 31 December 2010 £m
(at 2010 constant exchange rates)				
Revenue				
Textiles & Hygiene	**195.7**	190.6	**771.3**	751.0
Pest Control	**143.8**	138.2	**581.3**	579.5
Asia Pacific	**58.3**	55.6	**227.3**	218.3
Ambius	**37.3**	36.4	**118.5**	117.2
City Link	**88.0**	87.6	**306.9**	335.5
Initial Facilities	**151.8**	148.1	**592.4**	554.0
Segmental revenue	**674.9**	656.5	**2,597.7**	2,555.5
Inter group trading	**(16.5)**	(14.8)	**(72.2)**	(59.0)
Continuing operations at constant exchange rates	**658.4**	641.7	**2,525.5**	2,496.5
Exchange	**-**	0.7	**18.8**	-
Continuing operations at actual exchange rates	**658.4**	642.4	**2,544.3**	2,496.5
Adjusted operating profit				
Textiles & Hygiene	**33.5**	26.8	**115.0**	110.1
Pest Control	**27.9**	26.4	**112.4**	108.6
Asia Pacific	**10.0**	7.9	**31.7**	29.6
Ambius	**5.6**	4.8	**8.5**	8.6
City Link	**(6.7)**	(3.6)	**(31.3)**	(9.6)
Initial Facilities	**10.3**	9.2	**29.3**	25.9
Central Costs	**(12.7)**	(4.5)	**(44.6)**	(33.9)
Segmental profit	**67.9**	67.0	**221.0**	239.3
Reorganisation costs and one-off items (Appendix 4)	**(11.7)**	(2.7)	**(38.0)**	(25.1)
Amortisation of intangible assets[1]	**(12.8)**	(13.6)	**(46.8)**	(54.9)
Impairment of goodwill	**(111.5)**	(97.8)	**(111.5)**	(97.8)
Impairment of customer lists and relationships	**(37.7)**	-	**(37.7)**	-
Continuing operations at constant exchange rates	**(105.8)**	(47.1)	**(13.0)**	61.5
Exchange	**(0.4)**	0.1	**2.8**	-
Continuing operations at actual exchange rates	**(106.2)**	(47.0)	**(10.2)**	61.5

[1] *excluding computer software*

Revenue growth (at CER)

	Fourth Quarter		**Full Year**	
	Total	**Organic[1]**	**Total**	**Organic[1]**
Textiles & Hygiene	**2.7%**	**1.2%**	**2.7%**	**1.4%**
Pest Control	**4.1%**	**2.8%**	**0.3%**	**0.7%**
Asia Pacific	**4.9%**	**4.3%**	**4.1%**	**3.8%**
Ambius	**2.5%**	**(1.9%)**	**1.1%**	**(0.9%)**
City Link	**0.5%**	**0.5%**	**(8.5%)**	**(8.5%)**
Initial Facilities	**2.5%**	**(3.1%)**	**6.9%**	**(1.0%)**
Group	**2.6%**	**0.6%**	**1.2%**	**(0.5%)**

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

Divisional Analysis (at actual exchange rates)

	3 months to 31 December 2011 £m	3 months to 31 December 2010 £m	**Year ended 31 December 2011 £m**	Year ended 31 December 2010 £m
(at actual exchange rates)				
Revenue				
Textiles & Hygiene	**194.7**	190.0	**780.5**	751.0
Pest Control	**141.7**	137.9	**578.1**	579.5
Asia Pacific	**62.0**	57.4	**240.5**	218.3
Ambius	**36.9**	36.3	**117.6**	117.2
City Link	**88.0**	87.6	**306.9**	335.5
Initial Facilities	**151.6**	148.0	**593.1**	554.0
Segmental revenue	**674.9**	657.2	**2,616.7**	2,555.5
Inter group trading	**(16.5)**	(14.8)	**(72.4)**	(59.0)
Continuing operations at actual exchange rates	**658.4**	642.4	**2,544.3**	2,496.5
Adjusted operating profit				
Textiles & Hygiene	**33.4**	26.7	**116.6**	110.1
Pest Control	**27.3**	26.4	**112.2**	108.6
Asia Pacific	**10.7**	8.2	**33.9**	29.6
Ambius	**5.6**	4.8	**8.6**	8.6
City Link	**(6.7)**	(3.6)	**(31.3)**	(9.6)
Initial Facilities	**10.2**	9.2	**29.3**	25.9
Central Costs	**(12.7)**	(4.5)	**(44.6)**	(33.9)
Segmental profit	**67.8**	67.2	**224.7**	239.3
Reorganisation costs and one-off items (Appendix 4)	**(11.8)**	(2.7)	**(38.2)**	(25.1)
Amortisation of intangible assets[1]	**(13.0)**	(13.7)	**(47.5)**	(54.9)
Impairment of goodwill	**(111.5)**	(97.8)	**(111.5)**	(97.8)
Impairment of customer lists and relationships	**(37.7)**	-	**(37.7)**	-
Continuing operations at actual exchange rates	**(106.2)**	(47.0)	**(10.2)**	61.5

[1] *excluding computer software*

One-off Items including reorganisation costs

	3 months to 31 December 2011 £m	3 months to 31 December 2010 £m	**Year ended 31 December 2011 £m**	Year ended 31 December 2010 £m
Textiles & Hygiene	**(2.6)**	(1.4)	**(8.3)**	(5.0)
Pest Control	**(5.6)**	(4.4)	**(13.0)**	(9.4)
Asia Pacific	**(0.7)**	1.3	**(1.7)**	1.6
Ambius	**(1.1)**	-	**(1.2)**	-
City Link	**1.9**	(0.8)	**(2.3)**	(10.5)
Initial Facilities	**(3.8)**	(2.3)	**(8.8)**	(3.1)
Central Costs	**0.2**	4.9	**(2.7)**	1.3
At constant exchange rates	**(11.7)**	(2.7)	**(38.0)**	(25.1)
Exchange	**(0.1)**	-	**(0.2)**	-
At actual exchange rates	**(11.8)**	(2.7)	**(38.2)**	(25.1)

References to adjusted operating profit and adjusted profit before tax also exclude reorganisation costs and one-off items, totalling a net cost of £38.0m (2010: £25.1m) that have had a significant impact on the results of the group. £34.4m of these relate directly to the group's major reorganisation program and consist mainly of redundancy costs, consultancy and plant and office closure costs net of the profit on sale of certain properties. One-off items include a provision of £4.8m against our full financial exposure arising from the suspension of our Libyan pest control business, £4.0m of acquisition costs and credits of £3.9m in respect of negative goodwill and £1.3m relating to the release of prior year provisions. In 2010, a credit of £35.0m in respect of a change in pension liabilities as a result of using CPI rather than RPI for calculating certain future pensions increases and a £29.2m charge in respect of a claim under a lease guarantee made by a subsidiary following the disposal of a business some 20 years ago are also included in one-off items. 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.

Appendix 5

Business Category Analysis (at constant exchange rates)

	Business category							
	Pest Control £m	Hygiene £m	Textiles £m	Interior Plants £m	Facilities Services £m	Parcel Delivery £m	Other £m	Total £m
Revenue 2011								
Segment								
Textiles & Hygiene	**6.2**	**257.5**	**437.8**	**-**	**-**	**-**	**69.8**	**771.3**
Pest Control	**434.2**	**127.8**	**-**	**4.8**	**-**	**-**	**14.5**	**581.3**
Asia Pacific	**100.0**	**110.9**	**-**	**14.6**	**-**	**-**	**1.8**	**227.3**
Ambius	**-**	**-**	**-**	**118.5**	**-**	**-**	**-**	**118.5**
City Link	**-**	**-**	**-**	**-**	**-**	**306.9**	**-**	**306.9**
Initial Facilities	**-**	**25.3**	**-**	**-**	**567.1**	**-**	**-**	**592.4**
Total	**540.4**	**521.5**	**437.8**	**137.9**	**567.1**	**306.9**	**86.1**	**2,597.7**
Revenue 2010								
Segment								
Textiles & Hygiene	6.4	246.0	429.9	-	-	-	68.7	751.0
Pest Control	418.2	130.0	10.1	4.9	-	-	16.3	579.5
Asia Pacific	94.2	107.4	-	15.0	-	-	1.7	218.3
Ambius	-	-	-	117.2	-	-	-	117.2
City Link	-	-	-	-	-	335.5	-	335.5
Initial Facilities	-	20.0	-	-	534.0	-	-	554.0
Total	518.8	503.4	440.0	137.1	534.0	335.5	86.7	2,555.5
Adjusted operating profit* 2011								
Segment								
Textiles & Hygiene	**0.2**	**60.4**	**62.0**	**-**	**-**	**-**	**(7.6)**	**115.0**
Pest Control	**89.6**	**20.3**	**-**	**1.0**	**-**	**-**	**1.5**	**112.4**
Asia Pacific	**12.9**	**22.8**	**-**	**1.0**	**-**	**-**	**(5.0)**	**31.7**
Ambius	**-**	**-**	**-**	**8.5**	**-**	**-**	**-**	**8.5**
City Link	**-**	**-**	**-**	**-**	**-**	**(31.3)**	**-**	**(31.3)**
Initial Facilities	**-**	**4.3**	**-**	**-**	**25.0**	**-**	**-**	**29.3**
Central Costs	**-**	**-**	**-**	**-**	**-**	**-**	**(44.6)**	**(44.6)**
Total	**102.7**	**107.8**	**62.0**	**10.5**	**25.0**	**(31.3)**	**(55.7)**	**221.0**
Adjusted operating profit* 2010								
Segment								
Textiles & Hygiene	0.6	60.3	53.8	-	-	-	(4.6)	110.1
Pest Control	84.1	21.3	0.2	1.0	-	-	2.0	108.6
Asia Pacific	12.4	21.1	-	1.0	-	-	(4.9)	29.6
Ambius	-	-	-	8.6	-	-	-	8.6
City Link	-	-	-	-	-	(9.6)	-	(9.6)
Initial Facilities	-	3.9	-	-	22.0	-	-	25.9
Central Costs	-	-	-	-	-	-	(33.9)	(33.9)
Total	97.1	106.6	54.0	10.6	22.0	(9.6)	(41.4)	239.3

The above tables represent revenue and adjusted operating profit* (APBITA) by segment, as disclosed in note 1 of the financial statements, split across the main groups of business category and activity: pest control, hygiene, textiles, interior plants, facilities services and parcel delivery. "Other" represents a number of small businesses outside of the other categories. The segment information disclosed in note 1 of the financial statements is presented in accordance with IFRS 8 "Operating Segments". This additional information is designed to provide further details split by category and activity given that a number of our segments include businesses from different categories.

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

Condensed consolidated income statement
For the year ended 31 December

	Notes	**2011 £m**	2010 £m
Revenue	1	**2,544.3**	2,496.5
Operating expenses		**(2,554.5)**	(2,435.0)
Operating (loss) / profit		**(10.2)**	61.5
Analysed as:			
Operating profit before amortisation and impairment of intangibles[1], reorganisation costs and one-off items		**224.7**	239.3
Reorganisation costs		**(34.6)**	(27.9)
One-off items		**(3.6)**	2.8
Amortisation and impairment of intangible assets[1]		**(196.7)**	(152.7)
Operating (loss) / profit	1	**(10.2)**	61.5
Interest payable and similar charges	2	**(109.7)**	(114.4)
Interest receivable	3	**65.1**	63.3
Share of profit from associates (net of tax)		**4.3**	4.1
(Loss) / profit before income tax		**(50.5)**	14.5
Income tax expense[2]	4	**(16.6)**	(34.8)
Loss for the year		**(67.1)**	(20.3)
Attributable to:			
Equity holders of the company		**(69.7)**	(23.4)
Non controlling interests		**2.6**	3.1
		(67.1)	(20.3)
Basic earnings per share	5	**(3.84p)**	(1.29p)
Diluted earnings per share	5	**(3.84p)**	(1.29p)
Basic adjusted earnings per share[3]	5	**7.48p**	7.81p
Diluted adjusted earnings per share	5	**7.46p**	7.75p

[1] *excluding computer software*
[2] *taxation includes £23.4m (2010: £22.6m) in respect of overseas taxation*
[3] *earnings per share before the after tax effects of amortisation and impairment of intangibles (excluding computer software), reorganisation costs and one-off items*

The board is recommending the payment of a final dividend in respect of 2011 of 1.33p (2010: 0p) per share amounting to £24.1m (2010: £nil). See note 6.

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

	2011 £m	2010 £m
Loss for the year	**(67.1)**	(20.3)
Other comprehensive income:		
Net exchange adjustments offset in reserves	**(6.4)**	33.5
Actuarial gain on defined benefit pension plans	**130.2**	15.4
Revaluation of available-for-sale investments	**0.8**	1.1
Movement on cash flow hedge reserve	**1.2**	(1.3)
Tax on items taken directly to reserves	**(32.8)**	(4.2)
Cumulative exchange recycled to income statement on disposal of foreign operations	**-**	(2.3)
Net profit not recognised in income statement	**93.0**	42.2
Total comprehensive income for the year	**25.9**	21.9
Attributable to:		
Equity holders of the company	**24.3**	17.7
Non controlling interests	**1.6**	4.2
	25.9	21.9

Condensed consolidated balance sheet
At 31 December

	Notes	**2011** **£m**	2010 £m
Assets			
Non-current assets			
Intangible assets	7	**390.4**	552.1
Property, plant and equipment	8	**573.7**	589.7
Investments in associated undertakings		**22.2**	18.7
Other investments		**1.4**	2.8
Deferred tax assets		**9.5**	10.3
Retirement benefit assets	11	**144.0**	5.0
Other receivables		**26.3**	29.6
Derivative financial instruments		**49.5**	39.7
		1,217.0	1,247.9
Current assets			
Other investments		**2.1**	0.9
Inventories		**49.6**	44.7
Trade and other receivables		**433.5**	414.1
Current tax assets		**3.3**	-
Derivative financial instruments		**3.5**	0.9
Cash and cash equivalents	9	**89.9**	93.0
		581.9	553.6
Liabilities			
Current liabilities			
Trade and other payables		**(540.8)**	(533.8)
Current tax liabilities		**(81.1)**	(96.5)
Provisions for other liabilities and charges	12	**(31.0)**	(31.1)
Bank and other short-term borrowings	10	**(56.4)**	(58.6)
Derivative financial instruments		**(0.8)**	(3.0)
		(710.1)	(723.0)
Net current liabilities		**(128.2)**	(169.4)
Non-current liabilities			
Other payables		**(13.4)**	(12.3)
Bank and other long-term borrowings	10	**(952.5)**	(988.0)
Deferred tax liabilities		**(90.7)**	(69.9)
Retirement benefit obligations	11	**(18.6)**	(16.9)
Provisions for other liabilities and charges	12	**(76.7)**	(86.8)
Derivative financial instruments		**(41.1)**	(29.8)
		(1,193.0)	(1,203.7)
Net liabilities		**(104.2)**	(125.2)
Equity			
Capital and reserves attributable to the company's equity holders			
Called up share capital	13	**18.1**	18.1
Share premium account		**6.8**	6.8
Other reserves		**(1,750.8)**	(1,747.4)
Retained profits		**1,616.2**	1,586.8
		(109.7)	(135.7)
Non controlling interests		**5.5**	10.5
Total equity		**(104.2)**	(125.2)

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

	Called up share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Non controlling interests £m	Total equity £m
At 1 January 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 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	-	-	-	-	(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)**
Loss for the year	**-**	**-**	**-**	**(69.7)**	**2.6**	**(67.1)**
Other comprehensive income:						
Net exchange adjustments offset in reserves	**-**	**-**	**(5.4)**	**-**	**(1.0)**	**(6.4)**
Actuarial gain on defined benefit pension plans	**-**	**-**	**-**	**130.2**	**-**	**130.2**
Revaluation of available-for-sale investments	**-**	**-**	**0.8**	**-**	**-**	**0.8**
Movement on cash flow hedge reserve	**-**	**-**	**1.2**	**-**	**-**	**1.2**
Tax on items taken directly to reserves	**-**	**-**	**-**	**(32.8)**	**-**	**(32.8)**
Total comprehensive income for the year	**-**	**-**	**(3.4)**	**27.7**	**1.6**	**25.9**
Transactions with owners:						
Cost of share options and long-term incentive plan	**-**	**-**	**-**	**6.3**	**-**	**6.3**
Transactions with non controlling interests:						
Acquisition of non controlling interests	**-**	**-**	**-**	**(4.6)**	**(0.4)**	**(5.0)**
Dividends paid to non controlling interests	**-**	**-**	**-**	**-**	**(6.2)**	**(6.2)**
At 31 December 2011	**18.1**	**6.8**	**(1,750.8)**	**1,616.2**	**5.5**	**(104.2)**

Treasury shares of £11.1m (2010: £11.1m) have been netted against retained earnings. Treasury shares represent 6.4m (2010: 7.4m) shares held by the Rentokil Initial Employee Share Trust. The market value of these shares at 31 December 2011 was £4.0m (2010: £7.2m). Dividend income from, and voting rights on, the shares held by the Trust have been waived.

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

Analysis of other reserves

	Capital reduction reserve £m	Legal £m	Cash flow hedge reserve £m	Translation reserve £m	Available-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	-	-	-	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	**-**	**-**	**-**	**(5.4)**	**-**	**(5.4)**
Revaluation of available-for-sale investments	**-**	**-**	**-**	**-**	**0.8**	**0.8**
Movement on cash flow hedge reserve	**-**	**-**	**1.2**	**-**	**-**	**1.2**
Total comprehensive income for the year	**-**	**-**	**1.2**	**(5.4)**	**0.8**	**(3.4)**
At 31 December 2011	**(1,722.7)**	**10.4**	**(5.1)**	**(35.1)**	**1.7**	**(1,750.8)**

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

Condensed consolidated cash flow statement
For the year ended 31 December

	Notes	**2011 £m**	2010 £m
Cash flows from operating activities			
Cash generated from operating activities	14	**363.3**	405.5
Interest received		**5.4**	5.3
Interest paid		**(49.0)**	(48.3)
Income tax paid		**(44.5)**	(35.0)
Net cash generated from operating activities		**275.2**	327.5
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)		**(191.0)**	(183.2)
Purchase of intangible fixed assets		**(19.2)**	(9.4)
Proceeds from sale of PPE		**5.5**	13.0
Acquisition of companies and businesses, net of cash acquired	17	**(29.8)**	(17.9)
Disposal of companies and businesses		**2.8**	10.0
Purchase of available-for-sale investments		**0.1**	-
Dividends received from associates		**2.3**	1.9
Net cash flows from investing activities		**(229.3)**	(185.6)
Cash flows from financing activities			
Dividends paid to non controlling interests		**(6.2)**	(2.6)
Acquisition of non controlling interests		**(5.0)**	-
Interest element of finance lease payments		**(0.8)**	(0.9)
Capital element of finance lease payments		**(6.6)**	(7.4)
Loan repayments		**(24.1)**	(122.9)
Net cash flows from financing activities		**(42.7)**	(133.8)
Net increase in cash and bank overdrafts	15	**3.2**	8.1
Cash and bank overdrafts at beginning of year		**73.7**	59.7
Exchange (losses) / gains on cash and bank overdrafts		**(5.9)**	5.9
Cash and bank overdrafts at end of the financial year	9	**71.0**	73.7

Notes to the condensed financial statements

1. Segmental information

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

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

Segmental revenue and segmental profit (adjusted operating profit) are presented at constant exchange rates (2010 average exchange rates) to give a clearer indication of the actual performance of the business when measured against the previous year by separately identifying the impact of foreign exchange by providing information on both an actual and constant exchange rate basis.

Revenue and operating profit relate to the following main groups of business category and activity: pest control, hygiene, textiles, interior plants, facilities services and parcel delivery. "Other" represents a number of small businesses outside of the other categories. A reconciliation of segmental revenue and operating profit to business category and activity is shown in Appendix 5.

	Revenue 2011 £m	Revenue 2010 £m	**Operating profit / (loss) 2011 £m**	Operating profit / (loss) 2010 £m
At constant exchange rates				
Textiles & Hygiene	**771.3**	751.0	**115.0**	110.1
Pest Control	**581.3**	579.5	**112.4**	108.6
Asia Pacific	**227.3**	218.3	**31.7**	29.6
Ambius	**118.5**	117.2	**8.5**	8.6
City Link	**306.9**	335.5	**(31.3)**	(9.6)
Initial Facilities	**592.4**	554.0	**29.3**	25.9
Central costs	**-**	-	**(44.6)**	(33.9)
Total segmental	**2,597.7**	2,555.5	**221.0**	239.3
Inter group revenue	**(72.2)**	(59.0)	**-**	-
	2,525.5	2,496.5	**221.0**	239.3
Exchange	**18.8**	-	**3.7**	-
At actual exchange rates	**2,544.3**	2,496.5	**224.7**	239.3
Reorganisation costs	**-**	-	**(34.6)**	(27.9)
One-off items	**-**	-	**(3.6)**	2.8
Amortisation of intangible assets[1]	**-**	-	**(47.5)**	(54.9)
Impairment of goodwill	**-**	-	**(111.5)**	(97.8)
Impairment of customer lists and relationships	**-**	-	**(37.7)**	-
Operating (loss) / profit	**-**	-	**(10.2)**	61.5
Interest payable and similar charges	**-**	-	**(109.7)**	(114.4)
Interest receivable	**-**	-	**65.1**	63.3
Share of profit from associates (net of tax)				
- Asia Pacific	**-**	-	**4.3**	4.1
(Loss) / profit before income tax	**-**	-	**(50.5)**	14.5
Income tax expense	**-**	-	**(16.6)**	(34.8)
Total for the year	**2,544.3**	2,496.5	**(67.1)**	(20.3)

	Inter group revenues[2]		Reorganisation costs and one-off items[3]		Amortisation and impairment of intangibles[1,3]	
	2011 £m	2010 £m	**2011 £m**	2010 £m	**2011 £m**	2010 £m
Textiles & Hygiene	**37.1**	34.0	**8.4**	5.0	**5.3**	4.9
Pest Control	**4.6**	3.9	**13.0**	9.4	**18.0**	17.3
Asia Pacific	**0.3**	0.3	**1.7**	(1.6)	**17.5**	20.7
Ambius	**0.2**	0.2	**1.2**	-	**1.9**	2.2
City Link[4]	**1.1**	1.0	**2.4**	10.5	**150.3**	104.8
Initial Facilities	**28.9**	19.6	**8.8**	3.1	**3.4**	2.5
Central items	**-**	-	**2.7**	(1.3)	**0.3**	0.3
	72.2	59.0	**38.2**	25.1	**196.7**	152.7
Tax effect	**-**	-	**(6.0)**	3.3	**(23.4)**	(16.5)
After tax effect	**72.2**	59.0	**32.2**	28.4	**173.3**	136.2

[1] *excluding computer software*
[2] *at constant exchange rates*
[3] *at actual exchange rates*
[4] *included in the £150.3m (2010: £104.8m) amortisation and intangibles charge is an impairment charge of £145.8m (2010: £95.0m) for City Link*

1. Segmental information (continued)

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

	2011 £m	2010 £m
Textiles & Hygiene		
Reorganisation costs – Shared Service Centres[1]	**4.4**	3.6
Reorganisation costs – other businesses	**3.9**	1.0
Reorganisation costs – plant rationalisation[2]	**-**	0.4
Acquisition costs – see note 17	**0.1**	-
Total - Textiles and Hygiene	**8.4**	5.0
Pest Control		
Reorganisation costs – UK Hygiene business[2]	**5.7**	0.3
Reorganisation costs – other businesses	**1.5**	1.5
Reorganisation costs – Shared Service Centres[3]	**1.1**	3.0
Libya write off[4]	**4.8**	-
Loss on disposal of businesses[5]	**-**	4.6
Acquisition costs – see note 17	**1.2**	-
Negative goodwill credit – see note 17	**(1.3)**	-
Total - Pest Control	**13.0**	9.4
Asia Pacific		
Reorganisation costs	**1.2**	-
Profit on disposal of businesses[6]	**-**	(1.6)
Acquisition costs – see note 17	**0.5**	-
Total - Asia Pacific	**1.7**	(1.6)
Ambius		
Reorganisation costs	**1.2**	-
Total – Ambius	**1.2**	-
City Link		
Reorganisation costs[7]	**2.4**	3.3
Reorganisation costs - closure of hub[8]	**-**	7.2
Total - City Link	**2.4**	10.5
Initial Facilities		
Reorganisation costs – project Chablis[9]	**8.0**	2.2
Reorganisation costs – other	**1.2**	0.9
Acquisition costs – see note 17	**2.2**	-
Negative goodwill credit – see note 17	**(2.6)**	-
Total – Initial Facilities	**8.8**	3.1
Central costs		
Reorganisation costs - programme Olympic[10]	**4.0**	4.5
Release of prior year provisions	**(1.3)**	-
Pension changes – past service costs[11]	**-**	(35.0)
Lease Guarantee[12]	**-**	29.2
Total - Central Costs	**2.7**	(1.3)
Total	**38.2**	25.1
Classified as:		
Reorganisation costs	**34.6**	27.9
One-off items	**3.6**	(2.8)
Total	**38.2**	25.1

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

[1] *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*
[2] *relates to the closure of major processing plants in the UK, France, Belgium and the Netherlands including asset write-offs and redundancy costs net of the profit on the disposal of certain properties*
[3] *redundancy costs - transfer of administration to Pest Control*
[4] *provision against our full financial exposure arising from the suspension of our Libyan pest control business*
[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 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*

2. Interest payable and similar charges

	2011 £m	2010 £m
Interest payable on medium term notes issued[1]	**44.7**	44.0
Interest payable on bank loans and overdrafts[1]	**1.9**	3.0
Interest payable on revolving credit facility[1]	**2.8**	4.0
Interest payable on foreign exchange swaps	**1.7**	3.2
Interest payable on finance leases	**0.8**	0.9
Amortisation of discount on provisions	**1.6**	0.8
Underlying interest payable	**53.5**	55.9
Interest on defined benefit plan liabilities	**56.2**	58.5
Foreign exchange gain on translation of foreign denominated loans	**-**	(0.3)
Fair value loss on other derivatives[2]	**-**	0.3
	56.2	58.5
Total interest payable and similar charges	**109.7**	114.4

[1]interest expense on financial liabilities held at amortised cost
[2]loss on financial assets/liabilities at fair value through the income statement

3. Interest receivable

	2011 £m	2010 £m
Bank interest[1]	**2.7**	4.1
Interest receivable on foreign exchange swaps	**2.2**	0.6
Underlying interest receivable	**4.9**	4.7
Return on defined benefit plan assets	**59.4**	58.6
Foreign exchange gain on translation of foreign denominated loans	**0.2**	-
Fair value gain on other derivatives[2,3]	**0.6**	-
	60.2	58.6
Total interest receivable	**65.1**	63.3

1 *interest income on loans and receivables*
2 *gain on financial assets/liabilities at fair value through the income statement*
3 *the fair value gain on other derivatives includes fair value gains relating to interest rate swaps of £0.4m (2010: £0.3m loss) and fixed price commodity contracts of £0.2m (2010: £nil)*

4. Income tax expense

	2011 £m	2010 £m
Analysis of charge in the period		
UK Corporation tax at 26.5% (2010: 28.0%)	**2.3**	2.1
Overseas taxation	**37.6**	36.9
Adjustment in respect of previous periods	**(13.0)**	(10.2)
Total current tax	**26.9**	28.8
Deferred tax	**(10.3)**	6.0
Total income tax expense	**16.6**	34.8

5. 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 and including share options for which all conditions have been met.

	2011 £m	2010 £m
Loss attributable to equity holders of the company	**(69.7)**	(23.4)
Weighted average number of ordinary shares in issue	**1,813.0**	1,807.4
Basic earnings per share	**(3.84p)**	(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.

	2011 £m	2010 £m
Loss attributable to equity holders of the company	**(69.7)**	(23.4)
Weighted average number of ordinary shares in issue	**1,813.0**	1,807.4
Adjustment for share options and LTIPs[1]	**-**	-
Weighted average number of ordinary shares for diluted earnings per share	**1,813.0**	1,807.4
Diluted earnings per share from continuing and discontinued operations	**(3.84p)**	(1.29p)

Adjusted

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

	2011 £m	2010 £m
Loss attributable to equity holders of the company	**(69.7)**	(23.4)
Amortisation and impairment of intangibles[2], reorganisation costs and one-off items before tax	**234.9**	177.8
Tax on amortisation and impairment of intangibles[2], reorganisation costs and one-off items	**(29.4)**	(13.2)
After tax effect of amortisation and impairment of intangibles[2] , reorganisation costs and one-off items attributable to non controlling interests	**(0.2)**	(0.1)
Adjusted profit attributable to equity holders of the company	**135.6**	141.1
Weighted average number of ordinary shares in issue	**1,813.0**	1,807.4
Adjusted earnings per share	**7.48p**	7.81p

Diluted adjusted

	2011 £m	2010 £m
Adjusted profit attributable to equity holders of the company	**135.6**	141.1
Weighted average number of ordinary shares in issue	**1,813.0**	1,807.4
Adjustment for share options and LTIPs	**5.5**	12.7
Weighted average number of ordinary shares for diluted earnings per share	**1,818.5**	1,820.1
Diluted adjusted earnings per share from continuing and discontinued operations	**7.46p**	7.75p

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

6. Dividends

No dividend payments were made in 2011. A dividend in respect of 2011 of 1.33p (2010: 0p) per 1p share amounting to £24.1m (2010: £nil) is to be proposed at the AGM on 1 May 2012. These financial statements do not reflect this recommended dividend.

7. 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	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	**(3.8)**	**(6.4)**	**(0.1)**	**-**	**(0.9)**	**(11.2)**
Additions	**-**	**-**	**-**	**-**	**19.2**	**19.2**
Disposals / retirements	**-**	**-**	**-**	**-**	**(1.9)**	**(1.9)**
Acquisition of companies and businesses	**15.2**	**14.3**	**0.2**	**-**	**0.1**	**29.8**
Disposal of companies and businesses	**(0.2)**	**(1.2)**	**-**	**-**	**-**	**(1.4)**
At 31 December 2011	**515.0**	**480.1**	**27.1**	**25.4**	**63.2**	**1,110.8**
Accumulated amortisation and impairment						
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	**0.4**	**5.0**	**-**	**-**	**0.6**	**6.0**
Disposals	**-**	**-**	**-**	**-**	**1.1**	**1.1**
Disposal of companies and businesses	**-**	**0.5**	**-**	**-**	**-**	**0.5**
Impairment charge[1]	**(111.5)**	**(37.7)**	**-**	**-**	**-**	**(149.2)**
Amortisation charge	**-**	**(44.4)**	**(3.1)**	**-**	**(7.1)**	**(54.6)**
At 31 December 2011	**(226.0)**	**(420.2)**	**(15.4)**	**(25.4)**	**(33.4)**	**(720.4)**
Net Book Value						
1 January 2010	470.0	162.1	15.8	5.3	15.0	668.2
31 December 2010	388.9	129.8	14.7	-	18.7	552.1
31 December 2011	**289.0**	**59.9**	**11.7**	**-**	**29.8**	**390.4**

[1] includes an impairment charge for City Link of £145.8m (2010: £95.0m), comprising goodwill impairment of £108.1m (2010: £95.0m) and customer lists impairment of £37.7m (2010: £nil)

8. 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	(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	**(4.5)**	**(20.5)**	**(6.8)**	**(5.7)**	**(37.5)**
Additions	**4.8**	**141.9**	**16.0**	**38.7**	**201.4**
Disposals	**(7.4)**	**(110.7)**	**(15.1)**	**(35.0)**	**(168.2)**
Acquisition of companies and businesses	**1.1**	**-**	**0.2**	**1.4**	**2.7**
Disposal of companies and businesses	**(1.6)**	**(0.8)**	**(0.3)**	**(0.5)**	**(3.2)**
Reclassifications	**0.8**	**(0.3)**	**(1.3)**	**0.8**	**-**
At 31 December 2011	**184.8**	**693.5**	**275.2**	**242.7**	**1,396.2**
Accumulated depreciation and impairment					
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	**1.3**	**12.9**	**4.7**	**3.4**	**22.3**
Disposals	**4.4**	**109.7**	**14.7**	**32.4**	**161.2**
Disposal of companies and businesses	**1.0**	**0.8**	**0.2**	**0.4**	**2.4**
Depreciation charge	**(7.4)**	**(127.7)**	**(23.5)**	**(38.5)**	**(197.1)**
Reclassifications	**-**	**-**	**0.3**	**(0.3)**	**-**
At 31 December 2011	**(51.5)**	**(438.3)**	**(187.9)**	**(144.8)**	**(822.5)**
Net Book Value					
At 1 January 2010	156.9	261.8	110.0	107.6	636.3
At 31 December 2010	140.8	249.9	98.2	100.8	589.7
At 31 December 2011	**133.3**	**255.2**	**87.3**	**97.9**	**573.7**

9. Cash and cash equivalents

	2011 £m	2010 £m
Cash at bank and in hand	**82.4**	86.9
Short-term bank deposits	**7.5**	6.1
	89.9	93.0
Cash and bank overdrafts include the following for the purposes of the cash flow statement:		
Cash and cash equivalents	**89.9**	93.0
Bank overdrafts (note 10)	**(18.9)**	(19.3)
	71.0	73.7

Included within cash at bank and in hand is £14.7m (2010: £12.5m) of restricted cash.

10. Bank and other borrowings

	2011 £m	2010 £m
Non-current		
RCF and other bank borrowings	**90.0**	113.8
Bond debt	**855.0**	867.5
Finance lease liabilities	**7.5**	6.7
	952.5	988.0
Current		
Bank overdrafts (note 9)	**18.9**	19.3
Bank borrowings	**3.6**	2.6
Bond accruals	**28.3**	29.7
Finance lease liabilities	**5.6**	7.0
	56.4	58.6
Total bank and other borrowings	**1,008.9**	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 4.47%
£75m bond due September 2013/2033	Floating 3 month LIBOR + 3.98%	Fixed 7.93%
£50m bond due October 2013	Floating 3 month LIBOR + 3.25%	Fixed 7.28%
€500m bond due March 2014	Fixed 4.625%	Fixed 4.99%
Average cost of bond debt at year end rates		5.20%

The group has a committed £270m revolving credit facility (RCF) which expires in December 2016 and which accrues interest at LIBOR for the period drawn plus a margin. The cost of borrowing under the RCF at the year end was 2.1%.

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.

11. Retirement benefit obligations

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

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

The group has come to an agreement with the UK pension scheme trustees in relation to the 31 March 2010 triennial valuation of the group's UK pension scheme and the funding thereof. As shown below, the balance sheet records an IAS 19 pension scheme surplus at 31 December 2011 of £144m, whereas the agreement with the trustees assumes a funding deficit, reflecting the position at 31 March 2010 and the underlying assumptions used for a funding basis. The funding deficit assumed in the agreement is £80m with a funding arrangement by the group of £12.5m per annum over an 8 year period commencing on 1 January 2012.

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

	2011	2010
Weighted average %		
Discount rate	**4.8%**	5.4%
Expected return on plan assets	**5.2%**	5.7%
Future salary increases	**4.0%**	4.4%
Future pension increases	**3.2%**	3.5%
RPI Inflation	**3.3%**	3.7%
CPI Inflation	**2.4%**	3.0%

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

	2011 **£m**	2010 £m
Present value of funded obligations	**(1,137.5)**	(1,071.0)
Fair value of plan assets	**1,274.4**	1,070.2
	136.9	(0.8)
Present value of unfunded obligations	**(11.5)**	(11.1)
Net pension liability	**125.4**	(11.9)
Presented in the balance sheet as		
Retirement benefit assets	**144.0**	5.0
Retirement benefit obligation	**(18.6)**	(16.9)
	125.4	(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:

	2011 **£m**	2010 £m
Equity instruments	**231.1**	197.3
Debt instruments	**398.8**	446.5
Property	**1.1**	0.7
Other	**7.9**	66.9
Swaps	**635.5**	358.8
	1,274.4	1,070.2

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

	2011 **£m**	2010 £m
Current service cost[2]	**1.3**	1.5
Past service cost[3]	**-**	(35.0)
Interest cost[2]	**56.2**	58.5
Amount charged to pension liability	**57.5**	25.0
Expected return on plan assets[2]	**(59.4)**	(58.6)
Total pension income	**(1.9)**	(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

12. 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	-	(0.3)	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	**-**	**(0.3)**	**-**	**(0.2)**	**(0.5)**
Additional provisions	**10.7**	**0.6**	**3.5**	**8.7**	**23.5**
Acquisitions of companies and businesses	**-**	**-**	**-**	**0.9**	**0.9**
Unused amounts reversed	**(3.5)**	**-**	**-**	**(4.3)**	**(7.8)**
Unwinding of discount on provisions	**1.1**	**0.4**	**-**	**-**	**1.5**
Used during the year	**(8.6)**	**(1.4)**	**(8.7)**	**(9.1)**	**(27.8)**
At 31 December 2011	**53.1**	**19.4**	**23.2**	**12.0**	**107.7**

Provisions analysed as follows:

	2011 £m	2010 £m
Non-current	**76.7**	86.8
Current	**31.0**	31.1
	107.7	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.

13. Share Capital

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

14. Cash generated from operating activities

	2011 £m	2010 £m
Loss for the year	**(67.1)**	(20.3)
Adjustments for:		
- Tax	**16.6**	34.8
- Share of profit from associates	**(4.3)**	(4.1)
- Interest income	**(65.1)**	(63.3)
- Interest expense	**109.7**	114.4
- Depreciation and impairment of tangible assets	**197.1**	207.3
- Amortisation and impairment of intangible assets[1]	**196.7**	152.7
- Amortisation of computer software	**7.1**	5.6
- LTIP charges	**6.3**	6.0
- Loss on sale of property, plant and equipment	**1.5**	1.9
- Loss on disposal / retirement of intangible assets	**0.8**	0.3
- Loss on disposal of companies and businesses	**-**	5.3
- Cumulative translation exchange gain recycled	**-**	(2.3)
- Negative goodwill credited to the income statement	**(3.9)**	-
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation):		
- Inventories	**(1.7)**	4.1
- Trade and other receivables	**(12.5)**	22.6
- Trade and other payables and provisions	**(17.9)**	(59.5)
Cash generated from operating activities	**363.3**	405.5

[1] *excluding computer software*

15. Reconciliation of net increase in cash and bank overdrafts to net debt

	2011 £m	2010 £m
Net increase in cash and bank overdrafts	**3.2**	8.1
Movement on finance leases	**0.4**	2.3
Movement on loans	**24.1**	122.9
Decrease in debt resulting from cash flows	**27.7**	133.3
Foreign exchange translation and other items	**6.9**	21.2
Movement on net debt in the year	**34.6**	154.5
Opening net debt	**(953.6)**	(1,108.1)
Closing net debt	**(919.0)**	(953.6)
Closing net debt comprises:		
Cash and cash equivalents	**89.9**	93.0
Bank and other short-term borrowings	**(56.4)**	(58.6)
Bank and other long-term borrowings	**(952.5)**	(988.0)
Total net debt	**(919.0)**	(953.6)

16. Operating and free cash flow

	2011 £m	2010 £m
Cash generated from operating activities	**363.3**	405.5
Purchase of property, plant and equipment (PPE)	**(191.0)**	(183.2)
Purchase of intangible fixed assets	**(19.2)**	(9.4)
Leased property, plant and equipment	**(6.2)**	(5.1)
Proceeds from sale of PPE	**5.5**	13.0
Dividends received from associates	**2.3**	1.9
Operating cash flow	**154.7**	222.7
Interest received	**5.4**	5.3
Interest paid	**(49.0)**	(48.3)
Interest element of finance lease payments	**(0.8)**	(0.9)
Income tax paid	**(44.5)**	(35.0)
Disposal of available-for-sale investments	**0.1**	-
Free cash flow	**65.9**	143.8

17. Business combinations

The group purchased 100% of the share capital or the trade and assets of 11 companies and businesses. The total consideration in respect of acquisitions was £26.5m and the cash outflow from current period acquisitions, net of cash acquired was £25.0m.

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

	2011 £m
Purchase consideration:	
- Cash paid	**22.8**
- Contingent consideration	**3.7**
Total purchase consideration	**26.5**
Fair value of net assets acquired	**(15.2)**
	11.3
Recognised as:	
Goodwill on balance sheet	**15.2**
Negative goodwill credited to the income statement	**(3.9)**
	11.3

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 £3.7m is payable over the next 4 years based on earn out conditions on revenue, profit and customer retention. 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 £4.0m in respect of the above acquisitions.

The book value of assets and liabilities arising from acquisitions are as follows:

	2011 £m
Non-current assets	
- Intangible assets	**0.1**
- Property, plant and equipment	**2.7**
Current assets	**18.9**
Current liabilities	**(18.4)**
Non-current liabilities	**(1.6)**
Net assets acquired	**1.7**

The provisional fair value adjustments to the book value of assets and liabilities arising from acquisitions during the year and adjustments made to prior period acquisitions are as follows:

	2011 £m
Non-current assets	
- Intangible assets	**14.5**
Non-current liabilities (deferred tax)	**(1.0)**
Net assets acquired	**13.5**

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 in the year and adjustments in respect of prior period acquisitions are as follows:

	2011 £m
Non-current assets	
- Intangible assets	**14.6**
- Property, plant and equipment	**2.7**
Current assets[2]	**18.9**
Current liabilities	**(18.4)**
Non-current liabilities	**(2.6)**
Net assets acquired	**15.2**

[1] the provisional fair values will be finalised in the 2012 financial statements. The fair values are provisional as the acquisition accounting has not yet been finalised as a result of the proximity of the acquisitions to the period end.
[2] includes trade receivables of £14.6m which represents the gross and fair value of the assets acquired

17. Business combinations (continued)

	2011 £m
Total purchase consideration	**26.5**
Consideration payable in future periods	**(3.7)**
Purchase consideration (paid in cash)	**22.8**
Cash and cash equivalents in acquired companies and businesses	**2.2**
Cash outflow on current period acquisitions	**25.0**
Deferred consideration from prior periods paid	**4.8**
Cash outflow on current and past acquisitions	**29.8**

18. 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 recharges the Rentokil Initial Pension Scheme with costs of administration and independent pension advice borne by the group. The total amount of recharges in the year ended 31 December 2011 was £2.5m (2010: £2.5m).

The group has made a loan to a consortium of private investors which enabled them to purchase a 25.1% stake in the South African business. The group has a receivable from this consortium of £17.7m (2010: £21.3m) at the end of the year. The loan is due for repayment in 2014. The repayment of the loan will be dependent upon the future dividends generated by the business.

19. Legal statements

The financial information for the year ended 31 December 2011 contained in this preliminary announcement was approved by the Board on 1 March 2012.

The financial information in this statement does not constitute the company's statutory accounts for the years ended 31 December 2011 or 2010. The financial information for 2010 and 2011 is derived from the statutory accounts for 2010, which have been delivered to the registrar of companies, and 2011, which will be delivered to the registrar of companies and issued to shareholders in March 2012. The auditors have reported on the 2010 and 2011 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The statutory accounts for 2011 are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union. The accounting policies (that comply with IFRS) used by Rentokil Initial plc ("the group") are consistent with those set out in the 2010 Annual Report, except as noted below. A full list of policies will be presented in the 2011 Annual Report.

The following new standards and amendments to standards as adopted by the European Union at 31 December 2011 are mandatory for the first time for the financial year beginning 1 January 2011 and did not have a significant impact on the group.

IAS 24 Related party disclosures (revised 2009)
Amendments to IFRS 7 Financial Instruments: Disclosures
Amendments to IAS 1 Presentation of Financial Statements
Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement

There are no new standards or amendments to standards which are applicable to the group for the financial year beginning 1 January 2012.

20. 2011 Annual Report

Copies of the 2011 Annual Report will be despatched to shareholders who have elected to receive hard copies and will also be available from the company's registered office at 2 City Place, Beehive Ring Road, Gatwick Airport, West Sussex, RH6 0HA and at the company's website, www.rentokil-initial.com in HTML and PDF formats.

21. Financial calendar

For those shareholders who have elected to receive a printed copy, the Annual Report for 2011 will be mailed on 27 March 2012.

The Annual General Meeting will be held at the Hilton, Gatwick Airport, South Terminal, Crawley, West Sussex, RH6 0LL on Tuesday 1 May 2012 at 12.00 noon.