RENTOKIL INITIAL PLC (RTO)
INTERIM RESULTS FOR SIX MONTHS TO 30 JUNE 2012
3 August 2012

Results (£m)	**Q2 2012 AER**	**Growth** AER	CER	**H1 2012 AER**	**Growth** AER	CER
Revenue	**632.0**	**(1.1%)**	**2.3%**	**1,256.4**	**0.6%**	**2.9%**
Adjusted operating profit[1]	**54.0**	**(3.6%)**	**3.4%**	**87.3**	**(6.3%)**	**(0.6%)**
Adjusted profit before tax[1]	**47.2**	**2.4%**	**11.1%**	**73.5**	**-**	**7.3%**
Profit before tax	**33.2**	**36.6%**	**52.1%**	**46.6**	**56.9%**	**75.2%**
Operating cash flow[2]	**39.8**	**26.3%**	**38.7%**	**20.8**	**(15.1%)**	**0.8%**
Basic adjusted EPS				**2.97p**	**(0.7%)**	
Dividend per share				**0.67p**	**-**	

First Half Highlights (at CER)

- Group revenue +2.9% (+1.3%* organic) in challenging markets:
  - Asia +7.5%, Initial Facilities +3.7%*, City Link +3.5%, Textiles & Hygiene +3.3%, Pest Control +3.0%**
  - Acquisitions continue to perform well, contributing 2.1% (£27.1m) of revenue growth
- City Link Q2 revenue up 5.3% on prior year, 18.3% reduction in Q2 operating loss. Recovery plan on track
- Adjusted operating profit of £87.3m at AER with increased profits in Textiles & Hygiene £0.7m offset by increased central costs of £4.4m. Adjusted operating profit adversely impacted by £4.6m of foreign exchange
- Profit before tax up 75.2% primarily due to a reduction in one-off and reorganisation costs of £5.4m and a reduction in amortisation of £11.1m
- Cost savings of £22.1m; on track to exceed year end guidance of £50m for 2012
- Further expansion of pest control footprint: entry into South America and the Middle East, additional bolt-ons in Canada and the US

** excluding Initial Facilities Spain, where the business is being scaled down to reduce financial exposure and has impacted group performance by 0.5%*
***includes Ambius operations, post its integration into the Pest Control Division*

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

"Organic growth has continued to progress year on year, despite challenging markets in Southern Europe and softening conditions in Northern Europe, including the UK.

"City Link's recovery plan is progressing in line with expectations, both in terms of financial performance and underlying action plan. We expect losses to reduce further in Q3 and for the business to be profitable in Q4.

"We are pleased to announce bolt-on acquisitions in Canada, the US, Brazil, Abu Dhabi and Dubai. Our pipeline of pest control acquisitions is improving in both quality and quantity.

"Our Programme Olympic capability agenda is in full swing and is being supported by the establishment of a group Marketing & Innovation function. Though central costs will increase in the short term, this investment should accelerate growth in 2013 and beyond.

"We anticipate that continued growth, coupled with further productivity improvement at City Link, will deliver year-on-year improvement in financial performance at constant exchange rates in Q3, and most notably in Q4 this year."

AER – actual exchange rates; CER – constant 2011 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

Financial Summary

£million	Second Quarter			Half Year		
	2012	**2011**	***change***	**2012**	**2011**	***change***
Continuing Operations[1]						
At 2011 constant exchange rates[2]						
Revenue	**649.2**	634.4	*2.3%*	**1,282.6**	1,246.0	*2.9%*
Adjusted operating profit[3]	**57.0**	55.1	*3.4%*	**91.9**	92.5	*(0.6%)*
Reorganisation costs and one-off items[4]	**(8.7)**	(9.8)	*11.2%*	**(14.7)**	(20.1)	*26.9%*
Amortisation and impairment of intangible assets	**(5.6)**	(11.8)	*52.5%*	**(12.6)**	(23.7)	*46.8%*
Operating profit	**42.7**	33.5	*27.5%*	**64.6**	48.7	*32.6%*
Share of profit from associates (net of tax)	**1.3**	1.2	*8.3%*	**2.5**	2.3	*8.7%*
Net interest payable	**(8.1)**	(11.1)	*27.0%*	**(16.3)**	(22.0)	*25.9%*
Profit before tax	**35.9**	23.6	*52.1%*	**50.8**	29.0	*75.2%*
Adjusted profit before tax[3]	**50.2**	45.2	*11.1%*	**78.1**	72.8	*7.3%*
Operating cash flow[5]	**42.3**	30.5	*38.7%*	**24.1**	23.9	*0.8%*
Continuing Operations[1]						
At actual exchange rates						
Revenue	**632.0**	639.2	*(1.1%)*	**1,256.4**	1,248.9	*0.6%*
Adjusted operating profit[3]	**54.0**	56.0	*(3.6%)*	**87.3**	93.2	*(6.3%)*
Reorganisation costs and one-off items[4]	**(8.7)**	(9.8)	*11.2%*	**(14.6)**	(20.1)	*27.4%*
Amortisation and impairment of intangible assets	**(5.3)**	(12.0)	*55.8%*	**(12.3)**	(23.7)	*48.1%*
Operating profit	**40.0**	34.2	*17.0%*	**60.4**	49.4	*22.3%*
Share of profit from associates (net of tax)	**1.3**	1.2	*8.3%*	**2.5**	2.3	*8.7%*
Net interest payable	**(8.1)**	(11.1)	*27.0%*	**(16.3)**	(22.0)	*25.9%*
Profit before tax	**33.2**	24.3	*36.6%*	**46.6**	29.7	*56.9%*
Adjusted profit before tax[3]	**47.2**	46.1	*2.4%*	**73.5**	73.5	-
Operating cash flow[6]	**39.8**	31.5	*26.3%*	**20.8**	24.5	*(15.1%)*
Basic earnings per share				**1.93p**	1.26p	*53.2%*
Basic adjusted earnings per share				**2.97p**	2.99p	*(0.7)%*
Dividend per share (proposed)				**0.67p**	-	-

[1] *all figures are for continuing operations and are unaudited*
[2] *results at constant exchange rates have been translated at the full year average exchange rates for the year ended 31 December 2011. £/$ average rates: H1 2012 1.5797; FY 2011 1.6057, £/€ average rates: H1 2012 1.2162; FY 2011 1.1532*
[3] *before amortisation and impairment of intangibles (excluding computer software), reorganisation costs and one-off items*
[4] *see Appendix 4 for further details*
[5] *cash flow before interest, tax, acquisitions, disposals and foreign exchange adjustments*

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

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Initial Facilities Investor Seminar

Rentokil Initial plc is today hosting an Investor Seminar focused on the group's Facilities Services operations. The event will include presentations on market trends and dynamics, growth initiatives, strategy and capability development. Mike Brown, Managing Director, will confirm that current trading is in line with the comments made in today's interim results statement. The majority of the presentations will be web cast live and will be available on the Rentokil Initial web site.

The day will begin with a presentation on the H1 results which will commence at 8.45am. The event will be held at the offices of UBS in the 4th floor Presentation room, 100 Liverpool Street, London, EC2M 2RH.

Basis of preparation

Segmental information has been presented in accordance with IFRS 8 "Operating Segments" which the group has implemented with effect from 1 January 2009. This statement reflects changes made in 2012 with Pacific business units transferring from the Asia division to the Textiles & Hygiene division and the integration of Ambius into the Pest Control division. The segmental information also reflects changes made in 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 items of a one-off nature, totalling a net cost of £14.7m (2011: £20.0m) that have had a significant impact on the results of the group. Details of one-off items incurred in the period, for which adjustments have been made, are set out in Appendix 4. All comparisons in commentaries are at constant 2011 full year average exchange rates unless otherwise stated.

PERFORMANCE OVERVIEW

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

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

1. City Link

During H1 City Link's new management began implementation of a comprehensive recovery plan to show material improvements by Q3 2012. The plan targets productivity savings primarily through driver productivity, supported by route and round optimisation and a move to variable pay for owner drivers. There are also initiatives to reduce trunking, warehouse operations and back office costs.

Implementation is on track, with substantial productivity improvements being delivered as roll-out progresses. Hub and line haul efficiencies have improved during the period with a full route re-design scheduled for completion in Q3. The depot network continues to be consolidated with a reduction of three sites in the first half. Investment in improved scanning technology is being made to drive further quality improvement.

Although volume has increased by 14% on the prior year, change in customer mix has led to revenue increasing by only 3.5% in H1.

2. Customer care

Following the successful introduction of customer care initiatives in City Link, the Company has begun to roll out best practice initiatives across the group, including call centre technology and organisation. A major pilot is now underway in Textiles & Hygiene France. The group is also rolling out proactive customer account management processes following successful Programme Olympic pilots conducted within the UK Pest and Hygiene businesses in 2011. Further, Customer Voice Counts (the group's survey of customer satisfaction), is included in the bonus targets of many managers in order to drive outstanding customer service.

3. Cost savings

The group is on track to exceed its year end guidance of £50m cost savings for the full year. Savings of £22.1m were achieved in H1 through a combination of service productivity, back office processing efficiencies, restructuring and procurement in the Pest Control and Textiles & Hygiene Divisions (principally Benelux, Austria and Pacific). City Link has made considerable progress in the implementation of volume-based remuneration for owner drivers, with benefit from these measures expected to drive a further improvement in financial performance in H2.

4. Growth

Marketing and innovation

The Company's newly-formed Marketing & Innovation (M&I) function has made good progress during H1. Its goal is to position Rentokil Initial as the industry leader in pest control and hygiene globally for a broad range of customer types. It has identified nine priority projects for implementation in a number of partner countries. The projects include:

- The roll out of 'Advantage', giving pest control sales colleagues a professional tool to conduct thorough surveys and produce comprehensive reports for customers in the field. Its H1 launch in Holland and Portugal is the first stage of a wider implementation plan. A similar tool is being developed for hygiene.
- The launch of a new hygiene product range, 'Reflection'; roll-out of which commenced in June. A further range will be launched in 2013.
- The further development of 'PestNetOnline' with the launch of PestConnect remote monitoring
- The pilot of new hygiene working practices called 'On Site Service' for feminine hygiene units in Australia, Netherlands and South Africa.

Acquisitions

The group continues to pursue a strategy of growth through carefully targeted acquisitions and the current pipeline of opportunities remains strong and of high quality, with a particular focus on pest control. Recent acquisition activity is detailed below.

Pest Control

- On 31 July 2012 the Company completed its acquisition of Brazilian pest control business, **Asseio.** Based in Sao Paulo, Asseio operates in ten states and gives Rentokil its first important foothold in South America. In the last financial year the business generated revenue of £7.1m. Post completion, the Rentokil-Asseio brand will take third position in this high growth market.
- On 18 July 2012 Rentokil signed an agreement to acquire commercial / residential pest business **Totalai,** based in Dubai and Abu Dhabi, thereby establishing a first time presence in the Middle East. The business generated revenues of £0.3m in the year to August 2011.
- In June Rentokil acquired US business residential and commercial **Jones Pest Control**, based in South Carolina. The business generated revenue of £0.7m in 2011 and allows Rentokil to extend its service offerings in and between the important coastal cities of Charleston and Savannah.
- It also acquired in May Canadian commercial pest business **Braemar**. Based in Halifax, and servicing Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland, Braemar generated revenues of £3.2m in the year to December 2011.

Initial Facilities

- In May the Division acquired **Phoenix Fire Services Limited**, a Coventry-based Sprinkler & Dry Riser installation and service provider. The acquisition adds critical competency to Initial Facilities' existing fire business enabling it to provide end-to-end fire services to customers. Phoenix generated revenue of £2.2m in 2011.

Textiles & Hygiene

- In July the Division signed an agreement to acquire **ProQure Handelsbolag**, a mats servicing business based in Malmo, Sweden. ProQure generated revenue of £0.1m in the year to December 2011.
- Initial Medical Services acquired in May the business and assets of **Residus Sanitaris**, a dental and clinical waste collection business based in Barcelona, Spain, which generated revenues of £0.25m in the year to December 2011.

All of the above acquisitions have been funded through the group's available borrowing facilities. The group is currently reviewing its medium-term financing requirements as noted further below.

INTEGRATION OF AMBIUS INTO PEST CONTROL DIVISION

The Company has begun the process of fully integrating Ambius into the Pest Control Division under a single management structure by country or region. This follows the implementation of integrated management in the Nordics, South Africa and elsewhere in the Rentokil Initial group. Ambius is now included in the Pest Control segmental reporting (see Appendix 1).

FUNDING

Operating cash flow in H1 of £20.8m at actual exchange rates was £3.7m lower than 2011 mainly due to foreign exchange causing lower EBITDA, with working capital and capex levels in 2012 at a similar level to last year. The Company has adequate headroom in its bank facilities in terms of funds to withdraw and in relation to its covenants.

At 30 June 2012 the group had net debt of £960.0m. Of this, £839.8m is represented by capital market notes issued by the group. The earliest maturities are the £75m Floating Rate Puttable Coupon Reset Bond (the 'PCRB') with possible maturity in August 2013, and £50m in September 2013. The Company also has a Euro 500m bond which matures in March 2014. A financial review is currently underway to assess the most appropriate way to refinance the debt maturing in the next 18 months as well as the potential financing requirements of the acquisition pipeline referred to above.

The PCRB was raised in September 2008 and bears interest for the first five years at six month Libor plus 3.98% (currently 4.89%). This was subsequently swapped to a fixed rate until August 2013 of 7.98%. Under the terms of the bond, the lender has the option to put it back to the group at par (£75m) in August 2013 and every two years until maturity in August 2033. If the PCRB is not put then one of three events will occur in August 2013:

1. The lender and other potential lenders would be invited to submit bids to determine the interest rate for the next two years. This would be based on a fixed rate of 4.55% plus a margin;
2. The group exercises its call option and pays the fair value of the instruments at date of exercise to the current holders, which was £99.6m at 30 June 2012;
3. If no investors submit interest rate bids, the group is required to pay the fair value of the bond.

The PCRB, as well as the £50m bond and Euro 500m bond maturities, will be addressed as part of the review of the group's medium-term funding arrangements noted above.

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the consolidated financial statements. The financial risk management objectives and policies of the group and its exposure to price, credit, liquidity and cash flow risks are considered in the *Business Review* on pages 15 to 18 and in *Notes to the Accounts* on pages 90 to 92 of the Annual report 2011.

DIVIDEND

The Board has declared an interim dividend of 0.67p per share amounting to £12.1m payable on 26 October 2012 to shareholders on the register at 14 September 2012. The Company has a progressive dividend policy and will take a view on the level of any growth for 2012 based on the year-end results.

OUTLOOK FOR H2

Organic growth has continued to progress year on year, despite challenging markets in Southern Europe and softening conditions in Northern Europe, including the UK. City Link's recovery plan is progressing in line with expectations, both in terms of financial performance and underlying action plan. We expect losses to reduce further in Q3 and for the business to be profitable in Q4.

Our Programme Olympic capability agenda is in full swing and is being supported by the establishment of a group Marketing & Innovation function. Though central costs will increase in the short term, this investment should accelerate growth in 2013 and beyond.

We anticipate that continued growth, coupled with further productivity improvement at City Link, will deliver year-on-year improvement in financial performance at constant exchange rates in Q3, and most notably in Q4 this year.

OTHER FINANCIALS

Net debt and cash flow

£ million at actual exchange rates	Year to Date		
	2012 HY £m	2011 HY £m	*Change £m*
Adjusted operating profit[1]	**87.3**	93.2	(5.9)
Reorganisation costs and one-off items	**(14.6)**	(20.1)	5.5
Depreciation	**96.5**	100.9	(4.4)
Other non-cash	**4.5**	4.1	0.4
EBITDA	**173.7**	178.1	(4.4)
Working capital	**(50.0)**	(52.1)	2.1
Capex – additions	**(106.7)**	(103.9)	(2.8)
Capex – disposals	**3.8**	2.4	1.4
Operating cash flow	**20.8**	24.5	(3.7)
Interest	**(37.6)**	(36.1)	(1.5)
Tax	**(17.3)**	(29.6)	12.3
Disposal of available-for-sale investments	**2.0**	-	2.0
Free cash flow	**(32.1)**	(41.2)	9.1
Acquisitions / disposals	**(3.7)**	(13.5)	9.8
Dividends	**(24.1)**	-	(24.1)
Special pension contribution	**(12.5)**	-	(12.5)
Foreign exchange translation and other items	**31.4**	(16.3)	47.7
(Increase) / decrease in net debt	**(41.0)**	(71.0)	30.0
Closing net debt	**(960.0)**	(1,024.6)	64.6

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

Operating cash flow in H1 of £20.8m at actual exchange rates was £3.7m lower than 2011 mainly due to foreign exchange causing lower EBITDA, with working capital and capex levels in 2012 at a similar level to last year.

Total tax payments were £17.3m compared with £29.6m last year. The decrease in total tax payments is mainly attributable to the phasing of payments relating to prior year liabilities. Interest payments (including finance lease interest) were £1.5m higher than last year at £37.6m and £2.0m income from the disposal of available-for-sale investments resulted in a free cash outflow of £32.1m, a £9.1m improvement on prior year.

The acquisition/disposal outflow of £3.7m was £9.8m lower than last year, the Company paid a dividend of £24.1m and made the first of 8 annual pension funding payments of £12.5m at the beginning of the year. Foreign exchange translation gains and other items increased cash flow by £31.4m, leaving an overall outflow of £41.0m and net debt of £960.0m.

Reorganisation costs and one off items

Net reorganisation costs and one-off items in the first half of the year amounted to £14.7m (2011: £20.0m). £11.2m (2011: £15.3m) of these related directly to the group's major reorganisation programme, including Olympic, and consisted mainly of redundancy costs, consultancy and plant and office closure costs net of the profit on sale of certain properties. One-off items of £3.5m (2011: £4.8m) include £3.0m relating to an enforceable undertaking agreed with the Australian Fair Work Ombudsman covering back pay obligations and related employment costs. A further £1.0m will need to be spent over the next 18 to 24 months to 'future proof' our reward processes and systems. Details of one-off items incurred in the period, for which adjustments have been made, are set out in Appendix 4.

Central costs

Central costs increased by £4.4m in H1 reflecting further investment in Programme Olympic, the creation of a group Marketing & Innovation function in Q1 and higher incentive costs.

Interest

Net interest payable was £16.3m at actual exchange rates compared to £22.0m in the prior year. Underlying interest payable (excluding pensions, mark to market and foreign exchange differences) was £23.5m compared to £24.0m in the prior year, a reduction of £0.5m. Increased borrowing costs associated with the new RCF facility have been offset by favourable exchange rates reducing the sterling value of interest payable on Euro borrowings and a reduction in amortised discount rates for provisions. Net interest payable included improvements of £4.5m from pension interest income and £0.7 from mark to market and foreign exchange differences.

Tax

The income statement tax charge for H1 2012 was 21.9% of profit before tax from continuing operations, compared with 18.5% in H1 2011. The effective tax rate after adjusting for the amortisation and impairment of intangibles (excluding computer software), reorganisation costs and one-off items was 24.6% for H1 2012 compared with 24.2% in H1 2011. This compares with a blended rate of tax for the countries in which the group operates of 28.4% (28.5% in H1 2011). The principal factor that caused this lower effective tax rate is the release of prior year provisions for tax no longer considered necessary as various issues were either settled or became statute barred in the period.

Divisional Analysis

3 months to 30 June 2012
£million

	3 months to 30 June 2012 AER	Change from Q2 2011 AER	Change from Q2 2011 CER	Organic growth CER
Revenue				
Textiles & Hygiene	218.8	(4.6%)	2.1%	0.6%
Pest Control	183.7	(0.5%)	2.5%	0.9%
Asia	24.5	6.1%	6.5%	7.7%
City Link	76.0	5.3%	5.3%	5.3%
Initial Facilities	148.6	(0.7%)	0.1%	(2.8%)
Segmental revenue	651.6	(1.1%)	2.3%	0.4%
Intra group trading	(19.6)	-	-	
At actual exchange rates	632.0	(1.1%)		
Exchange	17.2			
At constant exchange rates	649.2		2.3%	0.4%

	3 months to 30 June 2012 AER	Change from Q2 2011 AER	Change from Q2 2011 CER	Organic growth CER
Adjusted operating profit				
Textiles & Hygiene	31.8	(4.8%)	2.1%	2.4%
Pest Control	32.6	(3.6%)	1.2%	1.1%
Asia	1.3	44.4%	62.5%	39.3%
City Link	(5.8)	18.3%	18.3%	18.3%
Initial Facilities	6.6	13.8%	13.8%	9.9%
Central Costs	(12.5)	(15.7%)	(16.7%)	(15.2%)
Segmental profit	54.0	(3.6%)	3.4%	3.1%
Reorganisation costs and one-off items	(8.7)	(11.2%)	(11.2%)	
Amortisation of intangible assets[1]	(5.3)	(55.8%)	(52.5%)	
At actual exchange rates	40.0	17.0%		
Exchange	2.7			
At constant exchange rates	42.7		27.5%	3.1%

[1] *excluding computer software*

6 months to 30 June 2012
£million

	6 months to 30 June 2012 AER	Change from H1 2011 AER	Change from H1 2011 CER	Organic growth CER
Revenue				
Textiles & Hygiene	444.9	(1.0%)	3.3%	1.5%
Pest Control	352.3	0.7%	3.0%	1.3%
Asia	48.6	7.3%	7.5%	8.6%
City Link	149.5	3.5%	3.5%	3.5%
Initial Facilities	300.2	1.2%	1.8%	(2.3%)
Segmental revenue	1,295.5	0.8%	3.0%	0.8%
Intra group trading	(39.1)	(6.0%)	(6.2%)	
At actual exchange rates	1,256.4	0.6%		
Exchange	26.2			
At constant exchange rates	1,282.6		2.9%	0.8%

	6 months to 30 June 2012 AER	Change from H1 2011 AER	Change from H1 2011 CER	Organic growth CER
Adjusted operating profit				
Textiles & Hygiene	64.3	1.1%	5.7%	5.9%
Pest Control	51.4	(5.2%)	(0.9%)	(1.7%)
Asia	2.4	20.0%	26.3%	22.4%
City Link	(18.5)	(3.9%)	(3.9%)	(3.9%)
Initial Facilities	12.9	7.5%	7.5%	4.5%
Central Costs	(25.2)	21.2%	21.2%	20.9%
Segmental profit	87.3	(6.3%)	(0.6%)	(1.3%)
Reorganisation costs and one-off items	(14.6)	(27.4%)	(26.9%)	
Amortisation of intangible assets[1]	(12.3)	(48.1%)	(46.8%)	
At actual exchange rates	60.4	22.3%		
Exchange	4.2			
At constant exchange rates	64.6		32.6%	(1.3%)

[1] *excluding computer software*

Category Analysis

3 months to 30 June 2012

£million	3 months to 30 June 2012 AER	Change from Q2 2011 AER	Change from Q2 2011 CER	Organic growth CER
Revenue				
Pest Control	144.9	2.4%	4.6%	3.2%
Hygiene	128.5	(5.1%)	-	-
Textiles	104.3	(6.2%)	2.4%	3.2%
Interior Plants	32.3	-	1.5%	(2.4%)
Facilities Services	142.4	(0.5%)	0.4%	(2.8%)
Parcel Delivery	76.0	5.3%	5.3%	5.3%
Other	23.2	0.4%	4.4%	(10.9%)
Total	651.6	(1.1%)	2.3%	0.4%
Adjusted operating profit				
Pest Control	31.2	(4.3%)	(0.9%)	(1.0%)
Hygiene	25.1	(4.9%)	0.8%	0.6%
Textiles	14.7	(2.0%)	6.8%	6.4%
Interior Plants	2.4	20.0%	31.6%	23.4%
Facilities Services	6.0	11.1%	9.3%	5.6%
Parcel Delivery	(5.8)	18.3%	18.3%	18.3%
Other	(19.6)	(7.1%)	(7.7%)	(6.4%)
Total	54.0	(3.6%)	3.4%	3.1%

6 months to 30 June 2012

£million	6 months to 30 June 2012 AER	Change from HY 2011 AER	Change from HY 2011 CER	Organic growth CER
Revenue				
Pest Control	274.3	4.0%	5.5%	3.8%
Hygiene	258.8	(2.7%)	0.6%	0.3%
Textiles	212.1	(3.0%)	3.0%	3.5%
Interior Plants	64.4	0.6%	1.7%	(2.2%)
Facilities Services	287.8	1.2%	1.7%	(2.4%)
Parcel Delivery	149.5	3.5%	3.5%	3.5%
Other	48.6	9.5%	12.4%	(5.1%)
Total	1,295.5	0.8%	3.0%	0.8%
Adjusted operating profit				
Pest Control	50.8	(3.1%)	(0.4%)	(0.8%)
Hygiene	48.5	(2.8%)	1.0%	0.7%
Textiles	30.0	6.8%	13.2%	13.0%
Interior Plants	3.8	11.8%	18.2%	8.7%
Facilities Services	11.7	8.3%	8.3%	6.1%
Parcel Delivery	(18.5)	(3.9%)	(3.9%)	(3.9%)
Other	(39.0)	(16.1%)	(16.1%)	(14.8%)
Total	87.3	(6.3%)	(0.6%)	(1.3%)

ANNUAL CONTRACT PORTFOLIO - CONTINUING BUSINESSES

3 Months to 30 June 2012

£m at constant 2011 exchange rates	1.4.12	New Business / Additions	Terminations/ Reductions	Net Price Increases	Acquisitions /(Disposals)	30.6.12	30.6.12 at actual exchange
Textiles & Hygiene	769.7	23.4	(23.1)	5.7	(0.4)	775.3	743.2
Pest Control	574.4	22.5	(22.6)	1.6	1.6	577.5	565.0
Asia	79.7	5.2	(3.5)	0.2	-	81.6	81.3
Initial Facilities	520.4	22.3	(19.8)	0.3	-	523.2	520.7
TOTAL	1,944.2	73.4	(69.0)	7.8	1.2	1,957.6	1,910.2

6 Months to 30 June 2012

£m at constant 2011 exchange rates	1.1.12	New Business / Additions	Terminations / Reductions	Net Price Increases	Acquisitions /(Disposals)	30.6.12	30.6.12 at actual exchange
Textiles & Hygiene	760.6	49.4	(44.5)	10.2	(0.4)	775.3	743.2
Pest Control	571.4	43.8	(46.3)	6.4	2.2	577.5	565.0
Asia	77.6	10.9	(7.3)	0.4	-	81.6	81.3
Initial Facilities	523.4	45.3	(47.0)	1.5	-	523.2	520.7
TOTAL	1,933.0	149.4	(145.1)	18.5	1.8	1,957.6	1,910.2

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).

Reorganisation costs and one-off items

	3 months to 30 June 2012 £m	3 months to 30 June 2011 £m	**6 months to 30 June 2012 £m**	6 months to 30 June 2011 £m
Textiles & Hygiene	**(4.4)**	(3.2)	**(5.5)**	(4.3)
Pest Control	**(0.1)**	(1.1)	**(0.6)**	(6.6)
Asia	**(0.3)**	(0.4)	**-**	(0.4)
City Link	**0.7**	(2.1)	**(1.2)**	(3.7)
Initial Facilities	**(3.0)**	(1.9)	**(4.9)**	(3.1)
Central Costs	**(1.6)**	(1.0)	**(2.5)**	(1.9)
At constant exchange rates	**(8.7)**	(9.7)	**(14.7)**	(20.0)
Exchange	**-**	(0.1)	**0.1**	(0.1)
At actual exchange rates	**(8.7)**	(9.8)	**(14.6)**	(20.1)

Net reorganisation costs and one-off items in the first half of the year amounted to £14.7m (2011: £20.0m). £11.2m (2011: £15.3m) of these related directly to the group's major reorganisation programme, including Olympic, and consisted mainly of redundancy costs, consultancy and plant and office closure costs net of the profit on sale of certain properties. One-off items of £3.5m (2011: £4.8m) include £3.0m relating to an enforceable undertaking agreed with the Australian Fair Work Ombudsman covering back pay obligations and related employment costs. A further £1.0m will need to be spent over the next 18 to 24 months to 'future proof' our reward processes and systems. Details of one-off items incurred in the period, for which adjustments have been made, are set out in Appendix 4.

Condensed consolidated income statement

	Notes	**6 months to 30 June 2012 £m**	6 months to 30 June 2011 £m	Year to 31 December 2011 £m
Revenue	4	**1,256.4**	1,248.9	2,544.3
Operating expenses		**(1,196.0)**	(1,199.5)	(2,554.5)
Operating profit/(loss)		**60.4**	49.4	(10.2)
Analysed as:				
Operating profit before amortisation and impairment of intangibles[1], reorganisation costs and one-off items		**87.3**	93.2	224.7
Reorganisation costs		**(11.1)**	(15.3)	(34.6)
One-off items		**(3.5)**	(4.8)	(3.6)
Amortisation and impairment of intangible assets[1]		**(12.3)**	(23.7)	(196.7)
Operating profit/(loss)	4	**60.4**	49.4	(10.2)
Interest payable and similar charges	5	**(52.3)**	(53.5)	(109.7)
Interest receivable	6	**36.0**	31.5	65.1
Share of profit from associates (net of tax)		**2.5**	2.3	4.3
Profit/(Loss) before income tax		**46.6**	29.7	(50.5)
Income tax expense[2]	7	**(10.2)**	(5.5)	(16.6)
Profit/(Loss) for the period		**36.4**	24.2	(67.1)
Attributable to:				
Equity holders of the company		**35.0**	22.7	(69.7)
Non controlling interests		**1.4**	1.5	2.6
		36.4	24.2	(67.1)
Basic earnings per share	8	**1.93p**	1.26p	(3.84p)
Diluted earnings per share	8	**1.93p**	1.25p	(3.84p)
Basic adjusted earnings per share[3]	8	**2.97p**	2.99p	7.48p
Diluted adjusted earnings per share	8	**2.97p**	2.97p	7.46p

[1] *excluding computer software*
[2] *taxation includes £11.0m (HY 2011: £6.8m, FY 2011: £23.4m) 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*

Condensed consolidated statement of comprehensive income

	6 months to 30 June 2012 £m	6 months to 30 June 2011 £m	Year to 31 December 2011 £m
Profit / (Loss) for the period	**36.4**	24.2	(67.1)
Other comprehensive income:			
Net exchange adjustments offset in reserves	**(0.3)**	(8.7)	(6.4)
Actuarial (loss) / gain on defined benefit pension plans	**(106.3)**	36.9	130.2
Revaluation of available-for-sale investments	**0.1**	0.7	0.8
Movement on cash flow hedge reserve	**1.7**	0.4	1.2
Tax on items taken directly to reserves	**25.5**	(9.6)	(32.8)
Cumulative exchange recycled to income statement on disposal of foreign operations	**-**	-	-
Net (loss) / profit not recognised in income statement	**(79.3)**	19.7	93.0
Total comprehensive (expense) / income	**(42.9)**	43.9	25.9
Attributable to:			
Equity holders of the company	**(43.4)**	42.5	24.3
Non controlling interests	**0.5**	1.4	1.6
	(42.9)	43.9	25.9

Condensed consolidated balance sheet

	Notes	**At 30 June 2012 £m**	At 30 June 2011 £m	At 31 December 2011 £m
Assets				
Non-current assets				
Intangible assets	10	**383.3**	541.3	390.4
Property, plant and equipment	11	**553.9**	606.6	573.7
Investments in associated undertakings		**23.8**	20.5	22.2
Other investments		**0.4**	1.6	1.4
Deferred tax assets		**10.5**	11.1	9.5
Retirement benefit assets	14	**57.8**	45.0	144.0
Other receivables		**25.9**	29.0	26.3
Derivative financial instruments		**40.6**	32.0	49.5
		1,096.2	1,287.1	1,217.0
Current assets				
Other investments		**1.0**	2.1	2.1
Inventories		**52.5**	49.7	49.6
Trade and other receivables		**462.2**	452.1	433.5
Current tax assets		**2.7**	-	3.3
Derivative financial instruments		**6.5**	3.5	3.5
Cash and cash equivalents	12	**97.9**	101.1	89.9
		622.8	608.5	581.9
Liabilities				
Current liabilities				
Trade and other payables		**(525.0)**	(527.8)	(540.8)
Current tax liabilities		**(75.3)**	(75.5)	(81.1)
Provisions for other liabilities and charges	15	**(21.9)**	(24.1)	(31.0)
Bank and other short-term borrowings	13	**(49.7)**	(60.9)	(56.4)
Derivative financial instruments		**(2.3)**	(7.3)	(0.8)
		(674.2)	(695.6)	(710.1)
Net current liabilities		**(51.4)**	(87.1)	(128.2)
Non-current liabilities				
Other payables		**(15.2)**	(12.5)	(13.4)
Bank and other long-term borrowings	13	**(1,008.2)**	(1,064.8)	(952.5)
Deferred tax liabilities		**(62.8)**	(80.3)	(90.7)
Retirement benefit obligations	14	**(17.9)**	(17.8)	(18.6)
Provisions for other liabilities and charges	15	**(76.8)**	(88.9)	(76.7)
Derivative financial instruments		**(33.2)**	(24.5)	(41.1)
		(1,214.1)	(1,288.8)	(1,193.0)
Net liabilities		**(169.3)**	(88.8)	(104.2)
Equity				
Capital and reserves attributable to the company's equity holders				
Called up share capital	16	**18.1**	18.1	18.1
Share premium account		**6.8**	6.8	6.8
Other reserves		**(1,749.3)**	(1,754.9)	(1,750.8)
Retained profits		**1,549.1**	1,634.6	1,616.2
		(175.3)	(95.4)	(109.7)
Non controlling interests		**6.0**	6.6	5.5
Total equity		**(169.3)**	(88.8)	(104.2)

Condensed consolidated statement of changes in equity

	Called up share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Non controlling interests £m	Total equity £m
At 1 January 2011	18.1	6.8	(1,747.4)	1,586.8	10.5	(125.2)
Profit for the period	-	-	-	22.7	1.5	24.2
Other comprehensive income:						
Net exchange adjustments offset in reserves	-	-	(8.6)	-	(0.1)	(8.7)
Actuarial gain on defined benefit pension plans	-	-	-	36.9	-	36.9
Revaluation of available-for-sale investments	-	-	0.7	-	-	0.7
Movement on cash flow hedge reserve	-	-	0.4	-	-	0.4
Tax on items taken directly to reserves	-	-	-	(9.6)	-	(9.6)
Total comprehensive income/(expense) for the period	-	-	(7.5)	50.0	1.4	43.9
Transactions with owners:						
Cost of share options and long-term incentive plan	-	-	-	2.6	-	2.6
Transactions with non controlling interests:						
Acquisition of non controlling interests without a change in control	-	-	-	(4.8)	(0.3)	(5.1)
Dividends paid to non controlling interests	-	-	-	-	(5.0)	(5.0)
At 30 June 2011	18.1	6.8	(1,754.9)	1,634.6	6.6	(88.8)
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/(expense) 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 without a change in control	-	-	-	(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)
At 1 January 2012	**18.1**	**6.8**	**(1,750.8)**	**1,616.2**	**5.5**	**(104.2)**
Profit for the period	**-**	**-**	**-**	**35.0**	**1.4**	**36.4**
Other comprehensive income:						
Net exchange adjustments offset in reserves	**-**	**-**	**(0.3)**	**-**	**-**	**(0.3)**
Actuarial gain on defined benefit pension plans	**-**	**-**	**-**	**(106.3)**	**-**	**(106.3)**
Revaluation of available-for-sale investments	**-**	**-**	**0.1**	**-**	**-**	**0.1**
Movement on cash flow hedge reserve	**-**	**-**	**1.7**	**-**	**-**	**1.7**
Tax on items taken directly to reserves	**-**	**-**	**-**	**25.5**	**-**	**25.5**
Total comprehensive income/(expense) for the period	**-**	**-**	**1.5**	**(45.8)**	**1.4**	**(42.9)**
Transactions with owners:						
Dividends paid to equity shareholders	**-**	**-**	**-**	**(24.1)**	**-**	**(24.1)**
Cost of share options and long-term incentive plan	**-**	**-**	**-**	**2.8**	**-**	**2.8**
Transactions with non controlling interests:						
Dividends paid to non controlling interests	**-**	**-**	**-**	**-**	**(0.9)**	**(0.9)**
At 30 June 2012	**18.1**	**6.8**	**(1,749.3)**	**1,549.1**	**6.0**	**(169.3)**

Treasury shares of £11.1m (HY 2011: £10.3m, FY 2011: £[11.1]m) have been netted against retained earnings. Treasury shares represent 6.2m (HY 2011: 6.9m, FY 2011: 6.4m) shares held by the Rentokil Initial Employee Share Trust. The market value of these shares at 30 June 2012 was £4.6m (HY 2011: £6.5m, FY 2011: £4.0m). Dividend income from, and voting rights on, the shares held by the Trust have been waived.

Condensed consolidated statement of changes in equity (continued)

Analysis of other reserves

	Capital reduction reserve £m	Legal £m	Cash flow hedge reserve £m	Trans-lation reserve £m	Availa ble-for-sale £m	Total £m
At 1 January 2011	(1,722.7)	10.4	(6.3)	(29.7)	0.9	(1,747.4)
Net exchange adjustments offset in reserves	-	-	-	(8.6)	-	(8.6)
Revaluation of available-for-sale investments	-	-	-	-	0.7	0.7
Movement on cash flow hedge reserve	-	-	0.4	-	-	0.4
Total comprehensive income/(expense) for the period	-	-	0.4	(8.6)	0.7	(7.5)
At 30 June 2011	(1,722.7)	10.4	(5.9)	(38.3)	1.6	(1,754.9)
At 1 January 2011	(1,722.7)	10.4	(6.3)	(29.7)	0.9	(1,747.4)
Net exchange adjustments offset in reserves	-	-	-	(5.4)	-	(5.4)
Revaluation of available-for-sale investments	-	-	-	-	0.8	0.8
Movement on cash flow hedge reserve	-	-	1.2	-	-	1.2
Total comprehensive income for the year	-	-	1.2	(5.4)	0.8	(3.4)
At 31 December 2011	(1,722.7)	10.4	(5.1)	(35.1)	1.7	(1,750.8)
At 1 January 2012	**(1,722.7)**	**10.4**	**(5.1)**	**(35.1)**	**1.7**	**(1,750.8)**
Net exchange adjustments offset in reserves	**-**	**-**	**-**	**(0.3)**	**-**	**(0.3)**
Revaluation of available-for-sale investments	**-**	**-**	**-**	**-**	**0.1**	**0.1**
Movement on cash flow hedge reserve	**-**	**-**	**1.7**	**-**	**-**	**1.7**
Total comprehensive income/(expense) for the period	**-**	**-**	**1.7**	**(0.3)**	**0.1**	**1.5**
At 30 June 2012	**(1,722.7)**	**10.4**	**(3.4)**	**(35.4)**	**1.8**	**(1,749.3)**

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

Condensed consolidated cash flow statement

	Notes	**6 months to 30 June 2012 £m**	6 months to 30 June 2011 £m	Year to 31 December 2011 £m
Cash flows from operating activities				
Cash generated from operating activities before special pension contribution	17	**123.7**	126.0	363.3
Special pension contribution		**(12.5)**	-	-
Cash generated from operating activities	17	**111.2**	126.0	363.3
Interest received		**3.7**	1.8	5.4
Interest paid		**(40.9)**	(37.5)	(49.0)
Income tax paid		**(17.3)**	(29.6)	(44.5)
Net cash generated from operating activities		**56.7**	60.7	275.2
Cash flows from investing activities				
Purchase of property, plant and equipment (PPE)		**(89.5)**	(94.3)	(191.0)
Purchase of intangible fixed assets		**(8.5)**	(6.8)	(19.2)
Proceeds from sale of PPE		**3.8**	2.4	5.5
Acquisition of companies and businesses, net of cash acquired	20	**(4.6)**	(14.8)	(29.8)
Disposal of companies and businesses		**0.9**	1.3	2.8
Disposal of available-for-sale investments		**2.0**	-	0.1
Dividends received from associates		**-**	-	2.3
Net cash flows from investing activities		**(95.9)**	(112.2)	(229.3)
Cash flows from financing activities				
Dividends paid to equity shareholders		**(24.1)**	-	-
Dividends paid to non controlling interests		**(0.9)**	(5.0)	(6.2)
Acquisition of non controlling interests		**-**	-	(5.0)
Interest element of finance lease payments		**(0.4)**	(0.4)	(0.8)
Capital element of finance lease payments		**(3.0)**	(3.3)	(6.6)
Net loan draw downs / (repayments)		**60.5**	51.1	(24.1)
Net cash flows from financing activities		**32.1**	42.4	(42.7)
Net (decrease)/increase in cash and bank overdrafts	18	**(7.1)**	(9.1)	3.2
Cash and bank overdrafts at beginning of year		**71.0**	73.7	73.7
Exchange (losses)/gains on cash and bank overdrafts		**0.2**	(7.3)	(5.9)
Cash and bank overdrafts at end of the financial period	12	**64.1**	57.3	71.0

Notes to the condensed financial statements

1. General Information

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

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

The condensed consolidated half-yearly financial information for the half-year to 30 June 2012 was approved for issue on 2 August 2012.

On pages 15 to 18 of the Annual Report 2011 we set out the Group's approach to risk management and define the principal risks that are most relevant to the group as (a) achieving profitable growth and cash flows in the face of a weakening of the economies in which we operate, particularly Europe, and (b) managing the number, scope, complexity and interdependency of many initiatives necessary to deliver improved capabilities of our people, excellence across the group's operations and outstanding service to our customers. These risks are further disaggregated and mapped against the Group's strategic thrusts and include a number of "assurance risks" which relate to activities that the Group must undertake in order to meet legal, fiscal and governance obligations.

In our view the principal risks remain unchanged from those indicated in the Annual Report 2011 and actions continue to be taken to substantially mitigate the impact of such risks, should they materialise.

These interim financial results do not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006, and should be read in conjunction with the Annual Report 2011. The comparative figures for the year ended 31 December 2011 are not the group's statutory accounts for that financial year. Those accounts have been reported upon by the group's auditors and delivered to the registrar of companies. The report of the auditors was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

2. Basis of preparation

These condensed set of interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU. As required by the Disclosure and Transparency Rules of the Financial Services Authority, the condensed set of interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 31 December 2011 except for the changes described in note 3.

3. Accounting Policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those financial statements.

The preparation of the condensed interim financial information for the half-year ended 30 June 2012 requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the date of the statement. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the statement, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

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

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

There are no new standards or amendments to standards as adopted by the European Union at 30 June 2012 mandatory for the first time for the financial year beginning 1 January 2012 that are applicable to the group.

4. Segmental information

Segmental information has been presented in accordance with IFRS 8 “Operating Segments” which the group has implemented with effect from 1 January 2009. This statement reflects changes made in 2012 with Pacific business units transferring from the Asia division to the Textiles & Hygiene division and the integration of Ambius into the Pest Control division. The segmental information also reflects changes made in 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.

	Revenue 6 months to 30 June 2012 £m	Revenue 6 months to 30 June 2011 £m	Revenue Year to 31 December 2011 £m	**Adjusted operating profit 6 months to 30 June 2012 £m**	Adjusted operating profit 6 months to 30 June 2011 £m	Adjusted operating profit Year to 31 December 2011 £m
At constant exchange rates						
Textiles & Hygiene	**462.9**	448.0	901.5	**67.0**	63.4	142.5
Pest Control	**359.2**	348.8	722.1	**53.3**	53.8	124.2
Asia	**48.7**	45.3	93.2	**2.4**	1.9	4.6
City Link	**149.5**	144.5	306.8	**(18.5)**	(17.8)	(31.3)
Initial Facilities	**301.5**	296.3	593.1	**12.9**	12.0	29.3
Central costs	**-**	-	-	**(25.2)**	(20.8)	(44.6)
Total segmental	**1,321.8**	1,282.9	2,616.7	**91.9**	92.5	224.7
Intra group revenue	**(39.2)**	(36.9)	(72.4)	**-**	-	-
	1,282.6	1,246.0	2,544.3	**91.9**	92.5	244.7
Exchange	**(26.2)**	2.9	-	**(4.6)**	0.7	-
At actual exchange rates	**1,256.4**	1,248.9	2,544.3	**87.3**	93.2	224.7
Reorganisation costs	**-**	-	-	**(11.1)**	(15.3)	(34.6)
One-off items	**-**	-	-	**(3.5)**	(4.8)	(3.6)
Amortisation of intangible assets[1]	**-**	-	-	**(12.3)**	(23.7)	(47.5)
Impairment of goodwill	**-**	-	-	**-**	-	(111.5)
Impairment of customer lists and relationships	**-**	-	-	**-**	-	(37.7)
Operating profit / (loss)	**-**	-	-	**60.4**	49.4	(10.2)
Interest payable and similar charges	**-**	-	-	**(52.3)**	(53.5)	(109.7)
Interest receivable	**-**	-	-	**36.0**	31.5	65.1
Share of profit from associates (net of tax) - Asia	**-**	-	-	**2.5**	2.3	4.3
Profit / (loss) before income tax	**-**	-	-	**46.6**	29.7	(50.5)
Income tax expense	**-**	-	-	**(10.2)**	(5.5)	(16.6)
Total for the period	**1,256.4**	1,248.9	2,544.3	**36.4**	24.2	(67.1)

Intra group revenues (at constant exchange rates)

	6 months to 30 June 2012 £m	6 months to 30 June 2011 £m	Year to 31 December 2011 £m
Textiles & Hygiene	**19.3**	19.7	37.3
Pest Control	**2.4**	2.7	4.8
Asia	**0.1**	0.2	0.3
City Link	**1.0**	0.6	1.1
Initial Facilities	**16.5**	13.7	28.9
	39.3	36.9	72.4

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

	6 months to 30 June 2012 £m	6 months to 30 June 2011 £m	Year to 31 December 2011 £m
Textiles & Hygiene	**5.4**	4.4	9.0
Pest Control	**0.6**	6.6	14.3
Asia	**-**	0.4	1.0
City Link	**1.2**	3.7	2.4
Initial Facilities	**4.9**	3.1	8.8
Central items	**2.5**	1.9	2.7
	14.6	20.1	38.2

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

	6 months to 30 June 2012 £m	6 months to 30 June 2011 £m	Year to 31 December 2011 £m
Textiles & Hygiene	**2.9**	8.0	14.7
Pest Control	**7.0**	9.7	20.3
Asia	**1.0**	2.1	7.8
City Link[2]	**-**	2.3	150.2
Initial Facilities	**1.2**	1.4	3.4
Central items	**0.2**	0.2	0.3
	12.3	23.7	196.7

[1] *excluding computer software*
[2] *included in the £nil (HY 2011: £2.3m, FY 2011: £150.3m) amortisation and intangibles charge is an impairment charge of £nil (HY 2011: £nil, FY 2011: £145.8) for City Link*

4. Segmental information (continued)

Reorganisation costs and one-off items (before tax at actual exchange rates)	**6 months to 30 June 2012 £m**	6 months to 30 June 2011 £m	Year to 31 December 2011 £m
Textiles & Hygiene			
Reorganisation costs – Shared Service Centres[1]	**-**	-	4.4
Reorganisation costs – other businesses	**2.1**	4.4	4.5
Product rationalisation[2]	**0.5**	-	-
Increase in provisions – Australia[3]	**3.0**	-	-
(Profit) on disposal[4]	**(0.2)**	-	-
Acquisition costs	**-**	-	0.1
Total - Textiles and Hygiene	**5.4**	4.4	9.0
Pest Control			
Reorganisation costs – UK Hygiene business[5]	**0.4**	0.1	5.7
Reorganisation costs – Shared Service Centres[6]	**0.1**	0.9	1.1
Reorganisation costs – Sweden[7]	**0.4**	-	-
Reorganisation costs – Ambius	**-**	-	1.2
Reorganisation costs – other businesses	**0.2**	0.8	1.6
Libya (write back) of assets / write off[8]	**(0.5)**	4.8	4.8
Acquisition costs	**-**	-	1.2
Negative goodwill credit	**-**	-	(1.3)
Total - Pest Control	**0.6**	6.6	14.3
Asia			
Reorganisation costs – other	**0.4**	0.4	0.5
Release of prior period accruals	**(0.4)**	-	-
Acquisition costs	**-**	-	0.5
Total - Asia	**-**	0.4	1.0
City Link			
Reorganisation costs[9]	**2.6**	3.7	2.4
Release of prior period provisions[10]	**(1.4)**	-	-
Total - City Link	**1.2**	3.7	2.4
Initial Facilities			
Reorganisation costs – project Chablis[11]	**4.3**	2.5	8.0
Reorganisation costs - other	**0.4**	0.6	1.2
Write down of property	**0.2**	-	-
Acquisition costs	**-**	-	2.2
Negative goodwill credit	**-**	-	(2.6)
Total – Initial Facilities	**4.9**	3.1	8.8
Central costs			
Reorganisation costs - Programme Olympic[12]	**1.6**	1.9	4.0
Increase in provisions[13]	**0.9**	-	-
Release of prior period provisions	**-**	-	(1.3)
Total - Central Costs	**2.5**	1.9	2.7
Total	**14.6**	20.1	38.2
Classified as:			
Reorganisation costs	**11.1**	15.3	34.6
One-off items	**3.5**	4.8	3.6
Total	**14.6**	20.1	38.2

Additional notes in respect of 2011/12 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 rationalisation of the Hygiene product range including asset write-offs*
[3] *relates to an enforceable undertaking agreed with the Australian Fair Work Ombudsman, covering back pay obligations and related employment costs*
[4] *relates to the divestment of part of the Australian Hygiene business*
[5] *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*
[6] *redundancy costs - transfer of administration to Pest Control*
[7] *redundancy costs – integration of Ambius and Initial*
[8] *provision against our full financial exposure arising from the suspension of our Libyan pest control businessand subsequent write back of the Libyan joint venture following recommencement of trading in 2012*
[9] *costs associated with the integration of Target Express and City Link businesses and represents redundancy, provision for the exit of non-operational properties and the exit of vehicle leases*
[10] *relates to the partial release of the Camberley vacant property provision*
[11] *consultancy and redundancy costs associated with the reorganisation of the Initial Facilities division*
[12] *consultancy and pilot running costs associated with Programme Olympic*
[13] *increase in existing provisions including vacant property costs*

5. Interest payable and similar charges

	6 months to 30 June 2012 £m	6 months to 30 June 2011 £m	Year to 31 December 2011 £m
Hedged interest payable on medium term notes issued[1]	**21.6**	22.1	44.7
Interest payable on bank loans and overdrafts[1]	**1.0**	1.5	1.9
Interest payable on revolving credit facility[1]	**2.0**	0.7	2.8
Interest payable on foreign exchange swaps	**0.4**	0.2	1.7
Interest payable on finance leases	**0.4**	0.4	0.8
Amortisation of discount on provisions	**0.4**	0.8	1.6
Underlying interest payable	**25.8**	25.7	53.5
Interest on defined benefit plan liabilities (note 14)	**26.5**	28.2	56.2
Foreign exchange gain on translation of foreign denominated loans	**-**	(0.1)	-
Fair value gain on other derivatives[2]	**-**	(0.3)	-
	26.5	27.8	56.2
Total interest payable and similar charges	**52.3**	53.5	109.7

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

6. Interest receivable

	6 months to 30 June 2012 £m	6 months to 30 June 2011 £m	Year to 31 December 2011 £m
Bank interest[1]	**1.9**	1.5	2.7
Interest receivable on foreign exchange swaps	**0.4**	0.2	2.2
Underlying interest receivable	**2.3**	1.7	4.9
Return on defined benefit plan assets (note 14)	**32.6**	29.8	59.4
Foreign exchange gain on translation of foreign denominated loans	**1.0**	-	0.2
Fair value gain on other derivatives[2,3]	**0.1**	-	0.6
	33.7	29.8	60.2
Total interest receivable	**36.0**	31.5	65.1

[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/(losses) relating to interest rate swaps of £0.2m (HY 2011: £0.3m, FY 2011: £0.4m) and fixed price commodity contracts of £(0.1)m (HY 2011: £nil, FY 2011: £0.2m)*

7. Income tax expense

	6 months to 30 June 2012 £m	6 months to 30 June 2011 £m	Year to 31 December 2011 £m
Analysis of charge in the period			
UK Corporation tax at 24.5%* (HY 2011: 26.5%, FY 2011: 26.5%)	**-**	-	2.3
Overseas taxation	**18.0**	12.7	37.6
Adjustment in respect of previous periods	**(5.1)**	(3.7)	(13.0)
Total current tax	**12.9**	9.0	26.9
Deferred tax	**(2.7)**	(3.5)	(10.3)
Total income tax expense	**10.2**	5.5	16.6

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

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

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% over a period of 3 years from 2012. The first reduction in the UK corporation tax rate from 26% to 24% was substantively enacted on 26 March 2012 (effective from 1 April 2012). Included in the deferred tax credit above is £1.2m credit in relation to applying this rate change to the UK deferred tax provision.

The second reduction in the UK corporation tax rate to 23% with effect from 1 April 2013 was substantively enacted on 3 July 2012. It is expected that this will further reduce the Group's future current tax charge and reduce the Group's deferred tax liability accordingly.

8. Earnings per share

Basic

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

	6 months to 30 June 2012 £m	6 months to 30 June 2011 £m	Year to 31 December 2011 **£m**
Profit / (loss) attributable to equity holders of the company	**35.0**	22.7	(69.7)
Weighted average number of ordinary shares in issue	**1,813.4**	1,807.4	1,813.0
Basic earnings per share	**1.93p**	1.26p	(3.84p)

Diluted

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

	6 months to 30 June 2012 £m	6 months to 30 June 2011 £m	Year to 31 December 2011 £m
Profit / (loss) attributable to equity holders of the company	**35.0**	22.7	(69.7)
Weighted average number of ordinary shares in issue	**1,813.4**	1,807.4	1,813.0
Adjustment for share options and LTIPs[1]	**1.5**	11.8	-
Weighted average number of ordinary shares for diluted earnings per share	**1,814.9**	1,819.2	1,813.0
Diluted earnings per share from continuing and discontinued operations	**1.93p**	1.25p	(3.84p)

Adjusted

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

	6 months to 30 June 2012 £m	6 months to 30 June 2011 £m	Year to 31 December 2011 £m
Profit / (loss) attributable to equity holders of the company	**35.0**	22.7	(69.7)
One-off items and amortisation and impairment of intangibles[2] before tax	**26.9**	43.8	234.9
Tax on one-off items and amortisation and impairment of intangibles[2]	**(7.9)**	(12.3)	(29.4)
After tax effect of one-off items and amortisation and impairment of intangibles[2] attributable to non controlling interests	**(0.1)**	(0.2)	(0.2)
Adjusted profit attributable to equity holders of the company	**53.9**	54.0	135.6
Weighted average number of ordinary shares in issue	**1,813.4**	1,807.4	1,813.0
Adjusted earnings per share	**2.97p**	2.99p	7.48p

Diluted adjusted

	6 months to 30 June 2012 £m	6 months to 30 June 2011 £m	Year to 31 December 2011 £m
Adjusted profit attributable to equity holders of the company	**53.9**	54.0	135.6
Weighted average number of ordinary shares in issue	**1,813.4**	1,807.4	1,813.0
Adjustment for share options and LTIPs	**1.5**	11.8	5.5
Weighted average number of ordinary shares for diluted earnings per share	**1,814.9**	1,819.2	1818.5
Diluted adjusted earnings per share from continuing and discontinued operations	**2.97p**	2.97p	7.46p

[1] potential issue of shares under share option and LTIPs schemes are not dilutive in 2011 as the group reported a loss
[2] excluding computer software

9. Dividends

	6 months to 30 June 2012 £m	6 months to 30 June 2011 £m	Year to 31 December 2011 £m
2011 final dividend paid – 1.33p per share	**24.1**	-	-

The directors have declared an interim dividend of 0.67p per share amounting to £12.1m payable on 26 October 2012 to shareholders on the register at 14 September 2012. These interim financial statements do not reflect this dividend payable.

10. Intangible assets

	Goodwill £m	Customer lists and relationships £m	Brands and patents £m	Reacquired franchise rights £m	Computer software £m	Total £m
Cost						
At 1 January 2011	503.8	473.4	27.0	25.4	46.7	1,076.3
Exchange differences	3.6	8.3	-	-	1.0	12.9
Additions	-	-	-	-	6.8	6.8
Disposals / retirements	-	-	-	-	(1.2)	(1.2)
Acquisition of companies and businesses	0.2	5.5	-	-	-	5.7
At 30 June 2011	507.6	487.2	27.0	25.4	53.3	1,100.5
At 1 January 2011	503.8	473.4	27.0	25.4	46.7	1,076.3
Exchange differences	(3.8)	(6.4)	(0.1)	-	(0.9)	(11.2)
Additions	-	-	-	-	19.2	19.2
Disposals / retirements	-	-	-	-	(1.9)	(1.9)
Acquisition of companies and businesses	15.2	14.3	0.2	-	0.1	29.8
Disposal of companies and businesses	(0.2)	(1.2)	-	-	-	(1.4)
At 31 December 2011	515.0	480.1	27.1	25.4	63.2	1,110.8
At 1 January 2012	**515.0**	**480.1**	**27.1**	**25.4**	**63.2**	**1,110.8**
Exchange differences	**(3.8)**	**(6.5)**	**(0.2)**	**-**	**(0.8)**	**(11.3)**
Additions	**-**	**-**	**-**	**-**	**9.0**	**9.0**
Disposals / retirements	**-**	**-**	**-**	**-**	**(0.4)**	**(0.4)**
Acquisition of companies and businesses	**(1.3)**	**6.5**	**-**	**-**	**-**	**5.2**
Disposals of companies and businesses	**(0.3)**	**(0.9)**	**-**	**-**	**-**	**(1.2)**
At 30 June 2012	**509.6**	**479.2**	**26.9**	**25.4**	**71.0**	**1,112.1**
Accumulated amortisation and impairment						
At 1 January 2011	(114.9)	(343.6)	(12.3)	(25.4)	(28.0)	(524.2)
Exchange differences	(0.3)	(7.6)	-	-	(0.8)	(8.7)
Disposals	-	-	-	-	0.6	0.6
Amortisation charge	-	(22.3)	(1.4)	-	(3.2)	(26.9)
At 30 June 2011	(115.2)	(373.5)	(13.7)	(25.4)	(31.4)	(559.2)
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)
At 1 January 2012	**(226.0)**	**(420.2)**	**(15.4)**	**(25.4)**	**(33.4)**	**(720.4)**
Exchange differences	**0.3**	**5.8**	**0.3**	**-**	**0.5**	**6.9**
Disposals	**-**	**-**	**-**	**-**	**0.2**	**0.2**
Disposal of companies and businesses	**-**	**0.9**	**-**	**-**	**-**	**0.9**
Amortisation charge	**-**	**(11.4)**	**(0.9)**	**-**	**(4.1)**	**(16.4)**
At 30 June 2012	**(225.7)**	**(424.9)**	**(16.0)**	**(25.4)**	**(36.8)**	**(728.8)**
Net Book Value						
1 January 2011	388.9	129.8	14.7	-	18.7	552.1
30 June 2011	392.4	113.7	13.3	-	21.9	541.3
31 December 2011	289.0	59.9	11.7	-	29.8	390.4
30 June 2012	**283.9**	**54.3**	**10.9**	**-**	**34.2**	**383.3**

[1] *includes an impairment charge for City Link of £145.8m, comprising goodwill impairment of £108.1m and customer lists impairment of £37.7m*

11. Property, plant and equipment

	Land & buildings £m	Equipment for rental £m	Other plant and equipment £m	Vehicles and office equipment £m	Total £m
Cost					
At 1 January 2011	191.6	683.9	282.5	243.0	1,401.0
Exchange differences	7.7	29.7	12.1	5.7	55.2
Additions	1.7	69.8	8.0	15.6	95.1
Disposals	(2.8)	(16.3)	(2.9)	(15.5)	(37.5)
Acquisition of companies and businesses	0.8	-	0.1	0.2	1.1
Disposal of companies and businesses	-	(0.1)	-	(0.1)	(0.2)
At 30 June 2011	199.0	767.0	299.8	248.9	1,514.7
At 1 January 2011	191.6	683.9	282.5	243.0	1,401.0
Exchange differences	(4.5)	(20.5)	(6.8)	(5.7)	(37.5)
Additions	4.8	141.9	16.0	38.7	201.4
Disposals	(7.4)	(110.7)	(15.1)	(35.0)	(168.2)
Acquisition of companies and businesses	1.1	-	0.2	1.4	2.7
Disposal of companies and businesses	(1.6)	(0.8)	(0.3)	(0.5)	(3.2)
Reclassifications	0.8	(0.3)	(1.3)	0.8	-
At 31 December 2011	184.8	693.5	275.2	242.7	1,396.2
At 1 January 2012	**184.8**	**693.5**	**275.2**	**242.7**	**1,396.2**
Exchange differences	**(4.6)**	**(19.1)**	**(7.0)**	**(4.4)**	**(35.1)**
Additions	**1.7**	**65.0**	**7.9**	**17.3**	**91.9**
Disposals	**(2.1)**	**(18.5)**	**(6.3)**	**(13.4)**	**(40.3)**
Acquisition of companies and businesses	**0.8**	**-**	**-**	**-**	**0.8**
Disposal of companies and businesses	**-**	**(0.6)**	**(0.2)**	**(0.2)**	**(1.0)**
At 30 June 2012	**180.6**	**720.3**	**269.6**	**242.0**	**1,412.5**
Accumulated depreciation and impairment					
At 1 January 2011	(50.8)	(434.0)	(184.3)	(142.2)	(811.3)
Exchange differences	(2.1)	(19.4)	(8.2)	(3.8)	(33.5)
Disposals	1.4	16.1	2.6	14.1	34.2
Disposal companies and businesses	-	0.1	-	0.1	0.2
Depreciation charge	(3.3)	(63.6)	(11.3)	(19.5)	(97.7)
At 30 June 2011	(54.8)	(500.8)	(201.2)	(151.3)	(908.1)
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)
At 1 January 2012	**(51.5)**	**(438.3)**	**(187.9)**	**(144.8)**	**(822.5)**
Exchange differences	**1.4**	**12.2**	**5.0**	**3.0**	**21.6**
Disposals	**0.6**	**16.5**	**5.1**	**11.8**	**34.0**
Disposal of companies and businesses	**-**	**0.4**	**0.1**	**0.2**	**0.7**
Depreciation charge	**(3.1)**	**(60.3)**	**(10.6)**	**(18.4)**	**(92.4)**
At 30 June 2012	**(52.6)**	**(469.5)**	**(188.3)**	**(148.2)**	**(858.6)**
Net Book Value					
At 1 January 2011	140.8	249.9	98.2	100.8	589.7
At 30 June 2011	144.2	266.2	98.6	97.6	606.6
At 31 December 2011	133.3	255.2	87.3	97.9	573.7
At 30 June 2012	**128.0**	**250.8**	**81.3**	**93.8**	**553.9**

12. Cash and cash equivalents

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Cash at bank and in hand	**92.8**	94.6	82.4
Short-term bank deposits	**5.1**	6.5	7.5
	97.9	101.1	89.9
Cash and bank overdrafts include the following for the purposes of the cash flow statement:			
Cash and cash equivalents	**97.9**	101.1	89.9
Bank overdrafts (note 13)	**(33.8)**	(43.8)	(18.9)
	64.1	57.3	71.0

Included within cash at bank and in hand is £15.4m (HY 2011: £14.0m, FY2011: £14.7m) of restricted cash.

13. Bank and other borrowings

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Non-current			
RCF and other bank borrowings	**155.0**	165.4	90.0
Bond debt	**840.7**	889.7	855.0
Finance lease liabilities	**12.5**	9.7	7.5
	1,008.2	1,064.8	952.5
Current			
Bank overdrafts (note 12)	**33.8**	43.8	18.9
Bank borrowings	**0.2**	2.5	3.6
Bond accruals	**9.7**	10.7	28.3
Finance lease liabilities	**6.0**	3.9	5.6
	49.7	60.9	56.4
Total bank and other borrowings	**1,057.9**	1,125.7	1,008.9

Medium term notes and bond debt comprises:

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

The group has a committed £270m revolving credit facility (‘RCF’) which expires in December 2016. The cost of borrowing under the RCF at the period 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.

14. Retirement benefit obligations

Apart from the legally required social security state schemes, the group operates a number of pension schemes around the world covering many of its employees. The major schemes are of the defined benefit type with assets held in separate trustee administered funds.

The principal scheme in the group is the Rentokil Initial Pension Scheme ("RIPS") in the United Kingdom, which has a number of defined benefit sections which are now closed to new entrants (other than the Initial No2 Section, accounting for 0.5% of the total scheme's liabilities, which remains open). Actuarial valuations of the UK scheme are usually carried out every three years.

The group has come to an agreement with the UK pension scheme trustees in relation to the 31 March 2010 triennial valuation of the group's UK pension scheme and the funding thereof. As shown below, the balance sheet records an IAS 19 pension scheme surplus at 30 June 2012 of £39.9m, 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 re-appraised bi-annually by independent actuaries based upon actuarial assumptions in accordance with IAS 19 requirements. The principal assumptions used for the UK RIPS scheme are shown below.

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Weighted average %			
Discount rate	**4.4%**	5.6%	4.8%
Expected return on plan assets	**5.2%**	5.7%	5.2%
Future salary increases	**3.8%**	4.5%	4.0%
Future pension increases	**3.0%**	3.6%	3.2%
RPI Inflation	**3.1%**	3.8%	3.3%
CPI Inflation	**2.2%**	2.9%	2.4%

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

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Present value of funded obligations	**(1,225.8)**	(1,048.2)	(1,137.5)
Fair value of plan assets	**1,277.1**	1,086.5	1,274.4
	51.3	38.3	136.9
Present value of unfunded obligations	**(11.4)**	(11.1)	(11.5)
Net pension asset	**39.9**	27.2	125.4
Presented in the balance sheet as			
Retirement benefit assets	**57.8**	45.0	144.0
Retirement benefit obligation	**(17.9)**	(17.8)	(18.6)
	39.9	27.2	125.4

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

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Equity instruments	**329.1**	201.2	231.1
Debt instruments	**272.9**	400.5	398.8
Property	**1.1**	0.7	1.1
Other	**7.3**	4.9	7.9
Swaps	**666.7**	479.2	635.5
	1,277.1	1,086.5	1,274.4

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

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Current service cost[2]	**0.9**	0.7	1.3
Interest cost[2]	**26.5**	28.2	56.2
Amount charged to pension liability	**27.4**	28.9	57.5
Expected return on plan assets[2]	**(32.6)**	(29.8)	(59.4)
Total pension income	**(5.2)**	(0.9)	(1.9)

[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.*

15. Provisions for other liabilities and charges

	Vacant properties £m	Environmental £m	Self insurance £m	Other £m	Total £m
At 1 January 2011	53.4	20.1	28.4	16.0	117.9
Exchange differences	-	0.5	(0.4)	0.2	0.3
Additional provisions	2.1	0.1	1.8	3.2	7.2
Unused amounts reversed	-	-	-	(0.2)	(0.2)
Unwinding of discount on provisions	0.6	0.2	-	-	0.8
Used during the period	(3.9)	(0.5)	(4.9)	(3.7)	(13.0)
At 30 June 2011	52.2	20.4	24.9	15.5	113.0
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
At 1 January 2012	**53.1**	**19.4**	**23.2**	**12.0**	**107.7**
Exchange differences	**-**	**(0.4)**	**(0.2)**	**(0.2)**	**(0.8)**
Additional provisions	**1.5**	**0.3**	**1.9**	**5.4**	**9.1**
Acquisitions of companies and businesses	**-**	**-**	**-**	**(0.6)**	**(0.6)**
Unused amounts reversed	**(1.4)**	**(0.2)**	**(0.5)**	**(0.5)**	**(2.6)**
Unwinding of discount on provisions	**0.3**	**0.1**	**-**	**-**	**0.4**
Used during the period	**(5.9)**	**(1.3)**	**(3.3)**	**(4.0)**	**(14.5)**
At 30 June 2012	**47.6**	**17.9**	**21.1**	**12.1**	**98.7**

Provisions analysed as follows:

	At 30 June 2012 £m	At 30 June 2011 £m	At 31 December 2011 £m
Non-current	**76.8**	88.9	76.7
Current	**21.9**	24.1	31.0
	98.7	113.0	107.7

Vacant properties

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

Environmental

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

Self insurance

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

Other

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

16. Share Capital

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Authorised			
4,100,000,000 ordinary shares of 1p each	**41.0**	41.0	41.0
Issued and fully paid			
At 1 January and period end – 1,814,831,011 shares (2011: 1,814,831,011)	**18.1**	18.1	18.1

17. Cash generated from operating activities

	6 months to 30 June 2012 £m	6 months to 30 June 2011 **£m**	Year to 31 December 2011 £m
Profit / (loss) for the period	**36.4**	24.2	(67.1)
Adjustments for:			
- Tax	**10.2**	5.5	16.6
- Share of profit from associates	**(2.5)**	(2.3)	(4.3)
- Interest income	**(36.0)**	(31.5)	(65.1)
- Interest expense	**52.3**	53.5	109.7
- Depreciation and impairment of tangible assets	**92.4**	97.7	197.1
- Amortisation and impairment of intangible assets[1]	**12.3**	23.7	196.7
- Amortisation of computer software	**4.1**	3.2	7.1
- LTIP charges	**2.8**	2.6	6.3
- Other non-cash items	**0.2**	-	-
- Loss on sale of property, plant and equipment	**2.0**	0.9	1.5
- Loss on disposal / retirement of intangible assets	**0.2**	0.6	0.8
- Profit on disposal of companies and businesses	**(0.7)**	-	-
- Cumulative translation exchange gain recycled	**-**	-	-
- Negative goodwill credited to the income statement	**-**	-	(3.9)
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation):			
- Inventories	**(3.4)**	(3.1)	(1.7)
- Trade and other receivables	**(35.7)**	(24.1)	(12.5)
- Trade and other payables and provisions	**(10.9)**	(24.9)	(17.9)
Cash generated from operating activities before special pension contribution	**123.7**	126.0	363.3
Special pension contribution	**(12.5)**	-	-
Cash generated from operating activities	**111.2**	126.0	363.3

[1] *excluding computer software*

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

	6 months to 30 June 2012 £m	6 months to 30 June 2011 £m	Year to 31 December 2011 £m
Net (decrease) / increase in cash and bank overdrafts	**(7.1)**	(9.1)	3.2
Movement on finance leases	**(5.7)**	0.5	0.4
Movement on loans	**(60.5)**	(51.1)	24.1
(Increase) / decrease in debt resulting from cash flows	**(73.3)**	(59.7)	27.7
Foreign exchange translation and other items	**32.3**	(11.3)	6.9
Movement on net debt in the period	**(41.0)**	(71.0)	34.6
Opening net debt	**(919.0)**	(953.6)	(953.6)
Closing net debt	**(960.0)**	(1,024.6)	(919.0)
Closing net debt comprises:			
Cash and cash equivalents	**97.9**	101.1	89.9
Bank and other short-term borrowings	**(49.7)**	(60.9)	(56.4)
Bank and other long-term borrowings	**(1,008.2)**	(1,064.8)	(952.5)
Total net debt	**(960.0)**	(1,024.6)	(919.0)

19. Operating and free cash flow

	6 months to 30 June 2012 £m	6 months to 30 June 2011 £m	Year to 31 December 2011 £m
Cash generated from operating activities	**111.2**	126.0	363.3
Add back: special pension contribution	**12.5**	-	-
	123.7	126.0	363.3
Purchase of property, plant and equipment (PPE)	**(89.5)**	(94.3)	(191.0)
Purchase of intangible fixed assets	**(8.5)**	(6.8)	(19.2)
Leased property, plant and equipment	**(8.7)**	(2.8)	(6.2)
Proceeds from sale of PPE	**3.8**	2.4	5.5
Dividends received from associates	**-**	-	2.3
Operating cash flow	**20.8**	24.5	154.7
Interest received	**3.7**	1.8	5.4
Interest paid	**(40.9)**	(37.5)	(49.0)
Interest element of finance lease payments	**(0.4)**	(0.4)	(0.8)
Income tax paid	**(17.3)**	(29.6)	(44.5)
Disposal of available-for-sale investments	**2.0**	-	0.1
Free cash flow	**(32.1)**	(41.2)	65.9

20. Business combinations

The group purchased 100% of the share capital or the trade and assets of 5 companies and businesses in the period. The total consideration in respect of acquisitions was £7.6m and the cash outflow from current period acquisitions, net of cash acquired was £4.6m.

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

	2012 £m
Purchase consideration:	
- Cash paid	**5.6**
- Contingent consideration	**2.0**
Total purchase consideration	**7.6**
Fair value of net assets acquired	**(6.4)**
Goodwill from current period acquisitions	**1.2**

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 £2.3m is payable over the next 3 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 £nil in respect of the above acquisitions.

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

	2012 £m
Non-current assets	
- Property, plant and equipment	**0.1**
Current assets	**1.4**
Current liabilities	**(0.4)**
Net assets acquired	**1.1**

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

	2012 £m
Non-current assets	
- Intangible assets	**6.5**
Non-current liabilities (deferred tax)	**(1.2)**
Net assets acquired	**5.3**

The provisional fair value[1] of assets and liabilities arising from acquisitions in the period:

	2012 £m
Non-current assets	
- Intangible assets	**6.5**
- Property, plant and equipment	**0.1**
Current assets	**1.4**
Current liabilities	**(0.4)**
Non-current liabilities	**(1.2)**
Net assets acquired	**6.4**

[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.

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

	2011 Adjustment £m
Purchase consideration:	
- Consideration (refunded)	**(0.8)**
- Contingent consideration	**(1.4)**
Total purchase consideration	**(2.2)**
Fair value of net assets acquired	**(0.3)**
Goodwill on prior period acquisitions	**(2.5)**

20. Business combinations (continued)

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

	2011 Adjustment £m
Non-current assets	
- Property, plant and equipment	**0.7**
Current liabilities	**(1.0)**
Non-current liabilities	**0.6**
Net assets acquired	**0.3**

	2012 £m
Total purchase consideration	**7.6**
Consideration payable in future periods	**(2.0)**
Prior period consideration refund	**(0.8)**
Purchase consideration (paid in cash)	**4.8**
Cash and cash equivalents in acquired companies and businesses	**(0.6)**
Cash outflow on current period acquisitions	**4.2**
Deferred consideration from prior periods paid	**0.4**
Cash outflow on current and past acquisitions	**4.6**

From the dates of acquisition to 30 June 2012, these acquisitions contributed £1.0m to revenue and £0.1m to operating profit.

If the acquisitions had occurred on 1 January 2012, the revenue and operating profit of the combined entity would have amounted to £27.2m and £3.3m respectively.

21. Related Party Transactions

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

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

The group recharges the Rentokil Initial Pension Scheme with costs of administration and independent pension advice borne by the group. The total amount of recharges in the period ended 30 June 2012 was £1.3m (HY 2011: £1.3m, FY 2011: £2.5m).

The group has made a loan to a consortium of private investors which enabled them to purchase a 25.1% stake in the South African business. The group has a receivable from this consortium as at 30 June 2012 of £17.4m (HY 2011: £20.7m, FY 2011: £17.7m). The loan is due for repayment in 2014. The repayment of the loan will be dependent upon the future dividends generated by the business.

22. Capital commitments

The only capital commitments outstanding at 30 June 2012 were those incurred in the normal course of business.

23. Contingent liabilities

There have been no material changes to the group’s contingent liabilities since 31 December 2011.

24. Events occurring after the balance sheet date

On 10 July 2012 the Company signed an agreement to acquire ProQure Handelsbolag, a mats servicing business based in Malmo, Sweden.

On 18 July 2012 the Company signed an agreement to acquire the trade and assets of commercial / residential pest businesses Totalai Abu Dhabi and Totalai Dubai. This gives Rentokil its first presence in the Middle East.

On 31 July 2012 the Company acquired 99.9% of the share capital of Brazilian pest control business Asseio Saneamento Ambiental Ltda. This gives Rentokil its first foothold in South America.

The total initial consideration for these acquisitions is £2.1m.

Further disclosure of information relating to these acquisitions is not possible at this time due to the proximity of the acquisitions to the financial statements being authorised for issue.

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

We confirm that to the best of our knowledge:

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

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

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

By Order of the Board

Alan Brown
2 August 2012

The directors of Rentokil Initial plc are listed in the Rentokil Initial plc Annual Report for 31 December 2011. A List of the current directors is maintained on the Rentokil Initial website: www.rentokil-initial.com

INDEPENDENT REVIEW REPORT TO RENTOKIL INITIAL PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 which comprises the condensed consolidated income statement, condensed consolidated balance sheet, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Simon Figgis

for and on behalf of KPMG Audit Plc

Chartered Accountants,
15 Canada Square
London
E14 5GL

2 August 2012