RENTOKIL INITIAL 1927 PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

REGISTERED NUMBER: 224814

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DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2012.

Principal activity/future developments
The Company's main business is that of an investment holding Company for operating companies providing, principally, business-to-business support services. The Company's income is mainly derived from franchise fees and trademark charges in addition to dividend receipts from its investments in subsidiary undertakings. The principal subsidiary undertakings of the Company are shown on page 15. The directors do not intend, at the date of this report, that there will be any major changes in the Company's activities in the next year.

Principal risks and uncertainties
The directors of Rentokil Initial plc manage the risks of the Rentokil Initial plc Group ("the Group") at a Group level, rather than at an individual business unit level. For this reason, the Company's directors believe that a discussion of the Group's risks would not support an understanding of the development, performance or position of the Company's business. The principal risks and uncertainties of the Group, which include those of the Company, are discussed in the Group's 2012 Annual Report which does not form part of this report.

Financial risk management
The directors have set policies in place that minimise the Company's exposure to liquidity risk, market risk, interest rate risk and foreign exchange risk and thus ensure that the Company is able to operate with minimal financial risk. The policies used are disclosed on page 10 and are explained more fully in the Financial Review in the Group's 2012 Annual Report.

Results and dividends
The profit for the year, after taxation, amounted to £30.9m (2011: £67.1m). No interim dividends were paid in 2012 (2011: £200.0m). The directors do not recommend the payment of a final dividend for 2012 (2011: £nil).

Directors
P Griffiths
J C D Townsend
S Ingall-Tombs
G T Brown (resigned 28 March 2013)

Employees
The Company attaches considerable importance to communicating with colleagues. Internal communications take place at a group, divisional, business and team level in order to ensure that colleagues receive accurate information in a timely manner, and a variety of structures exist for two-way communications at all levels. At a corporate level the group intranet is used to announce Company news with the support of direct email communication from the executive team. This is supplemented by a periodic electronic magazine called "Horizons" which features interviews with senior executives about major initiatives and performance.

Applications for employment by disabled persons are always fully considered, taking into account the aptitudes of the applicants. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with Rentokil Initial continues and that appropriate re-training is made available. It is the policy of Rentokil Initial that the training, career development and promotion of disabled persons should, as far as possible, be identical with those of other employees.

DIRECTORS' REPORT (CONTINUED)

Policy in relation to the payment of suppliers
It is the Company's policy to pay suppliers in accordance with either negotiated or standard terms, provided that the relevant invoice is properly presented in a timely manner and is not the subject of dispute.

At 31 December 2012 the ratio, expressed in days, between the amounts invoiced to the Company by suppliers and the amount owed to trade creditors was 44 days (2011: 26 days).

Charitable donations
Donations for UK charitable purposes in 2012 amounted to £32,000 (2011: £29,000). There were no payments made to political organisations. Payments are made to a wide range of charitable organisations in the UK and encouragement is given to a matched giving scheme whereby the Company matches donations made by employees.

Statement of disclosure of information to auditor
In accordance with the Companies Act 2006, each director who was a director at the time the report was approved confirms the following:

- So far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- Each has taken all steps that each ought to have taken as director to make himself aware of any relevant information and to establish that the Company's auditor is aware of that information.

Auditors
Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

By order of the board

Paul Griffiths

P Griffiths
Secretary
2 City Place
Beehive Ring Road
Gatwick Airport
West Sussex
RH6 0HA

Company number 224814 18 June 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RENTOKIL INITIAL 1927 PLC

We have audited the financial statements of Rentokil Initial 1927 plc for the year ended 31 December 2012 set out on pages 5 to 21. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Richard De La Rue (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

18 June 2012

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £m	2011 £m
Operating income		67.5	70.6
Operating expenses		(67.9)	(54.7)
OPERATING (LOSS)/PROFIT	4	**(0.4)**	**15.9**
Dividends received from subsidiaries		13.7	33.9
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		**13.3**	**49.8**
Interest receivable and similar income	2	64.4	30.7
Interest payable and similar charges	3	(43.9)	(15.2)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**33.8**	**65.3**
Taxation on profit on ordinary activities	7	(2.9)	1.8
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		**30.9**	**67.1**

The results for the year are wholly attributable to the continuing operations of the Company.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the financial year and their historical cost equivalents.

The Company has no recognised gains and losses other than the results above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 7 to 21 form part of the financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2012

	Notes	2012 £m	2011 £m
FIXED ASSETS			
Intangible fixed assets	8	5.3	1.7
Tangible fixed assets	9	23.6	10.8
Investments - shares in subsidiary undertakings	10	1,771.9	1,770.9
		1,800.8	1,783.4
CURRENT ASSETS			
Debtors – amounts falling due within one year	11	1,746.1	2,173.3
Debtors – amounts falling due after more than one year	11	585.2	129.3
Derivative financial instruments	12	0.9	3.3
Cash at bank		6.5	38.1
		2,338.7	2,344.0
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Derivative financial instruments	12	(0.5)	(0.8)
Creditors	13	(2,707.9)	(2,781.9)
Provisions for liabilities and charges	15	(0.2)	(0.2)
		(2,708.6)	(2,782.9)
NET CURRENT LIABILITIES		(369.9)	(438.9)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,430.9	1,344.5
CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR			
Creditors	13	(131.1)	(76.4)
Provisions for liabilities and charges	15	(1.2)	(0.4)
		(132.3)	(76.8)
NET ASSETS		**1,298.6**	**1,267.7**
CAPITAL AND RESERVES			
Called up share capital	17	18.1	18.1
Share premium account	18	697.3	697.3
Capital redemption reserve	19	19.7	19.7
Retained profits	20	563.5	532.6
SHAREHOLDERS' FUNDS	22	**1,298.6**	**1,267.7**

The financial statements on pages 5 to 21 were approved by the board on 18 June 2013 and were signed on its behalf by:

Jeremy Townsend
Director

Registered Number: 224814

The notes on pages 7 to 21 form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

The ASB has issued amendments to the following standards:

- FRS 29 (IFRS 7) Financial Instruments

FRS 29 (IFRS 7) Financial Instruments has been amended to require disclosures for transfers of financial assets that are not derecognised in their entirety, and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement.

This amendment has not had any impact on the financial statements.

Basis of preparation
The financial statements have been prepared on a going concern basis, in accordance with applicable accounting standards and under historical cost accounting rules, except for financial instruments which are accounted for under accounting policies consistent with the fair value measurement rules.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Rentokil Initial plc, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

Going Concern
The directors have received confirmation from Rentokil Initial plc of its intention to financially support the Company such that the Company can meet its obligations as they fall due for of at least 12 months from the date of the directors' approval of these financial statements.

Foreign currency transactions
Foreign currency transactions are translated into sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at reporting period end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

Tangible fixed assets
Leasehold buildings are depreciated in equal annual instalments over the shorter of the lease term or the estimated useful life of the leased asset. No depreciation is charged on freehold land or fixed assets under construction. When properties are sold the difference between sale proceeds and net book value is recorded in the profit and loss account.

All other tangible fixed assets are stated at historic cost less depreciation. Historic cost includes expenditure that is directly attributable to the acquisition of the assets. Depreciation on other assets is calculated using the straight-line method to allocate the difference between their cost and their residual values over their estimated useful lives as follows:

• Computer software	5 years
• Plant & equipment	5-10 years
• Office equipment, furniture and fittings	3-10 years

Intangible fixed assets – finite useful lives
Intangible assets with finite useful lives are initially measured at either cost or fair value and amortised on a straight-line basis over their useful economic lives, which are reviewed on an annual basis. The residual values of intangible assets are assumed to be nil.

a) **Brands and patents**
Brands and patents acquired as part of a business combination are initially measured at fair value and amortised on a straight-line basis over their useful economic lives (between 2-15 years). Expenditure incurred to develop, maintain and renew brands internally is recognised as an expense in the period incurred. Separate values are not attributable to internally generated brands and patents.

b) **Research and development**
Research expenditure is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility and only if the cost can be measured reliably. Capitalised development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses. Capitalised development expenditure will be amortised over no more than 5 years.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Preference Shares
Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

The Company has issued no financial instruments which will or may be settled in the Company's own equity instruments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

Taxation
Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the taxable profits and results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all the available evidence, it can be regarded as more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Pensions
The Company operates defined contribution and defined benefit pension schemes for its employees. The defined benefit pension scheme was closed to future accrual in September 2006. Contributions to the defined contribution plan are charged to the profit and loss account as they fall due. The defined benefit scheme is accounted for on a defined contribution basis as the Company's share of the underlying assets and liabilities of the defined benefit scheme cannot be identified.

Provisions
Provision is made in accordance with FRS 12 for self-insurance, based on all claims incurred (whether notified or not) as at the balance sheet date, based on actuarial assessments of the likely amounts of these liabilities.

Other provisions are made for all other known liabilities that exist at the balance sheet date based on management's best estimate of the cost of settling these liabilities.

Leases
Where the Company retains substantially all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease. Other leases are treated as operating leases. Future instalments payable under finance leases, net of finance charges, are included in borrowings with the corresponding asset values recorded in fixed assets and depreciated over the shorter of their estimated useful lives or their lease terms. Lease payments are apportioned between the finance element, which is charged to the profit and loss account as interest, and the capital element, which reduces the outstanding obligation for future instalments.

Payments under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

Dividend distribution
Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

Financial risk management
The Company's activities expose it to market risk, credit risk, liquidity and cash flow interest rate risk.

(a) **Market risk**
The Company is exposed to market risk, primarily related to foreign exchange and interest rate risk. The Company's objective is to reduce, where it is deemed appropriate to do so, fluctuations in earnings and cash flows associated with changes in interest rates, foreign currency rates and of the currency exposure of certain net investments in foreign subsidiaries. To achieve this, management actively monitors these exposures and the Company enters into currency and interest rate swaps to manage the volatility relating to these exposures.

(b) **Credit risk**
The Company has no significant concentrations of credit risk. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. The maximum credit risk exposure of the Company's financial assets at the end of the period is represented by the amounts reported under the corresponding balance sheet headings.

(c) **Liquidity risk**
The Company is committed to ensuring it has sufficient liquidity to meet its payables as they fall due. To achieve this it aims to maintain significant committed financing headroom. At 31 December 2012 the Company had access to the group's increased headroom facility of £510.0m (2011: £180.0m).

Quantitative information on the risks facing the Group can be found in note 24 of the Group's Annual Report 2012, along with discussion on capital risk management.

Financial instruments
Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions.

Non-derivative financial instruments
Non-derivative financial instruments comprise investments in equity, trade receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables
Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in equity securities
Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts are repayable on demand and form an integral part of the Company's cash management.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments
Derivative are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the balance sheet date with any changes in valuation being recognised immediately in the profit and loss account.

Fair value estimation
The fair value of any financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses a variety of methods, such as estimated discounted cash flows, and makes assumptions that are based on market conditions existing at each balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate to their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

Fair value of financial assets and liabilities
All non-interest bearing loans owed by and payable to the parent and group undertakings are repayable on demand. Therefore, the carrying value is equal to the fair value the instruments.
The carrying value of interest bearing loans owed by and payable to the parent and group undertakings is considered to be a reasonable approximation of fair value.

2. INTEREST RECEIVABLE AND SIMILAR INCOME

	2012 £m	2011 £m
Bank interest	29.5	5.7
Intra-group interest receivable	24.8	16.1
Foreign exchange gains	10.1	8.9
	64.4	**30.7**

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2012 £m	2011 £m
Interest payable on bank loans and overdrafts	27.8	2.6
Intra-group interest payable	16.1	12.6
	43.9	**15.2**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. OPERATING PROFIT

	2012 £m	2011 £m
a) Operating profit is stated after charging:		
Income from management fees	(19.9)	(25.9)
Income from trademark charges	(47.6)	(44.7)
Staff costs (see below)	45.7	34.6
Depreciation of tangible fixed assets (note 9)	3.7	1.4
Research and development costs	1.8	2.0
Operating lease rentals (note 24)	1.2	1.4
Reorganisation costs	2.8	2.6
Loss on disposal of tangible fixed assets	-	0.1
Amortisation of intangible fixed assets (note 8)	0.4	0.3
Impairment in value of fixed asset investments (note 10)	-	1.6

	2012 £m	2011 £m
b) Staff costs:		
Wages and salaries	40.4	28.7
Social security costs	3.4	3.6
Other pension costs	1.9	2.3
Total staff costs	**45.7**	**34.6**

5. AUDIT AND NON-AUDIT SERVICES

	2012 £m	2011 £m
Fees payable to the Company's auditors for the audit of the Company's annual accounts	0.2	0.1
	0.2	**0.1**

Information about the services provided to the Group's subsidiaries can be found in the Group's Annual Report 2012.

6. DIRECTORS' REMUNERATION AND AVERAGE NUMBER OF EMPLOYEES

	2012 £'000	2011 £'000
Aggregate emoluments	1,579	1,860
Accrued pension benefits under defined contribution scheme	111	71
Total amount of emoluments	**1,690**	**1,931**
Aggregate emoluments of highest paid director (in respect of qualifying services to the Company)	765	758
The number of directors to whom retirement benefits are accruing under a defined contribution scheme are as follows:	3	2

During the year there were 4 directors who qualified for shares under long term incentive plans, of which one was the highest paid director.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. DIRECTORS' REMUNERATION AND AVERAGE NUMBER OF EMPLOYEES (CONTINUED)

	2012 Number	2011 Number
The average number of employees (including directors) during the year was made up as follows:		
Administration	433	375

The costs of these employees are disclosed in note 4.

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2012 £m	2011 £m
Current tax :		
UK corporation tax on profit for the year - current year	2.2	2.1
UK corporation tax on profit for the year - prior year	0.2	(2.0)
	2.4	0.1
Deferred tax - current year	0.7	(1.9)
Deferred tax – prior year	(0.2)	-
	2.9	(1.8)

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (24.5%) (2011: 26.5%). The differences are explained below:

	2012 £m	2011 £m
Profit on ordinary activities before tax	33.8	65.3
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK (24.5%) (2011: 26.5%)	8.3	17.3
Effects of:		
Disallowable expenses	0.4	0.7
Non-taxable income from shares in group undertakings	(3.3)	(9.0)
Prior year adjustment	0.2	(2.0)
Tax losses received for nil consideration	(5.2)	(8.5)
Capital allowances in excess of depreciation	(0.5)	(0.5)
Unrelievable withholding tax	2.5	2.1
Current tax charge for the year	**2.4**	**0.1**

In March 2012 the Chancellor revised the previously announced reduction in the main rate of UK corporation tax to 24 percent with effect from 1 April 2012 and a further reduction to 23 percent with effect from 1 April 2013. These changes became substantively enacted on 26 March 2012 and 3 July 2012 respectively and therefore the effect of these rate reductions has been included in the figures above. The Chancellor proposed a further change to reduce the main rate of corporation tax to 21 percent with effect from 1 April 2014, but this change has not been substantively enacted and therefore is not included in the figures above. The overall effect would be to decrease the deferred tax asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. INTANGIBLE FIXED ASSETS

	Development Costs £m	Brand Costs £m	Total £m
Cost			
At 1 January 2012	-	3.3	3.3
Additions	3.9	0.1	4.0
At 31 December 2012	3.9	3.4	7.3
Accumulated amortisation			
At 1 January 2012	-	1.6	1.6
Amortisation for the year	-	0.4	0.4
At 31 December 2012	-	2.0	2.0
Net Book Value			
At 1 January 2012	**-**	**1.7**	**1.7**
At 31 December 2012	**3.9**	**1.4**	**5.3**

9. TANGIBLE FIXED ASSETS

	Land and buildings £m	Office equipment, fixtures and fittings £m	Computer software £m	Total £m
Cost				
At 1 January 2012	2.2	3.8	12.6	18.6
Additions	-	2.1	14.4	16.5
At 31 December 2012	2.2	5.9	27.0	35.1
Accumulated depreciation				
At 1 January 2012	0.7	2.4	4.7	7.8
Depreciation for the year	0.2	0.7	2.8	3.7
At 31 December 2012	0.9	3.1	7.5	11.5
Net book value				
At 31 December 2012	**1.3**	**2.8**	**19.5**	**23.6**
At 31 December 2011	**1.5**	**1.4**	**7.9**	**10.8**

Analysis of net book value of land and buildings:	2012 £m	2011 £m
Leasehold – under 50 yrs unexpired	1.3	1.5
At 31 December	**1.3**	**1.5**

10. INVESTMENTS

Shares in subsidiary undertakings	2012 £m	2011 £m
At 1 January	1,770.9	1,680.4
Additions in the year	1.0	92.1
Impairments in the year	-	(1.6)
At 31 December	**1,771.9**	**1,770.9**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. INVESTMENTS (CONTINUED)

Investments held as fixed assets are stated at cost less provision for any impairment. In the opinion of the directors the value of such investments are not less than shown at the balance sheet date.

On 18 June 2012 the Company purchased 331,834 ordinary shares in the capital of Rentokil Initial Korea Limited for a consideration of £1.0m.

The principal investments at 31 December 2012 represent a 100% interest in the ordinary share capital of the following companies:

Principal subsidiary name	Country of incorporation
Rentokil Initial Espana SA	Spain
Rentokil Initial Gmbh	Austria
Rentokil Ou	Estonia
UAB Dezinfa	Lithuania
Rentokil Initial (Trinidad) Limited	Trinidad
Rentokil Initial Guyana Limited	Guyana
Rentokil Initial (Bahamas) Limited	Bahamas
Rentokil Initial (Barbados) Limited	Barbados
Rentokil Jamaica Limited	Jamaica
Rentokil Initial Martinique SARL	Martinique
Rentokil Initial Employee Share Schemes (Jersey) Limited	Jersey
Rentokil Initial Kenya Limited	Kenya
Rentokil Initial Limited	Ireland
Rentokil Initial (M) Sdn Bhd	Malaysia
Rentokil Initial (Philippines) Inc	Philippines
Rentokil Initial Limited	Fiji
Rentokil Initial Korea Limited	Korea
PT Rentokil Indonesia	Indonesia
PT Calmic Indonesia	Indonesia
Rentokil Initial (1896) Limited	United Kingdom
Felcourt Insurance Company Limited	Guernsey
Rentokil Insurance Limited	United Kingdom

11. DEBTORS

	2012 £m	2011 £m
Amounts falling due within one year:		
Amounts owed by ultimate parent	632.2	1,052.8
Amounts owed by group undertakings	1,106.6	1,114.2
Other debtors	2.8	5.0
Prepayments and accrued income	4.5	1.3
	1,746.1	**2,173.3**
Amounts falling due after more than one year:		
Amounts owed by group undertakings	583.8	127.4
Deferred tax (note 16)	1.4	1.9
	585.2	**129.3**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. DEBTORS (CONTINUED)

Amounts owed by group undertakings are made up of interest and non-interest bearing loans. The interest bearing loans of £678.7m (2011: £245.7m) have an effective interest rate ranging from 0.9% to 9.4% (2011: 1.27% to 9%), of which £94.9m (2011:£118.4m) falls due within one year.

12. DERIVATIVE FINANCIAL INSTRUMENTS

	Fair value assets 2012 £m	Fair value liabilities 2012 £m	Fair value assets 2011 £m	Fair value liabilities 2011 £m
External foreign exchange swaps	0.9	0.5	3.3	0.8
	0.9	**0.5**	**3.3**	**0.8**
Analysed as follows:				
Current portion	**0.9**	**0.5**	**3.3**	**0.8**

All derivatives are marked to market and changes in market valuation are shown within net interest receivable.

13. CREDITORS

	2012 £m	2011 £m
Amounts falling due within one year:		
Bank overdraft	387.5	192.3
Amounts due to ultimate parent undertakings	146.2	475.0
Amounts due to group undertakings	2,128.6	2,078.1
Corporation tax	22.1	24.1
Other taxes and social security	1.0	1.0
Other creditors	5.5	8.4
Accruals and deferred income	17.0	3.0
	2,707.9	**2,781.9**
Amounts falling due after more than one year:		
Amounts due to group undertakings	**131.1**	**76.4**

Interest on borrowings, which are denominated in a number of currencies, is payable at normal commercial rates appropriate to the country in which the borrowing is made.

Amounts due to group undertakings include interest bearing loans of £452.9m with an effective interest rate ranging from 0.75% to 2.5% (2011: 0.24% to 3.00%) which fall due within one year.

9% Preference shares of AUD120.0m (£76.8m), DKK100.0m (£10.9m), NZD15.0m (£7.5m) and USD50m (£30.7m) issued to Rentokil Initial Holdings Limited are classified as interest bearing loans falling due after one year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. MATURITY PROFILE OF FINANCIAL INSTRUMENTS

The maturity profile of the carrying amount of the Company's financial liabilities was as follows:

	Loans	Derivatives	Other Creditors	Total
2012	**£m**	**£m**	**£m**	**£m**
Within 1 year, or on demand	2,653.6	0.5	31.2	2,685.3
Between 1 and 2 years	-	-	-	-
Between 2 and 5 years	-	-	-	-
Over 5 years	131.1	-	-	131.1
	2,784.7	**0.5**	**31.2**	**2,816.4**
2011				
Within 1 year, or on demand	2,728.1	0.8	28.9	2,757.8
Between 1 and 2 years	-	-	0.2	0.2
Between 2 and 5 years	-	-	0.2	0.2
Over 5 years	76.4	-	-	76.4
	2,804.5	**0.8**	**29.3**	**2,834.6**

Floating rate loans bear interest at rates, based on the relevant national borrowing rate benchmark equivalents (e.g. GBP LIBOR), which are fixed in advance usually for periods of between one and twelve months.

The carrying amounts of the Company's financial liabilities excluding derivative financial instruments are denominated in the following currencies:

	Loans	Other Creditors	Total
2012	**£m**	**£m**	**£m**
Pound sterling	1,853.1	30.1	1,883.2
Euro	732.9	0.9	733.8
US dollar	85.4	-	85.4
Other currencies	113.3	0.2	113.5
	2,784.7	**31.2**	**2,815.9**
2011			
Pound sterling	2,157.6	21.6	2,179.2
Euro	513.0	7.2	520.2
US dollar	35.6	-	35.6
Other currencies	98.3	0.5	98.8
	2,804.5	**29.3**	**2,833.8**

The Company had no undrawn committed borrowing facilities at 31 December 2012 (2011: £nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. MATURITY PROFILE OF FINANCIAL INSTRUMENTS (CONTINUED)

The maturity profile of the carrying amount of the Company's financial assets, excluding other debtors was as follows:

	Cash	Derivatives	Other Receivables	Total
2012	**£m**	**£m**	**£m**	**£m**
Within 1 year, or on demand	6.5	0.9	1,743.3	1,750.7
Between:				
- 1 and 2 years	-	-	12.4	12.4
- 2 and 5 years	-	-	406.0	406.0
- greater than 5 years			165.4	165.4
	6.5	**0.9**	**2,327.1**	**2,334.5**
2011				
Within 1 year, or on demand	38.1	3.3	2,173.3	2,214.7
Between				
- 1 and 2 years	-	-	69.9	69.9
- 2 and 5 years	-	-	57.5	57.5
	38.1	**3.3**	**2,300.7**	**2,342.1**

Cash
Floating rate cash earns interest at commercial rates in line with local market practice.

15. PROVISIONS FOR LIABILITIES AND CHARGES

	Vacant property £m	Self insurance £m	Total £m
As at 1 January 2012	0.6	-	0.6
Additional provisions	-	1.0	1.0
Used during year	(0.2)	-	(0.2)
As at 31 December 2012	**0.4**	**1.0**	**1.4**
As at 1 January 2011	0.8	-	0.8
Used during year	(0.2)	-	(0.2)
As at 31 December 2011	**0.6**	-	**0.6**

Provisions analysed as follows:	2012 £m	2011 £m
Within 1 year	0.2	0.2
1-2 years	1.2	0.2
2-5 years	-	0.2
Total	**1.4**	**0.6**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. DEFERRED TAXATION

The movement on the deferred taxation account is as follows:

	2012	2011
	£m	£m
At 1 January	1.9	-
(Debited) / Credited to profit and loss account (note 7)	(0.5)	1.9
At 31 December	1.4	1.9

Deferred tax		
Deferred tax comprises:		
Capital allowances timing differences	0.7	1.4
Other timing differences	0.7	0.5

17. CALLED UP SHARE CAPITAL

	2012	2011
	£m	£m
ALLOTTED AND FULLY PAID		
At 1 January and 31 December – 1,810,429,098 shares of 1p each	18.1	18.1

18. SHARE PREMIUM ACCOUNT

	2012	2011
	£m	£m
At 1 January and 31 December	697.3	697.3

19. CAPITAL REDEMPTION RESERVE

	2012	2011
	£m	£m
At 1 January and 31 December	19.7	19.7

20. RETAINED PROFITS

	2012	2011
	£m	£m
At 1 January	532.6	665.5
Profit for the year	30.9	67.1
Interim dividends paid (note 21)	-	(200.0)
At 31 December	**563.5**	**532.6**

21. DIVIDENDS

	2012	2011
	£m	£m
Equity- Ordinary		
2011 Interim dividend	-	200.0

The directors do not propose a final dividend for the year ended 31 December 2012 (2011: £nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2012	2011
	£m	£m
Retained profit for the year	30.9	67.1
Dividend paid	-	(200.0)
Net movements in shareholders' funds	30.9	(132.9)
Opening shareholders' funds	1,267.7	1,400.6
Equity shareholders' funds	**1,298.6**	**1,267.7**

23. PENSION COMMITMENTS

The employees of the Company contribute to a defined contribution scheme. The principal defined benefit scheme operated by the Group, the Rentokil Initial Pension Scheme ('RIPS'), was closed to future service accrual on 30 September 2006.

At 31 December 2012, the RIPS asset disclosed in the consolidated financial statements of Rentokil Initial plc (prepared under International Financial Reporting Standards) amounted to £96.9m (2011: £144.0m). The directors are of the opinion that there is no material difference between an FRS 17 "Retirement Benefits" valuation and an IAS 19 "Employee Benefits" valuation.

The payment made by the Company to the pension scheme during the year was £1.9m (2011: £2.3m).

The directors believe that the Company's share of the underlying assets and liabilities of this scheme cannot be identified and as a consequence, the scheme has been accounted for as a defined contribution scheme.

Further information on the Group's pension commitments can be found in the Group's Annual Report 2012.

24. OPERATING LEASES

The Company leases properties and motor vehicles under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The lease expenditure charged to the profit and loss account during the year is disclosed in note 4.

Lease payments under non-cancellable operating leases falling due in the following year are as follows:

	2012	2011
Operating leases which expire:	£m	£m
Within one year	0.1	0.1
Between one and five years	1.1	1.2
After five years	-	0.1
	1.2	**1.4**

25. CONTINGENT LIABILITIES

The Company has guaranteed bank and other borrowings of subsidiaries and parent Company. The Company has in the normal course of business given performance guarantees in respect of the Group's own contracts and, in connection with the disposal of businesses, has assumed certain contingent obligations. None of these matters is expected to give rise to any material loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. ULTIMATE PARENT COMPANY

The Company's immediate parent is Rentokil Initial Holdings Limited. The Company's ultimate parent is Rentokil Initial plc, which forms the only group into which the financial statements of the Company are consolidated. The consolidated financial statements of Rentokil Initial plc are available from 2 City Place, Beehive Ring Road, Gatwick Airport, West Sussex, RH6 0HA.

27. POST BALANCE SHEET EVENTS

On 14 March 2013 the Company purchased all of the share capital of Rentokil Initial Finance Limited for a consideration of €328m to be satisfied as to €150m by the issue of €150m 7.375% cumulative preferences shares of €1 each paid up at par and payment of €178m in cash.