Rentokil Initial

Annual Report 2014

Protecting People.
Enhancing Lives.

In 2014 the Company announced a differentiated strategy to deliver profitable growth in order to drive shareholder value. Over the following pages we will explain our strategy, outline how it has been put into action and provide our assessment on progress against our medium-term targets.

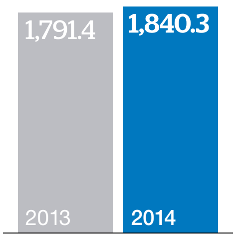
Protecting People. Enhancing Lives.

As part of the new strategy, Rentokil Initial is focused on services that protect people and enhance lives. We protect people from the risks of pest-borne disease, the risks of poor hygiene or from injury in the workplace. We aim to enhance lives with services that protect the health and wellbeing of people and the reputation of our customers' brands.

Financial highlights 2014 (at CER)[1]

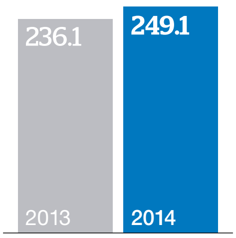
Revenue (£m)[1]

+2.7%



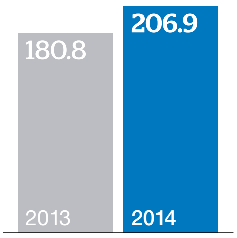
Adjusted operating profit[2] (£m)

+5.5%



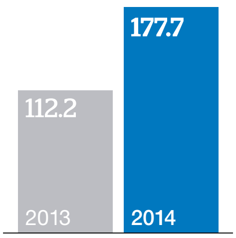
Adjusted profit before tax[2] (£m)

+14.4%



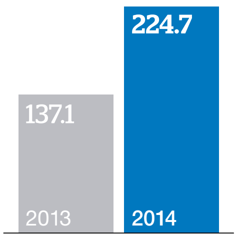
Profit before tax (£m)

+58.4%



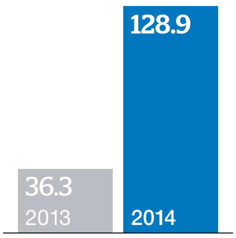
Operating cash flow[3] (£m)

+63.9%



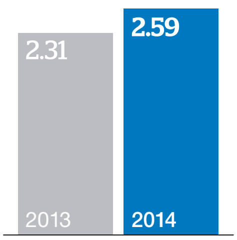
Free cash flow[3] (at AER) (£m)

+£92.6m

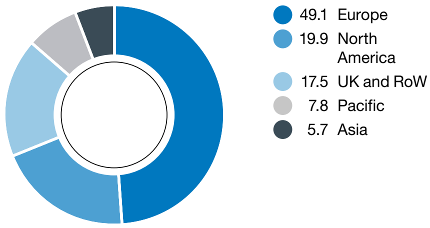


Dividend (p)

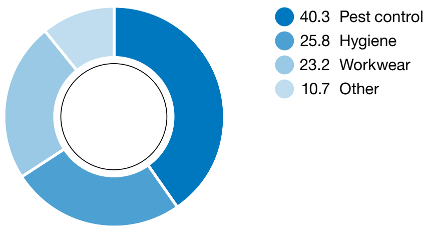
+12.1%



Revenue by region (CER) (%)



Revenue by category (CER) (%)



Unless otherwise stated, references to 'revenue' are for continuing businesses and references to 'profit' and 'operating profit' are for continuing businesses before amortisation and impairment of intangible assets (excluding computer software) and restructuring costs and one-off items. Ongoing revenue is revenue from continuing operations excluding revenue from disposed businesses but includes revenue from acquisitions. Ongoing profit is operating profit from continuing operations before amortisation and impairment of intangibles (excluding computer software), restructuring costs and one-off items and excludes profit from disposed businesses but includes profit from acquisitions. All references to profit are at constant exchange rates (CER) unless stated otherwise.

1 results at CER have been translated at the full year average exchange rates for the year ended 31 December 2013. £/$ average rates: FY 2014 1.6465; FY 2013 1.5713, £/€ average rates: FY 2014 1.2438; FY 2013 1.1820

2 before amortisation and impairment of intangibles (excluding computer software), restructuring costs and one-off items and net interest credit from pensions

3 cash flow before interest, tax, acquisitions, disposals, foreign exchange adjustments and discontinued operations and reporting periods. Ongoing revenue is revenue from continuing operations excluding revenue from disposed businesses but includes revenue from acquisitions. Ongoing profit is operating profit from continuing operations before amortisation, impairment of intangible assets (excluding computer software), restructuring costs and one-off items and excludes profit from disposed businesses but includes profit from acquisitions. All references to profit are at CER unless stated otherwise. All comparisons are at constant 2013 full year average exchange rates unless otherwise stated

Inside this report

Following the introduction of our new strategy in 2014, the Company is able to provide additional transparency to investors. Embedded within our new approach is the ability to analyse the progress and performance of the Company in three ways – by **Region**, **Category** and **Quadrant**. This level of reporting is applied throughout this report.

Key points to read

Regions

P.2

On the next page is a summary of our regions and a detailed review can be found on pages 26 to 28.

Categories

P.3

On page 3 is a summary of our brands and categories. A detailed review can be found on pages 29 to 32.

Quadrants

P.10

On page 10 we articulate our differentiated strategy, based upon four quadrants (Emerging, Growth, Protect & Enhance and Manage for Value). This is followed on page 18 by a review of each quadrant in 2014.

Relevant information

Throughout the report relevant information is referenced using this device.

To read more...
go to page

Find out more

This Annual Report will be available online at the Company's website from 13 April 2015. In addition, a full copy of the Company's Corporate Responsibility Report will also be available.

A PDF copy of this report can be downloaded from the investors section at:
www.rentokil-initial.com

A PDF copy of the Corporate Responsibility Report can be downloaded from:
www.rentokil-initial.com

Contents

Our business

Rentokil Initial is a global leader in the provision of route-based services which protect people and enhance lives. Our services include pest control, hygiene, workwear and plants. These are delivered through five strong regional businesses: North America, Europe, UK & Rest of World, Asia and Pacific.

Our business

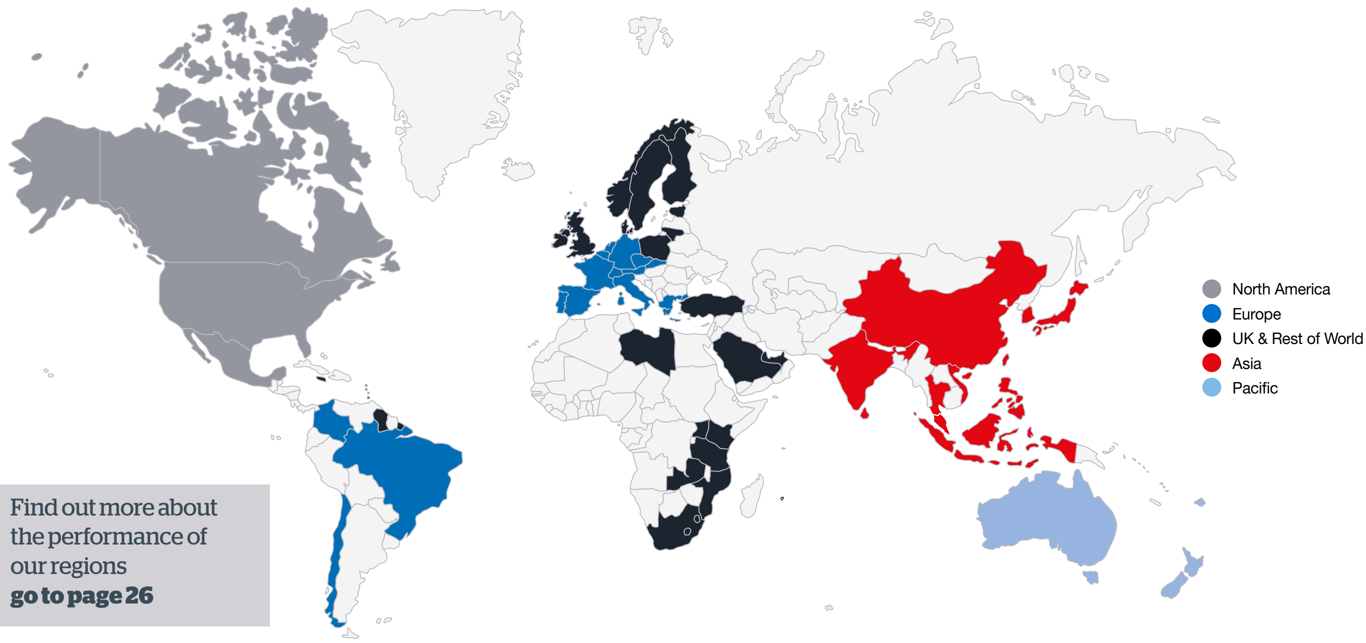
Ours is an international services business operating in 63 countries and employing some 29,000 people at the end of 2014 but with a local focus on route-based efficiency, delivering high-quality technical training and outstanding service quality.

Throughout the world, demand for higher standards of public health, stricter food safety legislation and compliance with workplace safety regulations are driving demand for our service expertise.

Our values

Service, Relationships and Teamwork have been identified by our colleagues across the group as the core values of the Company. By living our values we are better placed to offer outstanding and consistent customer service.

Our regions



Find out more about the performance of our regions **go to page 26**

North America

The world's largest pest control market. We provide commercial and residential pest control services and sell pest control products. We also provide plants to enhance office environments. North America is a key focus for our acquisitive growth as we consolidate our national presence. Our countries of operation within this region are the US, Canada and Mexico.

Europe

We provide pest control, hygiene, plants and, exclusively to Europe, workwear and textile services. Our largest operations are in France, Germany and Benelux. The expansion of our business in Latin America is also managed through our European business with support from our Spanish and Portuguese teams due to language and cultural similarities. Other countries managed out of the Europe region include Austria, Czech Republic, Greece, Italy, Portugal, Slovakia, Spain, Switzerland, and in Latin America, Brazil, Chile and Colombia.

UK & Rest of World

Here we provide pest control, hygiene and plants services as well as a number of smaller specialist services including property care, medical and specialist hygiene. Rest of World regions include Poland, the Nordics and Baltics, the Caribbean, the Middle East and sub-Saharan Africa.

Asia

We provide pest control and hygiene services in many countries across Asia including Brunei, China, India, Indonesia, Malaysia, the Philippines, Singapore, South Korea, Taiwan, Thailand, Vietnam.

Pacific

We provide pest control, hygiene services and plants in Australia, New Zealand and Fiji.

Rentokil Initial at a glance

Our brands and categories

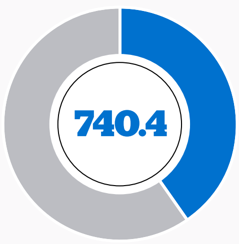
Pest Control

Rentokil Pest Control is the world's leading commercial pest control company.

We operate in over 60 countries including recent entries into Chile, Brazil, Colombia, Mozambique and The Bahamas.

We have leading market positions in the UK, continental Europe, Asia and South Africa and a rapidly expanding presence in North America.

Revenue (£m)



£140.0m

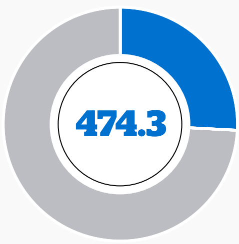
Adjusted operating profit

Hygiene

Initial Hygiene has leading market positions in over 20 of our 43 markets including Pacific, Asia, Caribbean and top three positions in Europe, UK and Africa.

We provide high-quality hygiene products and services that minimise risk of exposure to bacteria and other infectious micro-organisms.

Revenue (£m)



£93.7m

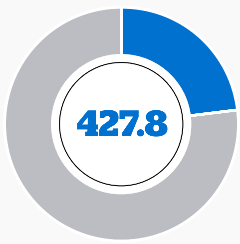
Adjusted operating profit

Workwear

Initial Workwear is the only company with scale across the four main continental European markets of France, Germany, Belgium and the Netherlands.

We specialise in the supply and maintenance of garments, such as workwear and personal protective equipment, throughout Europe. We also offer a specialist cleanroom service for the pharmaceutical and healthcare sectors.

Revenue (£m)



£65.9m

Adjusted operating profit

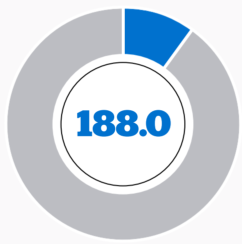
Other

Ambius is one of the world's leading interior landscaping companies with businesses in 16 countries.

We install and service both interior and exterior plant displays, flowers, replica foliage, Christmas decorations and ambient scenting for commercial businesses. Ambius is North America's largest office interior plants business.

The 'Other' category also includes a number of other small businesses including products, property care and property insurance.

Revenue (£m)



£15.2m

Adjusted operating profit

Revenue and profit figures above represent ongoing revenue and ongoing profit from continuing operations and exclude revenue from businesses disposed (at CER)

Statement by the Chairman and the Chief Executive

Putting our differentiated strategy into action

John McAdam
Chairman

Andy Ransom
Chief Executive

"Our growth in profits this year reflects the benefit of more efficient businesses and reduced overheads and has been achieved despite ongoing economic challenges in Europe. We have executed our new strategy at pace throughout the year in order to drive improved revenue, profit and cash."

John McAdam, Chairman

2014 financial highlights (at CER)

+3.6%
Total revenue growth from ongoing operations[1]

+1.2%
Organic revenue

+2.4%
Acquisitive revenue growth

+6.5%
Ongoing adjusted operating profit[2]

£93m
Improvement in free cash flow[3] at £129m at AER

£66m
30 acquisitions purchased in year with combined annualised revenues of £66m at AER

AER – actual exchange rates; CER – constant 2013 exchange rates
1 ongoing revenue represents revenue with disposals removed and includes revenue from acquisitions
2 before amortisation and impairment of intangibles (excluding computer software), restructuring costs and one-off items and net interest credit from pensions. Represents profits with disposals removed and includes profit from acquisitions
3 cash flow before acquisitions, disposals, foreign exchange adjustments and discontinued operations

2014 has been a year of tangible progress at Rentokil Initial. In February we announced the divestment of the Initial Facilities business and the creation of a new differentiated strategy to drive profitable growth. The sale of Initial Facilities has allowed us to focus on our core categories of pest control, hygiene and workwear. Our new strategy, which we presented in February, is focused on delivering medium-term improvements in revenue and profit and a sustainable improvement in free cash flow, which enables us to execute and accelerate our acquisition plans, implement a progressive dividend policy and pay down debt. In addition, our strategy utilises a quadrant analysis to group categories and geographies into a growth potential and profit contribution matrix and to focus resources on delivering improved levels of growth and to prioritise capital allocation for investment and M&A.

We have implemented our strategy at pace in 2014 and in the year achieved total revenue growth from ongoing operations of 3.6% (at CER), a 6.5% increase in ongoing adjusted profit (at CER) and a significant enhancement in free cash flow, which improved by £93m to £129m (at AER). Restructuring costs fell by £38m year on year, working capital outflows improved by £17m and net capex of £179m was £49m lower than 2013, reflecting our more focused approach to capital allocation and the phasing of investment at AER. With a significant reduction in restructuring costs and with capital expenditure now in line with depreciation, we anticipate achieving over £100m per annum in free cash flow on a sustainable basis and expect to make further progress towards our medium-term revenue and profit targets in 2015. In addition, we made 30 acquisitions during the year (of which 77% are in the Growth and Emerging quadrants) generating £66m of annualised revenue (at AER).

We exit 2014 in a much stronger financial position than in 2013. Group net debt (at AER) has been reduced by £260m to £775m, our lowest net debt in 15 years, and our liquidity position is strong, comprising over £190m of funds and £270m of available undrawn committed facilities. Interest payments (including finance lease interest) were £1.7m lower than last year at £49.5m. Total tax payments were £30.1m compared with £37.2m in 2013. Our pension scheme is one of the strongest in the FTSE 350, with an actuarial surplus in excess of £50m at the year end (and an accounting surplus of around £190m). Our strategy of focusing on core growth categories with leading market positions has been well received by our debt credit rating agency Standard & Poor's, resulting in a credit rating upgrade to BBB during the year.

While much has been achieved this year there remains more to do in a number of areas of our business. As we note below, North America had a challenging H1 but performance improved in H2 and performance in the Benelux was disappointing with profits down by £9.9m. The outlook for Europe remains mixed due to continuing economic weakness in certain parts. Please see further details below.

Based on our overall performance in 2014 the Board is recommending a final dividend of 1.82p per share, to make a total of 2.59p – a 12.1% increase year on year.

Regional performance

In the North America region revenue grew 6.6% for the full year. Revenue growth was stronger in Q4 (8.4%), supported by acquisitions. Organic revenue growth of 1.7% for the year was held back by adverse weather conditions on the East and West Coasts during H1 but strengthened in H2 (up 3.3% in Q4). Profit rose by 15.6%, again supported by acquisitions and by back office and property rationalisation delivering margin expansion of 0.9%. Further margin improvement opportunities exist through acquisitions, scale efficiencies and service productivity.

Despite economic weakness, ongoing revenue growth in the Europe region was 1.7% in 2014 (2.1% in Q4). Ongoing revenue growth in Germany (up 2.3%), France (up 0.3%) and Latin America (managed out of the Europe region and up 308%), was offset by a decline in Benelux (down 2.0%). Profit in Europe declined by 3.7% due to the performance of our Benelux hygiene and workwear business which was impacted by the continued effect of poor service levels in 2013 and tough economic conditions resulting in both contract terminations and pricing pressure.

The outlook for our European businesses is mixed. Our German, Belgian and Italian businesses are experiencing more positive trading conditions and are expected to make good progress during the year. However, the outlook for our businesses in the Netherlands and France is more uncertain with these regions continuing to face challenging economic conditions and competitive markets. Overall, we expect profitability in our Europe region to be broadly in line with last year. Our strategy to protect margins in this region includes a focus on yield management, service productivity, customer density and further back office rationalisation.

In the UK & Rest of World region, ongoing revenue rose by 5.6% in 2014 (8.3% in Q4), with organic growth for the year of 3.2%. The UK operations saw good revenue growth, aided by increased pest jobbing work, but margins were held back by national contract wins with large multi-premises set ups and the cost of integrating the previously loss-making Green Compliance acquisition in December 2013. The Rest of World operations also delivered good revenue growth, particularly in the Middle East and the Caribbean, but this was offset by lower revenues in South Africa, impacted by customer industrial action in the mining sector and pricing pressures in this high inflationary market. Margin improvement in the UK is expected in 2015 as new contracts and acquisitions mature.

Our Asia region had another good year with ongoing revenue growing by 8.1% in 2014 (11.9% in Q4). Both the pest control and hygiene categories performed well. The emerging markets of China, India and Vietnam delivered combined revenue growth of 29.1%. Combined high-single digit revenue growth of 8.5% was delivered in our more established businesses in Indonesia and Malaysia. Profit grew by 18.2% in 2014, reflecting leverage from rising revenues and back office rationalisation with margins higher by 1.2%. There are further opportunities to grow margins in the region through operational leverage from revenue growth and back office rationalisation.

In the Pacific region revenue increased by 0.9% for the full year (2.5% in Q4), reflecting growth in contract revenue across pest and hygiene offset by a decline in pest jobbing revenue and contract revenue in Ambius. Profit grew by 5.9% in 2014 supported by business efficiencies, cost savings and branch administration rationalisation. Further margin improvement opportunities will be sought through improved service productivity and targeted acquisitions.

Central and divisional overheads

Central and divisional overheads decreased by £11.4m in the year, beating our original target of £10m by £1.4m, reflecting the successful implementation of a programme which included implementation of our low-cost country operating model, cost reductions at head office and the sale of the Initial Facilities business in March 2014.

Restructuring costs and one-off items – operating

A more efficient organisation, exercising greater operational discipline, resulted in a significant reduction in restructuring and one-off operating items. Restructuring costs in the year amounted to £9.3m (2013: £47.4m) representing a reduction of over £38m on 2013. These consisted mainly of redundancy costs, consultancy and plant and office closure costs.

One-off items in the current year netted out to £nil (2013: £4.6m). These costs included acquisition costs, disposal costs, impairment of computer software and profits or losses on the sale of continuing businesses and property.

Details of restructuring costs and one-off items (operating) incurred in the period are set out in Note A1.

Interest (at AER)

Net interest payable was £45.3m at actual exchange rates compared to £59.6m in the prior year, a decrease of £14.3m. The decrease is due to the refinancing of the group's €500m 4.625% bond which matured in March 2014 and lower net debt levels following the sale of the Initial Facilities business. The average cost of gross debt for the group is now less than 4%.

Tax (at AER)

The income tax expense for the year at actual exchange rates was £37.1m on the reported profit before tax of £163.2m. After adjusting profit for the amortisation of intangible assets (excluding computer software), restructuring costs and one-off items and the net pension credit from pensions, the effective tax rate for the year was 23.5% (2013: 25.4% as restated). This compares with a blended rate of tax for the countries in which the group operates of 26% (2013: 27% as restated). The reduction is principally due to the benefit of tax losses brought forward being offset against UK profits and an increase in the deferred tax asset recognised on the UK tax losses.

Net debt and cash flow (at AER)

Operating cash inflow of £209.5m at actual exchange rates for continuing operations was £72.4m higher than 2013 mainly due to reductions in restructuring costs, working capital outflows and capex in 2014.

Interest payments (including finance lease interest) were £1.7m lower than last year at £49.5m. Total tax payments were £30.1m compared with £37.2m in 2013 and the Company made pension funding payments of £1.0m during the year compared to £13.6m in 2013. Free cash inflow of £128.9m was £92.6m higher than in the prior year.

Cash spent on acquisitions totalled £68.1m, proceeds from disposals totalling £256.0m including the disposal of the Initial Facilities business. Included in the sale were £16.7m of transferred restricted cash balances relating to Private Finance Initiative (PFI) contracts. The Company made dividend payments of £43.2m in 2014, £4.6m (11.9%) higher than 2013.

Free cash flow from continuing operations of £128.9m more than covered total investment in acquisitions (£68.1m) and dividend payments (£43.2m) in the year.

Foreign exchange translation and other items reduced net debt by £44.0m, leaving an overall reduction in net debt of £259.8m and closing net debt of £775.0m.

Capital expenditure

Gross capital expenditure from continuing operations of £191.6m was £42.4m lower than 2013, broadly in line with depreciation. The lower level of expenditure reflects more rigorous prioritisation towards capital investment including reduced levels of investment in restructuring activities and IT, as well as phasing of spend on 2014 projects.

Statement by the Chairman and the Chief Executive – continued

Pensions

At 31 December 2014 the Company's UK defined benefit pension scheme, which is closed to new members, was valued at an accounting surplus of £192.2m on the Company's balance sheet. The trustees value the scheme on a different basis. The most recent actuarial valuation showed that at 31 March 2013 the Scheme was 98.7% funded with a deficit of £17.8m. However, based on movements since 31 March 2013 the Scheme was estimated to have a surplus in excess of £50m at 31 December 2014. It is anticipated that the Scheme will remain in surplus over the period of the recovery plan. In order to mitigate the risk that it does not, however, annual contributions of £3.2m per annum over the six-year period will be paid into a joint escrow account by the Company. The first payment was made in October 2014. In the event that the deficit is not cleared by the time of the 31 March 2019 valuation, it will be funded from the escrow account. The Company has recognised the pension surplus as an asset because the group has an unconditional right to a refund of the surplus at the end of the Scheme's life.

Acquisitions and disposals

In line with our strategy, this year we accelerated our M&A programme to pursue targets in higher growth markets and in areas which add local density to our existing operations. In 2014 we acquired 30 businesses in Brazil, Brunei, India, Ireland, Italy, Lithuania, Netherlands, Singapore, South Korea, Spain, Sweden, the UK and US and entered new markets in The Bahamas, Chile, Colombia and Mozambique to exploit under-served and increasingly affluent markets. Combined annual revenues of these businesses prior to acquisition were approximately £66m (at AER).

In pest control we acquired 23 businesses with revenues of £44m, 17 of which are in the Emerging or Growth quadrants of our capital allocation approach. In hygiene we re-entered the South Korean washrooms market through the acquisition of a small business in Seoul. In plants we acquired five small bolt-ons generating annual revenues of approximately £2m. In December we acquired UK property care business Peter Cox Limited which generated revenues approaching £20m in its last financial year.

Building density in the North American pest market continues to be a priority and during the year we expanded our geographic presence with seven bolt-ons in Connecticut, Indiana, Mississippi, Oregon, Virginia, Washington and West Virginia.

In the Manage for Value quadrant we completed the sale of Initial Facilities to Interserve Plc in March for a total consideration of £250m and also sold the Spanish Medical and Austrian Products businesses. Combined annual revenues from these operations in 2013 were £547m.

To date in 2015 we have completed three pest acquisitions in North America, Colombia and Australia. Buffalo Exterminating represents an important strategic bolt-on, giving us a market leading position in New York State and building density in markets in which we are already active, as do the acquisitions of Fumighar pest control in Colombia and the Neil Younger pest business in Australia. Combined annualised revenues prior to acquisition of the three businesses totalled £6.8m.

We monitor the integration and performance of acquired businesses closely and, in aggregate, profits across all acquisitions made over the last two years are in line with the business plans for those transactions. The group will continue to seek further acquisitions in 2015 particularly within the Growth and Emerging quadrants. We estimate our targeted spend to be in the region of £50m but this is dependent on finding acquisition opportunities that meet our financial hurdles and resourcing abilities.

Funding

At 31 December 2014 the group had net debt of £775m and a strong liquidity position, comprising over £190m of centrally held funds and £270m of available undrawn committed facilities. Net debt to EBITDA at the year end was 1.9x.

The group has since refinanced its Revolving Credit Facility, replacing a £270m December 2016 maturity with a £270m facility maturing in January 2020. The group has two options (both at zero cost) to extend the maturity date to January 2022, exercisable in January 2016 and January 2017.

The group has a £300m bond maturing in March 2016 which can be repaid using the group's cash balances and available credit facilities. The group will review funding requirements during 2015 to provide additional headroom following repayment of the bond and will provide an update in due course.

The Directors continue to adopt the going concern basis in preparing the accounts on the basis that the group's strong liquidity position and ability to reduce operating capital expenditure or expenditure on bolt-on acquisitions are sufficient to meet the group's forecast funding needs, including those modelled in a downside case.

Dividend

Following a strong performance in 2014, and in anticipation of further progress in 2015, the Board is recommending a final dividend in respect of 2014 of 1.82p per share, payable to shareholders on the register at the close of business on 17 April 2015 to be paid on 20 May 2015. This equates to a full year dividend of 2.59p per share, an increase of 12.1% compared to 2013.

Board changes

On 22 July 2014 the Company announced the appointment of Julie Southern to the Board as a Non-executive Director and Chairman of the Audit Committee. Julie succeeds Duncan Tatton-Brown who, after nine years on the Board, also stood down as a Non-executive Director at the conclusion of the AGM on 14 May 2014. Peter Long, who joined the Board in 2002, stood down as a Non-executive Director on 31 December 2014. The Board thanks Peter and Duncan for their significant contributions to the Company over the years and wishes them the very best for the future.

Strategy

We describe our strategy as 'differentiated' as each of the four different quadrants in which we have categorised our businesses operates different strategies for profitable growth. With a number of businesses well positioned in high growth territories such as Brazil, China and India, but also with businesses in the low growth and highly competitive European markets, we need to match the right strategy to each country's ability to grow or to protect profitability. We now match differentiated financial performance expectations to market opportunity.

In February 2014, as well as presenting the quadrant analysis, we also presented targets for revenue, profit and cash:

- Medium-term mid-single digit revenue growth;
- Medium-term high-single digit profit growth; and
- Immediate significant sustainable improvement in free cash flow.

In 2014 we have focused on putting our strategy into action:

- Our commitment to deliver an immediate improvement in free cash flow has been delivered, with significant reductions in restructuring costs and capex;

- We have reinvested free cash flow in our M&A pipeline at a faster rate than the £50m per annum targeted – spending some £68m acquiring 30 companies – 23 in the Growth and Emerging quadrants;
- Profit growth has been driven by overhead reductions and a more efficient organisation, despite a larger reduction in Benelux profits than anticipated and slower rate of growth in the second half in France;
- We have delivered an £11.4m reduction in central and divisional overheads;
- Restructuring costs were reduced significantly, from £47.4m in 2013 to £9.3m (at CER) in 2014; and
- Capex levels are now in line with 2013 depreciation, a £42.4m reduction year on year.

The most significant execution risk to the plan is the performance of the European economy and we are focusing on cost saving and pricing initiatives in this area to maintain profits. We are also taking action to change the shape of the portfolio by investing in the Growth and Emerging quadrants and away from lower growth, lower margin businesses.

People

In 2014 we have welcomed into Rentokil Initial new colleagues through the many good businesses we have acquired and through the ongoing process of improving the capability and efficiency of the business. We thank all our colleagues who have put in a huge effort over the last year to meet the needs of our customers as well as to contribute to new programmes designed to improve the financial and operational fitness of the group. Colleague participation in learning and development programmes during 2014 has been particularly impressive, with participation in over 66,000 training courses on U+, our online learning system. Further details of our training initiatives can be found on page 33 and in our 2014 Corporate Responsibility Report.

Outlook for 2015

This time last year we set out our new differentiated strategy and introduced medium-term targets for mid-single digit revenue growth, high-single digit profit growth and a significant improvement in cash generation. We have implemented our strategy at pace and one year on we have delivered ongoing revenue growth of 3.6%, ongoing adjusted profit growth of 6.5% and a £93m improvement in free cash flow. We are encouraged by our performance in 2014 and by the progress we are making towards these targets.

While prospects in the majority of our key markets are good, conditions in parts of Europe remain challenging. Notwithstanding this, we are confident of making further progress in the coming year.

John McAdam
Chairman
26 February 2015

Andy Ransom
Chief Executive

Core competencies

We articulate our strategy as the right people, doing the right things, in the right way. This is in line with our core competencies of expertise delivered through our people, service category leadership and highly efficient lean operations.

Right people
Our colleagues as experts

Our people are our assets and we strive to build motivated and engaged teams across the organisation. We train them to be 'Experts in what they do' and to have a relentless focus on customers and service.

Right things
Category leadership

We are focused on our three core categories of pest control, hygiene and workwear. Together they comprise 89% of group revenue, have generated 97% of total growth over the last three years and 95% of group profits.

Right way
Lean, multi-business operations

Our move to an integrated country operating model enables our service lines to be combined within single country businesses run by one local management team. Operations, administrative and back office functions are integrated, enabled and underpinned by technology.

2014 performance

Progress against medium-term targets

- ✓ No progress
- ✓ Progress
- ✓✓ Good progress
- ✓✓✓ Achieved ambition

Target and key activities	Progress in year one
Medium-term target: mid-single digit revenue growth	
Ongoing* revenue growth of 3.6%	✓✓
Organic growth of 1.2%	✓
Acquired 30 companies adding £66m of revenue, mainly in Growth and Emerging quadrants	✓✓
Launched new digital presence in UK, Australia and North America	✓
Launched new product ranges in Hygiene and Workwear, and additional services in Pest Control	✓
Medium-term target: high-single digit profit growth	
Ongoing* operating profit growth of 6.5%	✓✓
£11.4m reduction in central and divisional overheads	✓✓
Branch administration rationalisation – good progress in France, Australia and North America	✓
Profit improvement initiatives including pricing, yield management and service productivity	✓
Significant reduction in profit in Benelux business although underlying metrics improved H2 on H1	
Divested lower-margin, non-core businesses – Initial Facilities, Spanish Medical and Austrian Products	✓✓
Medium-term target: significant improvement in sustainable cash flow	
£93m improvement in free cash flow of £129m	✓✓✓
£38m reduction in restructuring costs	✓✓
£42.4m reduction in capex	✓
£10.8m reduction in IT capex	✓
£1.7m reduction in interest payments to £49.5m (2013: £51.2m)	✓
£260m reduction in net debt from £1,035m to £775m	✓✓

* ongoing revenue and profit metrics exclude the financial performance of disposed businesses but include results from acquisitions

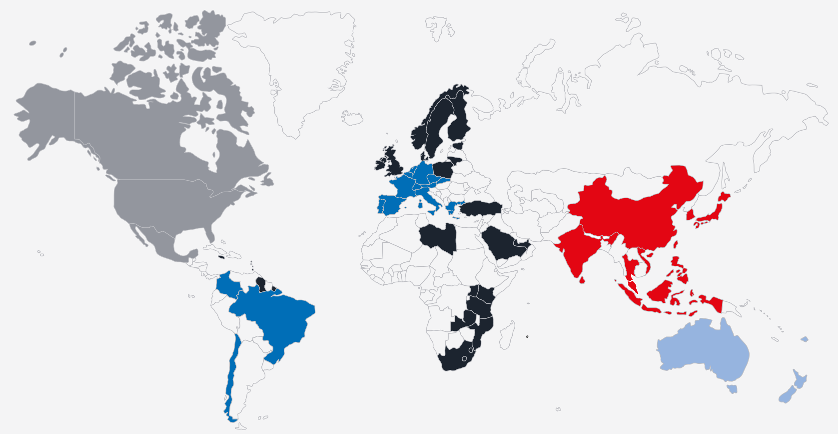
Our business model

How we operate to create shareholder value

The Company outlined its new business model as part of its new strategy in early 2014. This consists of three layers – strong regional businesses, core competencies and a differentiated strategy based upon four quadrants and six operational levers for growth.

Strong regional businesses

We have fixed upon a very clear and simple geographic model where we have grouped our businesses into five strong regions: North America, Europe, UK & Rest of World, Asia and Pacific.



Core competencies

These are focused on our leadership in our three core categories of Pest Control, Hygiene and Workwear; our colleagues are vitally important as genuine experts in their field; as well as our lean multi-business country operating model.

Right people
Our colleagues as experts

Right things
Category leadership

Right way
Lean, multi-business operations

Differentiated model and growth levers

This is how we manage the business for profitable growth, by grouping our categories and geographies into a growth potential and profit contribution matrix and by utilising six operational levers which we flex according to growth potential in the relevant markets.

Differentiated strategies

Emerging	Growth
Manage for Value	Protect & Enhance

Six operational growth levers

Targeting our offer
1. Where to Play
2. Mastering our Markets

Sales effectiveness
3. Building the Pipeline
4. Sales Brilliance

Retention and growth
5. Delivering our Promise
6. Engaging our Customers

Over the next 17 pages we demonstrate how our operating model provides focus to enable the Company to deliver profitable growth.

To read more on our differentiated strategies **go to page 10**

To see more on our operational growth levers **go to page 21**

Strategic Report
Corporate Governance
Financial Statements
Additional Information

Differentiated strategy

Managing the portfolio through profit and growth potential

Achieving our aims

We aim to manage the business for profitable growth in order to drive shareholder value. To achieve our aim we use a quadrant analysis to group our categories and geographies into a growth potential and profit contribution matrix taking account of, for instance, a country's GDP forecasts. Using this approach we are able to introduce different growth levers (see page 9) to maximise impact.

By way of illustration, the strategies we need to deploy to grow in Brazil are very different to those we need to deploy to manage our businesses in Spain and Greece. We review quadrant composition annually, looking carefully at business performance and developments in the economic environment. As a result a number of changes in categorisation are planned for 2015, as indicated below.

Emerging

Strategy
Our strategy is to build leading market positions in the key cities across those markets which we identify as having the best opportunities for our pest control and hygiene businesses

M&A strategy
Pest control-led market entry, focus on acquiring local management capabilities, adding bolt-ons for density. Internal Rate of Return (IRR): ~15%

Categories
Pest Control

Geographies
Asia, East Africa, Middle East, North Africa, South America and Turkey

Changes for 2015
Inclusion of Fiji pest control (from Protect & Enhance)

Growth

Strategy
Our strategy is to focus on growing market share and on developing existing customers, while filling gaps in our geographic footprint through organic and acquisitive growth

M&A strategy
Extend geographic reach into new cities and build out sub-scale regions. IRR: >15% as platform for growth

Categories
Pest Control, Hygiene, Cleanroom (Workwear)

Geographies
Austria, Caribbean, Germany, North America, Switzerland and UK

Changes for 2015
Inclusion of seven businesses from Protect & Enhance, including France pest control and cleanrooms, Netherlands cleanrooms, and Nordics, South Africa, Australian and New Zealand pest control businesses

Manage for Value

Strategy
Our strategy is to focus on retaining existing customers, aggressive cost management and enhancing productivity and efficiency

M&A strategy
Consolidate regional and local strengths, acquire new capabilities in adjacent service areas. Above average IRR: ~30%

Categories
Plants

Geographies
Greece, Ireland, Italy, Portugal and Spain

Changes for 2015
Ireland pest control and hygiene moves to Protect & Enhance

Protect & Enhance

Strategy
Our strategy is to focus on retaining existing customers while building profit and cash contributions

M&A strategy
Acquiring bolt-ons for density (requires high IRR: ~25%), divesting some sub-scale and unprofitable businesses

Categories
Hygiene, Workwear

Geographies
Australia, Benelux, Fiji, France, New Zealand, Nordics and South Africa

Changes for 2015
Inclusion of four businesses from Manage for Value, including France Technivap, Italy pest control and Ireland pest control and hygiene businesses

Markets

Key drivers and considerations in our market place

Our strategy for managing our businesses remains unchanged. We use a quadrant model to set differentiated strategies for our businesses and to manage capital allocation. The four quadrants are characterised by the economic environment and by the performance of our respective businesses in the relevant markets. The allocation is reviewed annually and businesses can move quadrant should circumstances and/or their performance change (positively or otherwise).

Emerging

£135.4m
2014 revenue

7.4%
Share of group (2013: 6.3%)

Market dynamics: Markets are typically characterised by high GDP growth and strong macroeconomic indicators. In the early stages of development, our focus is on major cities rather than entire countries and we only infill to other areas once there is sufficient customer density to support our route-based operations.

Market opportunity: A rapidly growing and largely urban middle class have higher expectations for hygiene standards. This is reinforced with increasing levels of regulation. These two drivers allow pest control and washroom hygiene markets to be established and grow rapidly.

Competitive position: In the early stages, emerging markets are generally small and fragmented. The arrival of international players such as Rentokil Initial helps professionalise the industry by leveraging our global best practice and allows us to establish a strong competitive position as the markets grow.

Challenges: Markets have lower value per customer and sometimes a less sophisticated operating environment.

Investment strategy: IRR for investment ~15%. As an example, our pest control acquisitions in 2014 included Chile which benefits from a very high population density and urbanisation rate (89% compared to 75% in EU and 52% in Asia), as well as a fast-growing middle class and stable political and economic environment.

Growth

£751.7m
2014 revenue

41.1%
Share of group (2013: 40.3%)

Market dynamics: Growth markets tend to have established business models for our core categories and are economically more sophisticated and mature. Growth markets have average or better GDP growth, high regulatory and legislative hygiene standards and rigorous enforcement regimes.

Market opportunity: Significant growth opportunities from the underlying growth rate and often because of the lack of consolidation in the market. Service penetration increasing across a wide set of sectors for pest and hygiene services. The national or multinational customers offer growth opportunities to national service companies but require broad coverage across the country, although this can be achieved due to the higher density of customers than in emerging markets.

Competitive position: Significant growth opportunities remain, however, because of the lack of consolidation within them. For example, the US is the largest pest control market in the world – estimated to be worth over £5bn – and the most developed economy, but has more than 16,000 pest control companies and the market leader only has an estimated 16% market share.

Challenges: The competitive dynamic, both for customers and acquisition targets, is often more intense than in Emerging, but the fragmentation of the market and higher customer value offer good growth opportunities.

Investment strategy: IRR for investment >15%.

Markets – continued

Protect & Enhance

£817.0m
2014 revenue

44.6%
Share of group (2013: 46.3%)

Market dynamics: These markets share a level of maturity and established business models in our core categories with those markets in the Growth quadrant, but typically have average or below average GDP growth. They are concentrated with smaller numbers of strong competitors and consequentially high margin pressure.

Competitive position: Within these markets the Company usually has a good market position, a strong commitment to the market and good levels of profitability.

Market opportunity: Profitability initiatives and branch/route optimisation tools can improve price and margin realisation while still allowing enhanced customer satisfaction and high levels of customer retention. There is also scope to leverage our existing operations to identify targeted opportunities to grow in certain categories or sub-categories (such as cleanroom within the workwear category).

Challenges and strategy: Lower growth markets with higher competitive intensity, but we are well positioned to manage this with good market positions and efficient operations.

Investment strategy: IRR for investment ~25%. Bolt-on acquisitions can also unlock value by increasing our customer or industry sector density in key areas, such as our acquisition of a pest control business in the south of the Netherlands in early 2014 which focused on the profitable food industry and bird control services segments.

Manage for Value

£126.4m
2014 revenue

6.9%
Share of group (2013: 7.1%[1])

Market dynamics: Manage for Value markets exhibit a broader range of characteristics than in the other three quadrants. They are often over-supplied and growth rates are flat or shrinking and frequently experience very strong pricing and margin pressure. The macroeconomic situation is weak with low or negative GDP growth and/or political instability creating a higher than average risk of economic shocks.

1 excluding Initial Facilities

Competitive position: Businesses in this quadrant may have higher market shares but still suffer due to broader economic weaknesses in the country as a whole. This quadrant also includes a number of sub-scale or non-core businesses that are under review.

Market opportunity: The main focus is on customer service, pricing and productivity initiatives. If there is not a viable turnaround plan, businesses may be divested.

Challenges: Defined by market dynamics and/or competitive position.

Investment strategy: IRR for investment ~30%. Businesses in this quadrant can be strengthened through bolt-on acquisitions that have strong synergies and increases in customer density. For example, in 2014 we acquired a pest control business in Italy to improve coverage and density that delivered a high return on investment. Other options include exit by divestment or closure. In 2014 we sold a number of underperforming or lower-margin businesses such as Initial Facilities, the Austrian Products business and Spanish Medical operation, generating £26m. We also exited our joint venture in Libya given the deteriorating security situation in the country.

Strategy in action

Emerging

Our focus in the Emerging quadrant is on investing in capability and effectively directing sales to extend our footprint.

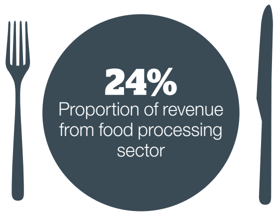
Asia

Our priority in Asia in 2014 was to strengthen sales leadership teams to increase productivity. Good progress has been made in recruiting and retaining experienced sales directors in India, Indonesia, Malaysia, Singapore and Thailand. Our resulting new structured approach to sales management and development has delivered a 7.2% in-year increase in new contract sales.

Targeted sales delivery in Malaysia

Malaysia, our largest business unit in Asia, delivered strong revenue growth of 7.5% in 2014. Both categories have grown, with Pest Control up 9.9% and Hygiene up 5.0%. Our strategy for 2014 was to drive growth through targeted sales delivery at branch level, promoting the new Signature range, premium scenting and PestNetOnline (extranet reporting) services to differentiate our offer in a mature market. The strengthening of the sales and customer care functions has enabled the business to deliver good growth in all targeted market sectors.

China



In China we have focused on building density in the top 15 cities and top 10 industrial zones through targeted sales delivery to improve gross margins, which rose by 7.5% on revenue up 29.7%. We continue to see strong growth in the food processing sector which now accounts for 24% of total China revenue.

India

The acquisition of PestconePlus marked our entry into Gujarat, a state with higher GDP and Foreign Direct Investment (FDI). The portfolio and expertise strengthened our leading position in the pharmaceutical, food processing, industrial and manufacturing sectors. Rentokil is now one of the three leading pest control businesses in India.

Latin America

In Latin America Rentokil Initial entered the Chilean market through the acquisitions of Bestway and Chileno Alemana, which is particularly focused on the urban area of Santiago. In Brazil, Rentokil is now the number two player in the country and is focused on building density in Rio de Janeiro and São Paulo.

To read more about our M&A activity and the value it creates **go to page 17**

When it has to be right…

During the 2014 FIFA World Cup the eyes of the world were on Brazil. Our local teams managed pest control services for a number of team hotels, training facilities and grounds including mosquito control to minimise the risk of dengue fever.

At a glance

Strategy
Build leading market positions in the key cities across those markets which we identify as having the best opportunities for our pest control and hygiene businesses.

M&A strategy
Pest control-led market entry, focus on acquiring local management capabilities, adding bolt-ons for density. IRR: ~15%.

M&A activity
Eight acquisitions in 2014 contributing £16.9m annualised revenues (Brazil, Brunei, Chile, Colombia, India, Mozambique, Singapore and South Korea).

Changes in 2015
Inclusion of Fiji pest control (from Protect & Enhance)

Key facts

7.4%
Percentage of group revenue (2013: 6.3%)

5.9%
Percentage of operating profit (2013: 4.8%)

+21.7%
Ongoing revenue

+22.6%
Ongoing profit

Strategy in action – continued

Emerging | **Growth**
Manage for Value | Protect & Enhance

Growth

Our focus in the Growth quadrant is on investing to take share, develop existing customers and fill gaps in our geographic footprint.

Acquisitions

Our M&A focus in the Growth quadrant has been on extending our geographic reach into new cities and to bolt on smaller acquisitions to our existing operations to build density, particularly in North America where we have acquired ten companies this year and strengthened our national presence. For M&A, and for our capex investments to support our growth plans, we set slightly lower hurdle rates in the Growth quadrant given the long-term importance of these markets to the Company.

For further details of our M&A activities **go to page 17**

Enhancing our digital presence

In Pest Control many of our new customers find us when they need pest control services, rather than us finding them. So our challenge is to ensure that when a customer has a need for pest control, the first name that comes to mind, or the first name they find when they search online, is Rentokil. During 2014 our digital team was able to deploy new websites – enhanced for search engine performance – which, together with our highly successful PR initiatives (e.g. Pestaurant), helped to drive up our organic search performance on Google and other search engines. Since their roll-out in the second half of the year we have seen a 25% increase in traffic to our pest control websites, leading to a 24% increase in inbound customer contacts.

To see how digital excellence is improving our sales effectiveness **go to page 22**

New products

The Company launched several new products in 2014 including a new Signature hygiene colour range, new workwear ranges and a series of new pest control products. In the UK just over 30% of our pest control sales in 2014 were generated by innovations launched from 2011 onwards.

To read more about our innovation programme **go to page 24**

'Pestaurant'

Our global multiple award-winning PR and brand campaign has generated extensive media coverage across 11 countries, raising our brand awareness and driving online traffic. The first pop-up 'Pestaurant', offering a menu of 'pests' including barbecued pigeon burgers, Mexican spiced meal worms, cheese 'n onion crickets and chocolate-dipped ants, took place in the UK. This was followed by Global Pestaurant Day on 4 June 2014.

'Pestaurants' took place in Australia, the Caribbean, Denmark, France, Malaysia, Turkey and USA. They proved to be an effective and fun way to engage with the public about pests, generating news headlines across the world and driving significantly increased social and website traffic. Results included:

- 1,200+ print and online articles
- More than 60 TV and Radio broadcasts
- 19,000 visitors to Rentokil and Pestaurant websites
- 5,000 Twitter mentions
- 6,000 YouTube views
- Over 1m mentions on social media, including Facebook and LinkedIn

At a glance

Strategy
Focus on growing market share and on developing existing customers, while filling gaps in our geographic footprint through organic and acquisitive growth.

M&A strategy
Extend geographic reach into new cities and build out sub-scale regions. IRR: >15% as platform for growth.

M&A activity 2014
15 acquisitions contributing £41.7m annualised revenues (Bahamas, Lithuania, North America and UK).

Changes in 2015
Inclusion of seven businesses from Protect & Enhance, including France pest control and cleanrooms, Netherlands cleanrooms, and Nordics, South Africa, Australian and New Zealand pest control businesses.

Key facts

41.1%
Percentage of group revenue (2013: 40.3%)

40.2%
Percentage of operating profit (2013: 38.2%)

+5.7%
Ongoing revenue

+6.3%
Ongoing profit

Strategy in action – continued

Protect & Enhance

Our focus in the Protect & Enhance quadrant is on service productivity, route density, retention, new customer wins and product and service development.

Price discipline

In France the business is using state-of-the-art analytical tools to provide detailed financial analysis of our customer base, enabling its management team to focus on yield management and execute much improved pricing discipline throughout the portfolio by analysing customer profitability by account, sector, branch and route. Using this insight, we are able to target and incentivise the sales teams on driving margins in relatively low-margin accounts, whilst recognising the particular importance of retaining other customers where our margins are already higher. In the past we had very little data on individual customer-by-customer performance – now we are able to adopt a much more sophisticated approach to margin management. The strategy used by our French team is being deployed in many other markets across the group.

M&A

Three acquisitions were made in 2014 in this quadrant. These included one pest control business in the Netherlands, a franchise buy-back in Zambia and a plants business in Sweden. These acquisitions further consolidate our regional and local strength through bolt-ons and on acquiring new capabilities.

Benelux

Our Benelux business has experienced a sustained period of decline and continues to operate in a challenging market. We have recently appointed a new Managing Director and Finance Director with a very clear brief. We have dramatically simplified the agenda: the team is very focused on customer service, account management, improving our supply chain performance and on a much sharper focus on yield management. The business is now operating in a much more customer-focused and stable environment. Its rate of profit decline improved from the first half to the second half of the year and the business returned to revenue growth in Q4. Delivering a financial turnaround is a priority for the Company in 2015.

At a glance

Strategy
Focus on retaining existing customers, while building profit and cash contributions.

M&A strategy
Consolidate regional and local strengths, acquire new capabilities in adjacent service areas. Above average IRR: ~25%.

M&A activity 2014
Three acquisitions contributing £2.9m annualised revenues in the Netherlands, Sweden and Zambia.

Changes in 2015
Inclusion of four businesses from Manage for Value, including France Technivap, Italy pest control and Ireland pest control and hygiene businesses.

Key facts

44.6%
Percentage of group revenue (2013: 46.3%)

48.3%
Percentage of operating profit (2013: 51.0%)

-0.1%
Ongoing revenue

-4.4%
Ongoing profit

Strategy in action – continued

Emerging | Growth | Manage for Value | Protect & Enhance

Manage for Value

Our focus in the Manage for Value quadrant is on productivity, route density, reducing costs and improving retention.

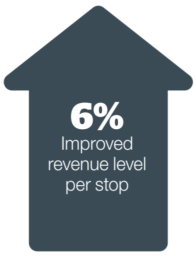
Changing the shape of the portfolio

There are two types of businesses within this quadrant – those which operate in challenged economic environments (e.g. Greece, Ireland, Portugal and Spain) and those with a challenged economic model where we are looking to drive improved performance. We continue to reduce our exposure in this quadrant and in addition to the disposal in March of the Initial Facilities business we also divested our Spanish Medical and Austrian Products operations later in the year. All three businesses operated in highly competitive markets and delivered lower margins. While the divestments reduce our annual revenues by £547m, the sale proceeds have reduced debt and we have also taken the opportunity to redeploy funds into our core businesses where we will be able to drive better growth and higher returns. Proceeds have also been used to accelerate M&A activity and implement a progressive dividend policy.

Investment in pest control

In Italy the pest control business continues to perform well and in 2014 we added four small pest businesses including a bolt-on in Bergamo (near Milan) which builds density in this important location and improves productivity. Any investment in this quadrant has to have a particularly strong business case and must meet a higher investment hurdle than in the Emerging or Growth quadrants.

Productivity



Also in Italy, our hygiene business initiated a productivity improvement programme in 2014 which introduced better service scheduling and re-zoning of service technicians to better fit the density of our customer base. At the same time a new up-selling programme was designed to improve our coverage in targeted areas where it was weak.

As a result the business is now operating at a 6% improved revenue level per stop and we have also seen a small increase in customer satisfaction. The number of services per premises has increased by 2.6%.

At a glance

Strategy
Focus on retaining existing customers, cost management and enhancing productivity and efficiency.

M&A strategy
Acquire bolt-ons for density (requires high IRR: ~30%), divesting sub-scale unprofitable businesses.

M&A activity 2014
Three disposals, four acquisitions contributing £4.2m annualised revenues in Ireland, Italy and Spain.

Changes in 2015
Ireland pest control and hygiene moves to Protect & Enhance.

Key facts

6.9%
Percentage of group revenue (2013: 7.1% excluding Initial Facilities)

5.6%
Percentage of operating profit (2013: 6.0% excluding Initial Facilities)

+0.5%
Ongoing revenue

-4.5%
Ongoing profit

Strategy in action – continued

Mergers and Acquisitions

Emerging | Growth | Manage for Value | Protect & Enhance

M&A activity is core to our differentiated strategy. In 2014 we acquired 30 companies for a consideration of £68m, 90% of which were in our Growth and Emerging quadrants.

How the M&A process works:

1 Identify
Identify cities with good density and good growth potential. Identify right companies following detailed analysis of competitive landscape

2 Opportunities
Carry out structured contact programme, building high-quality database of contacts, live targets and companies no longer meeting our requirements

3 Assessment
M&A team assess operational forecasts and integration plans. Plans submitted for approval from group Investment Committee and transactions negotiated

4 Acquisition
Once offer successful, move to detailed due diligence processs and final negotiations prior to purchase

5 Monitoring performance
Post deal a rigorous integration plan is implemented, which involves monthly monitoring of business activity and performance to ensure growth opportunities are realised.

Upon the first anniversary of acquisition, a detailed review of strategy and performance is completed, with key learnings informing strategy

Business benefits

500 Target companies — Over 100 target cities and over 500 target companies identified to date

50 Live prospects — 50 live prospects by end of 2014, many of which we hope to convert into deals over next two years

£66m Annualised revenues — 30 acquisitions in 2014 giving £66m of annualised revenues

Business overview

How the portfolio has performed in 2014

Emerging

Our Emerging quadrant includes our operations in Asia and Latin America.

+21.7%
Ongoing revenue

+22.6%
Ongoing profit

On an ongoing basis the Emerging quadrant delivered excellent revenue growth in 2014 – up 21.7% and ongoing profit up 22.6%. This was fuelled by acquisitions in Brazil, Chile and Colombia, but also by organic growth rates of over 20% in Brazil, China, the UAE and Vietnam.

Growth

The Growth quadrant includes our operations in North America, UK and Germany.

+5.7%
Ongoing revenue

+6.3%
Ongoing profit

On an ongoing basis revenue was up 5.7% in 2014, with total revenue growth in the UK of £11.7m (+6.9%). In North America, revenue rose 6.6% although weather conditions on the East and West Coasts in the first half held back organic growth to 1.7%.

Manage for Value

The Manage for Value quadrant includes Greece, Ireland, Italy, Portugal and Spain.

+0.5%
Ongoing revenue

-4.5%
Ongoing profit

Our operations in this quadrant delivered a reasonable revenue performance in 2014, up 0.5%, given very tough market conditions in southern Europe.

Protect & Enhance

Our Protect & Enhance quadrant includes most of Europe and the Pacific region.

-0.1%
Ongoing revenue

-4.4%
Ongoing profit

Our Protect & Enhance businesses did a respectable job at holding onto revenues in 2014, down just 0.1% given the challenging trading conditions that continue to persist in most of our European markets. Pacific countries continued to maintain and build profit contribution in line with strategy (+6.4%). In Benelux profits of £40.2m declined by 18.8% but overall financial performance showed signs of improvement in H2 on H1.

Our business in France delivered slower growth rates in the second half with full year revenue of £353.6m (+0.3%) and profit of £64.3m (+2.8%).

Key performance indicators

Measuring achievement in 2014

The Board uses Key Performance Indicators (KPIs) to judge progress towards strategic objectives. They are grouped within three categories: Colleagues, Customers and Shareholders. The group's progress against these KPIs is shown below.

Colleagues

Health and safety (H&S) lost time through accidents (LTA) rate

Explanation

Defined as work-related injury/illness resulting in employee absenteeism for one day/shift or more (excluding day/shift in which the accident occurred). Number of lost time accidents expressed as rate per 100,000 standard working hours.

2014 Results	2013 Results
0.99	1.11

Sales colleague retention

Explanation

The total sales staff retained in the year as a percentage of sales headcount at the start of the year.

2014 Results	2013 Results
73%	71%

Service colleague retention

Explanation

The total service employees retained in the year as a percentage of service headcount at the start of the year.

2014 Results	2013 Results
82%	79%

Customers

State of service

Explanation

Total number of service visits performed divided by total number of visits due.

2014 Results	2013 Results
99%	98%

Customer retention

Explanation

The reciprocal of total terminations (reductions and terminations) expressed as a percentage of opening portfolio.

2014 Results	2013 Results
84.2%	85.7%

Net gain as a percentage of opening portfolio

Explanation

Movement in portfolio expressed as a percentage of opening portfolio.

2014 Results	2013 Results
+3.5%	-1.0%

Customer satisfaction (Customer Voice Counts)

Explanation

Measured by average net promoter score rating across all branches and includes acquisitions in year. The CVC score represents the net balance of those customers promoting our service compared with those neutral or not promoting.

2014 Results	2013 Results
26.2%	26.0%

Key performance indicators – continued

Shareholders

Organic revenue growth

Explanation	2014 Results	2013 Results
Revenue growth (excluding acquisitions and disposals).	+1.2%	+0.5%

Ongoing revenue growth

Explanation	2014 Results	2013 Results
Revenue with disposals removed and includes revenue from acquisitions at CER.	+3.6%	+7.3%

APBITA margin

Explanation	2014 Results	2013 Results
Adjusted profit before interest, tax and amortisation (APBITA) expressed as a percentage of total revenue.	13.5%	13.2%

Free cash flow (at AER)

Explanation	2014 Results	2013 Results
Cash flow before acquisitions, disposals, dividends, foreign exchange adjustments and discontinued operations.	£129m	£36m

Debtors (days' sales outstanding – DSO)

Explanation	2014 Results	2013 Results
Trade debtors gross of provisions calculated on the exhaust basis (i.e. going back over relevant number of preceding days' invoicing until debt balance is zero). Number of days taken = debtor days.	52	56

Cash conversion as a percentage of operating profit

Explanation	2014 Results	2013 Results
Adjusted operating cash flow expressed as a percentage of APBITA.	99%	90%

Net capex as a percentage of depreciation

Explanation	2014 Results	2013 Results
Cash capital additions (net of proceeds from disposals) expressed as percentage of depreciation.	95%	114%

Growth levers

Operational levers to deliver strategy and growth

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

Operational growth levers

Targeting Our Offer

1. Where to Play
2. Mastering our Markets

Sales Effectiveness

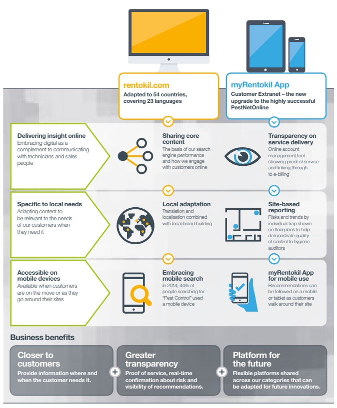
3. Building the Pipeline
4. Sales Brilliance

Retention & Growth

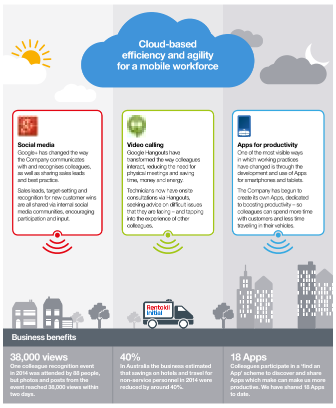
5. Delivering our Promise
6. Engaging our Customers

Find out more...

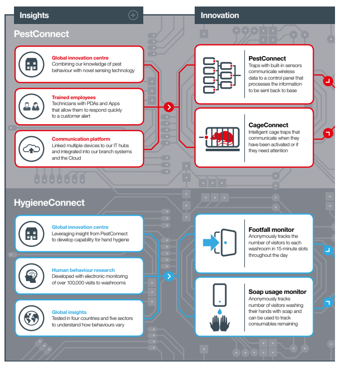
Over the next four pages, we describe some of our growth initiatives, including enhancing our digital presence to build our pipeline, product innovation to deliver the right offer for the right customers and harnessing the power of Google and Apps to deliver our service promise to customers.



To see how digital excellence is improving our sales effectiveness **go to page 22**



To find out how we are using Google to deliver our service promise **go to page 23**



To read more on how we use innovation to create value **go to page 24**

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Growth levers – continued

Sales effectiveness: building the pipeline through digital excellence

rentokil.com
Adapted to 54 countries, covering 23 languages

myRentokil App
Customer Extranet – the new upgrade to the highly successful PestNetOnline

Delivering insight online
Embracing digital as a complement to communicating with technicians and sales people

Sharing core content
The basis of our search engine performance and how we engage with customers online

Transparency on service delivery
Online account management tool showing proof of service and linking through to e-billing

Specific to local needs
Adapting content to be relevant to the needs of our customers when they need it

Local adaptation
Translation and localisation combined with local brand building

Site-based reporting
Risks and trends by individual trap shown on floorplans to help demonstrate quality of control to hygiene auditors

Accessible on mobile devices
Available when customers are on the move or as they go around their sites

Embracing mobile search
In 2014, 44% of people searching for "Pest Control" used a mobile device

myRentokil App for mobile use
Recommendations can be followed on a mobile or tablet as customers walk around their site

Business benefits

Closer to customers
Provide information where and when the customer needs it.

Greater transparency
Proof of service, real-time confirmation about risk and visibility of recommendations.

Platform for the future
Flexible platforms shared across our categories that can be adapted for future innovations.

Growth levers – continued

Harnessing the power of Google and Apps to deliver our service promise

Cloud-based efficiency and agility for a mobile workforce

Social media
Google+ has changed the way the Company communicates with and recognises colleagues, as well as sharing sales leads and best practice.

Sales leads, target-setting and recognition for new customer wins are all shared via internal social media communities, encouraging participation and input.

Video calling
Google Hangouts have transformed the way colleagues interact, reducing the need for physical meetings and saving time, money and energy.

Technicians now have onsite consultations via Hangouts, seeking advice on difficult issues that they are facing – and tapping into the experience of other colleagues.

Apps for productivity
One of the most visible ways in which working practices have changed is through the development and use of Apps for smartphones and tablets.

The Company has begun to create its own Apps, dedicated to boosting productivity – so colleagues can spend more time with customers and less time travelling in their vehicles.

Business benefits

38,000 views
One colleague recognition event in 2014 was attended by 88 people, but photos and posts from the event reached 38,000 views within two days.

40%
In Australia the business estimated that savings on hotels and travel for non-service personnel in 2014 were reduced by around 40%.

18 Apps
Colleagues participate in a 'find an App' scheme to discover and share Apps which make can make us more productive. We have shared 18 Apps to date.

Growth levers – continued

Combining market insight with innovation to create new sources of value

Rentokil launched PestConnect in 2013 as a pilot in the Netherlands. Successfully running at 300 locations, it is now being rolled out to other countries. In February 2015 Initial launched HygieneConnect using the same core technology but using it to monitor hand washing rates and drive up standards in hand hygiene.

Insights

Innovation

PestConnect

Global innovation centre
Combining our knowledge of pest behaviour with novel sensing technology

Trained employees
Technicians with PDAs and Apps that allow them to respond quickly to a customer alert

Communication platform
Linked multiple devices to our IT hubs and integrated into our branch systems and the Cloud

PestConnect
Traps with built-in sensors communicate wireless data to a control panel that processes the information to be sent back to base

CageConnect
Intelligent cage traps that communicate when they have been activated or if they need attention

HygieneConnect

Global innovation centre
Leveraging insight from PestConnect to develop capability for hand hygiene

Human behaviour research
Developed with electronic monitoring of over 100,000 visits to washrooms

Global insights
Tested in four countries and five sectors to understand how behaviours vary

Footfall monitor
Anonymously tracks the number of visitors to each washroom in 15-minute slots throughout the day

Soap usage monitor
Anonymously tracks number of visitors washing their hands with soap and can be used to track consumables remaining

Business benefits

Wireless signal
Data sent by GPRS

Real-time alerts
Direct to the technician and to their branch so that a priority visit to the customer can be scheduled

myRentokil
Real-time information presented to customers to alert them of potential issues and help them manage their risk profile

24/7
Ultimate protection with continuous monitoring between customer visits

Targeted
In large sites, directs technicians exactly to the location of pest activity

Efficient
Avoids cost of inspection visits to cage traps when no pests have been caught

Wireless signal
Data sent by GPRS

Hand hygiene display
+78%
Showing visitors to washrooms percentage who wash their hands proven to nudge hand hygiene compliance rates up significantly

myInitial
Showing customers' footfall and compliance rate by time of day for each washroom to help them judge where interventions are required

50% reduction
In the number of people using a washroom without washing their hands

20–50% increase
In the usage of soap and hand drying products (varies by sector)

Hygiene audits
Pilot customers credited for demonstrating high compliance in hand hygiene

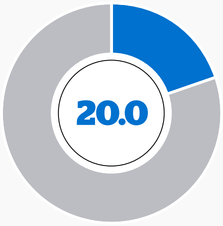
Business review

How the regions performed in 2014

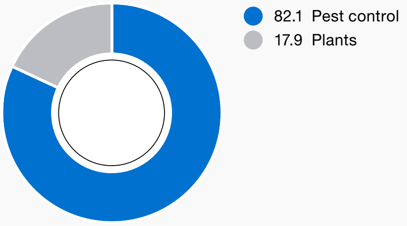
This review of performance takes a close look at each of our business regions – North America, Europe, UK & Rest of World, Asia and Pacific – in 2014.

North America

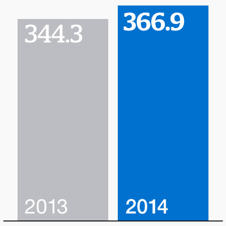
Group revenue (%)



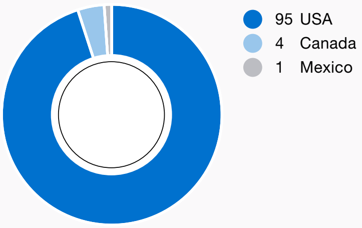
Category mix (%)



Revenue CER (£m)



Countries of operation (%)



Overview of 2014 performance

Strong performance in 2014 supported by acquisitions

Revenue[1] up 6.6% (+1.7% organic), operating profit[2] up 15.6%:

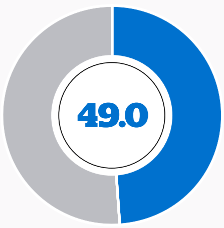
- Strong end to the year with Q4 revenue up 8.4% (3.3% organic)
- Revenue growth supported by acquisitions (ten bolt-ons with annualised revenues of c.£20m)
- Strong profit growth driven by acquisitions as well as back office and property rationalisation
- 0.9% improvement in margins, further improvement opportunities through acquisitions, scale efficiencies and service productivity

1 ongoing revenue represents revenue with disposals removed and includes revenue from acquisitions
2 before amortisation and impairment of intangible assets (excluding computer software), restructuring costs and one-off items

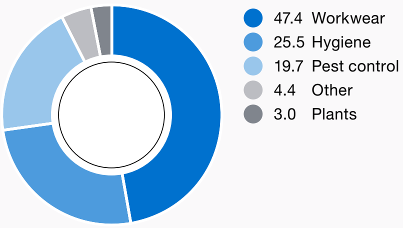
Business review – continued

Europe

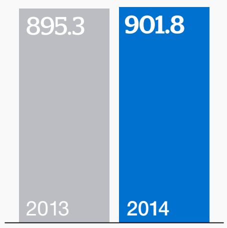
Group revenue (%)



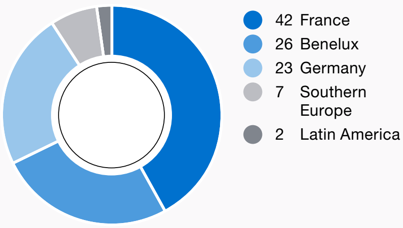
Category mix (%)



Revenue CER (£m)



Countries of operation (%)



Overview of 2014 performance

2014 financial performance held back by Benelux and challenging economic environment

FY revenue[1] up 1.7% (-0.2% organic), operating profit[2] down 3.7%:

- More resilient Q4, revenue[1] up 2.1%
- 2014 revenue growth driven by Germany (+2.3%) and Latin America (+308%) with France broadly flat (+0.3%) and Benelux down 2.0%
- Ongoing profit down 2.7% largely due to Benelux (-£9.9m) impacted by the continued effect of poor service levels in 2013 and challenging economic conditions resulting in contract terminations and pricing pressure

Outlook for European businesses in 2015 is mixed:

- German, Belgian and Italian businesses are experiencing positive trading conditions and expect to make good progress in the year
- Outlook for France and the Netherlands is more uncertain with challenging economic conditions and competitive markets expected to continue
- Overall, we would expect profitability in our Europe region in 2015 to be broadly in line with 2014

We continue to see opportunities to support margins in Europe through yield management and service productivity

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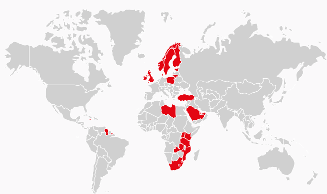
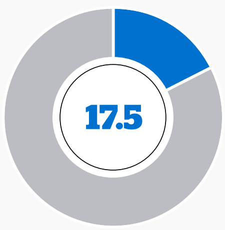
2 before amortisation and impairment of intangible assets (excluding computer software), restructuring costs and one-off items

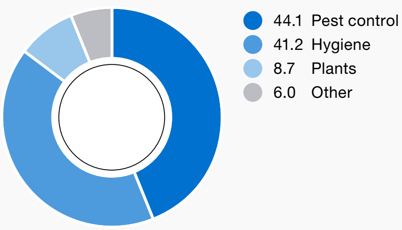
UK & Rest of World



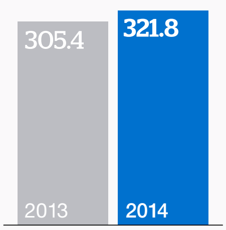
Group revenue (%)



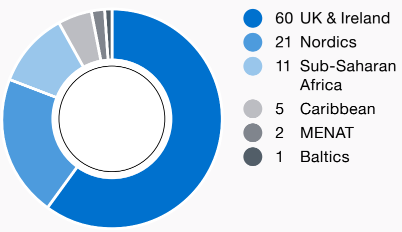
Category mix (%)



Revenue CER (£m)



Countries of operation (%)



Overview of 2014 performance

FY revenue[1] up 5.6% (+3.2% organic), operating profit[2] down 1.0%:

- Strong end to the year with Q4 revenue up 8.3% (+4.2% organic)
- Continued growth from UK pest control and hygiene categories, pest jobbing work in particular, but margins held back by new large contract set-up in UK and integration of previously loss-making Green Compliance acquisition
- Strong revenue growth in Rest of World, particularly Middle East and Caribbean, but offset by lower revenues in South Africa. Margins held back in South Africa by industrial action and pricing pressure
- Margin improvement expected in 2015 as new contracts and acquisitions mature
- Good execution of M&A programme – six acquisitions in year including Peter Cox property care business

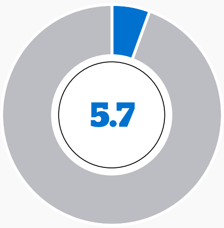
1 ongoing revenue represents revenue with disposals removed and includes revenue from acquisitions
2 before amortisation and impairment of intangible assets (excluding computer software), restructuring costs and one-off items

Business review – continued

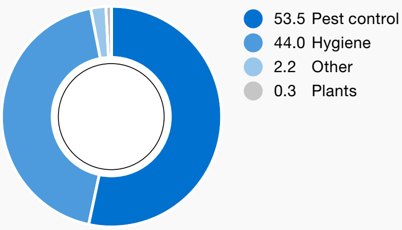
How the regions performed in 2014 – continued

Asia

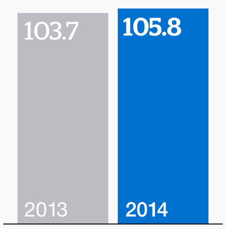
Group revenue (%)



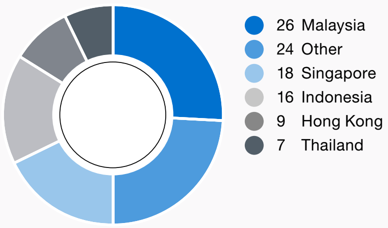
Category mix (%)



Revenue CER (£m)



Countries of operation (%)



Overview of 2014 performance

Excellent progress in 2014

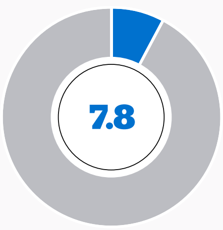
FY revenue[1] up 8.1% (+6.7% organic), operating profit[2] up 18.2%:

- Strong end to the year with Q4 revenue up 11.9%
- Good performances from both pest and hygiene categories
- Combined revenue growth of 29.1% from China, India and Vietnam
- Combined high single-digit revenue growth from Indonesia and Malaysia
- Profit increase reflecting leverage from revenue growth, 1.2% improvement in margins
- Further margin improvement opportunities from revenue growth and back office rationalisation
- Three small acquisitions in India, Singapore and South Korea; M&A pipeline strong

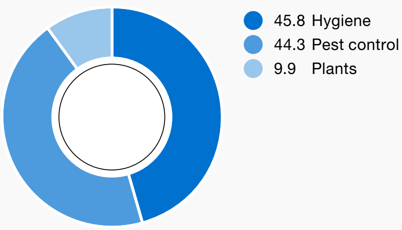
1 ongoing revenue represents revenue with disposals removed and includes revenue from acquisitions
2 before amortisation and impairment of intangible assets (excluding computer software), restructuring costs and one-off items

Pacific

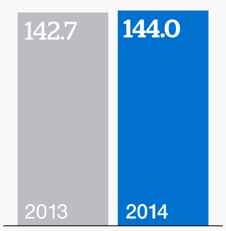
Group revenue (%)



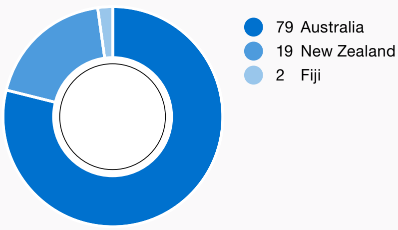
Category mix (%)



Revenue CER (£m)



Countries of operation (%)



Overview of 2014 performance

Businesses performing well in 2014

FY revenue[1] up 0.9% (+0.9% organic), operating profit[2] up 5.9%:

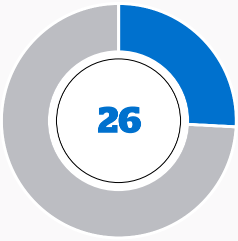
- Strong end to the year – Q4 revenue[1] up 2.5%
- Revenue driven by growth in contract revenue in pest and hygiene but offset by reduced pest jobs and contract revenue in plants
- Margin improvement supported by business efficiencies, cost savings and branch administration rationalisation
- Further margin improvement opportunities from improved service productivity and targeted acquisitions
- Seeking to build M&A pipeline in 2015

1 ongoing revenue represents revenue with disposals removed and includes revenue from acquisitions
2 before amortisation and impairment of intangible assets (excluding computer software), restructuring costs and one-off items

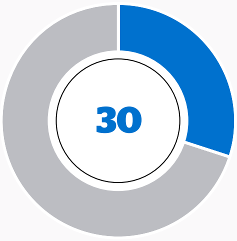
Business review – continued

Experts in Hygiene

Percentage of group revenue (%)



Percentage of group operating profit (%)



Revenue (£m)

£475m

Operating profit (£m)

£94m

Operating margin

19.8%

Heritage of over 100 years

Initial began trading in 1903 when American businessman Mr A.P. Bigelow started a towel rental service for London businesses. Each customer had their initials embroidered on their towels – and so the Initial Towel Supply Company was born.

Our award-winning Signature range

In March 2014 we announced that our Signature range of hygiene products received its second international award for product design excellence. Previous winners of the internationally recognised product accolade Red Dot Design Award include Mercedes Benz, Bosch and Apple.

For more than 100 years Initial Hygiene has helped organisations provide pleasant and hygienic environments for staff, clients and visitors.

Strategic focus

- Leveraging award-winning Signature range of hygiene products to sell more services per customer; targeting higher-margin customers and increasing retention rates
- Improving pricing and margin management particularly for single-service customers
- Seeking to build market share through acquisitions at local and national level in Europe
- Launch of 'HygieneConnect' hand washing compliance system

Establishing good hygiene practices throughout organisations reduces the risk of infection being passed from person to person. As a result, fewer days are lost to sickness which translates directly into real cost savings and improved productivity.

Performance

In 2014 the category generated ongoing revenue of £474m, up 1.0% at CER. It has a 19.8% operating margin and delivered £94m of ongoing operating profit (a decline of 5.4% at CER). State of service has risen consistently over the past five years and as a result customer satisfaction rates continue to improve, rising by 1.7% across the group in 2014.

Market

Initial Hygiene operates in a competitive market with good growth opportunities. We are well placed to increase market share through market segmentation and the introduction of value propositions to customers. Significant investment has been made in updating and delivering best-in-class product solutions.

Customers

We achieve high customer satisfaction levels and believe this is a key competitive advantage. The businesses have account management processes in place with tiered strategies for contacting customers at least annually to confirm that their service requirements are being met. In addition, we continue to use the insight gained from our Customer Voice Counts (CVC) feedback to improve service levels and every detractor score on CVC is followed up by a call from an account manager or a branch manager within two working days of the survey. More recently the launch of the new 'myInitial' extranet tool gives complete transparency about individual customer service including proof of service and proof of delivery (with e-invoicing being rolled out from the start of 2015).

Outlook

Our hygiene business is complementary to our world-leading pest control business – a linked offer in environmental health, requiring similar skills sets from our employees and with both categories having compatible operational models. The category is well placed to demonstrate its expertise as demand for improved hand and feminine hygiene solutions are sought around the world. While organic growth has been squeezed through difficult trading conditions in Europe, the strong contribution to profits from our hygiene category underscores its importance to the group. Building market share in the Growth and Emerging quadrants remains a priority for our hygiene category.

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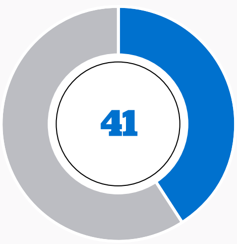
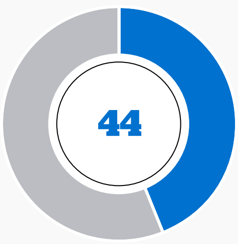
Business review – continued

Experts in Pest Control

Percentage of group revenue (%)



Percentage of group operating profit (%)



Revenue (£m)

£741m

Operating profit (£m)

£140m

Operating margin

18.9%

Search performance

During 2014 our digital team deployed new websites – and enhanced for search engine performance – which have helped drive up our organic search performance on Google and other search engines.

Why choose Rentokil?

We are the world's leading commercial pest company. Our USPs include our global reach, service quality, brand strength, expertise of people, innovation, management information systems and digital capability.

Rentokil is the world's leading commercial pest control business providing the highest levels of risk management, reassurance and responsiveness to customers.

Strategic focus

Over recent years we have broadened our geographic presence through acquisitions in North, Central and South America and the Middle East.

We compete on the basis of:

- Building our brand strength in each of our markets
- Being the most international of pest control companies to deliver consistently to multinational customers
- Sharing best practice in sales and service across our international network
- Delivering technical expertise through our technicians and supporting organisation
- Investing in innovation to develop proprietary products, service models and digital reporting
- Winning customers online through search performance and conversion rate optimisation

Pest control is our principal category for growth with a focus on:

- Establishing national and local leadership in each of our markets
- Broader and deeper coverage in the North American market
- Using pest control as a vehicle for entering new markets (e.g. emerging economies of Latin America)
- Developing the opportunity for international accounts
- Ongoing service productivity improvements

Performance

In 2014 the pest control business achieved ongoing revenue of £740m (+8.5% at CER) and ongoing operating profit of £140m (+8.4% at CER). The business is highly profitable and generates an 18.9% operating margin. North America and the UK are among our largest geographies in this category.

Market

We have an 8% share of the estimated £9.5bn market for pest control services and we are continuing to increase this share through a combination of organic growth and targeted acquisitions. Rising standards of hygiene are driving greater demand for pest control across our markets but particularly in emerging economies. In mature markets the sector is consolidating, presenting good opportunities for growth and enhanced profitability through acquisitions. Our key points of differentiation include our brand strength, international reach, innovative products and an operating model that allows us to deliver our collective expertise through our front-line service colleagues. This is being helped further with our investment in information technology enabling us to serve customers better, faster and more efficiently.

Customers

In over 60 countries businesses and homeowners trust Rentokil to solve their pest problems and prevent them from re-occurring.

We are the world's leading provider of pest control services to commercial customers and this accounts for 78% of the category's revenue. We deliver services to all commercial sectors and, while customers in the food processing, food service and food retail sectors are the most prominent (given their legislative requirements for pest control services), the majority of our revenue comes from non-food sectors where we continue to see increasing market penetration and growth opportunities.

Residential pest control represents 22% of category revenue with over 75% of this coming from the US and Australia. On a per capita basis these two countries have much larger residential markets for pest control than in Europe, catalysed primarily because of the importance of termites in these markets. In Europe, residential pest control tends to be typically 4 to 8% of category revenue.

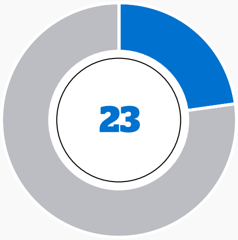
Outlook

In the coming year we will be looking to broaden further our global footprint in the Growth and Emerging quadrants in particular. Our pest control operations work together across regions to share best practice and build capabilities in strategic marketing and innovation. We have an excellent pipeline of innovations which we expect to launch over the coming 12 to 24 months.

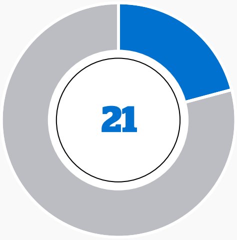
Business review – continued

Experts in Workwear

Percentage of group revenue (%)



Percentage of group operating profit (%)



Revenue (£m)

£428m

Operating profit (£m)

£66m

Operating margin

15.4%

International scale

Our workwear business is the only organisation with international scale in the four main continental European markets of Belgium, France, Germany and the Netherlands.

Initial Workwear specialises primarily in the rental and maintenance of garments, such as workwear and personal protective equipment (PPE), throughout Europe. It also offers specialist cleanroom services.

Strategic focus

- Repositioning business to focus on workwear (garments) and on increasing sharing of best practice and product ranges across countries of operation
- Seeking acquisitions in cleanroom market
- Ongoing investment in product and service innovation to deliver the best products and more efficient services
- Focus on service quality

Performance

Performance in 2014 was held back by the turnaround of Benelux and the impact of challenging economic conditions in Europe. Ongoing revenue decreased by 0.3% (at CER) to £428m and ongoing operating profit declined by 3.2% at CER at £66m. The category has an operating margin of 15.4%.

Market

Initial Workwear operates across three main European areas – France, Germany and Benelux. The west European workwear market (which includes general workwear, cleanroom, linen and personal protective equipment) is valued at €9bn. With a compound annual growth rate of 3.3%, it is expected to reach €10bn in 2017.

Customers

Based on our research-led understanding of people at work, we can help our customers perform better by providing them with the highest quality workwear solutions.

There is an increasing trend by customers to outsource their workwear requirements which is fuelling further sales opportunities. Customers are seeking both functional and fashionable workwear, maintained to the highest standard and with greater transparency on costs and performance. Workplace safety regulation also supports the market for protective as well as functional workwear.

Outlook

The business remains highly profitable and cash generative despite the challenging market conditions, which we expect to continue in 2015, and enjoys a strong position in the European workwear market. It is a good complementary fit with our hygiene business – both businesses are route-based and have a shared brand with linked services for customers.

Corporate responsibility

Our service categories – delivered responsibly

As a major employer, supplier of services which protect people and enhance lives, and customer, Rentokil Initial is thoroughly committed to acting responsibly. It is a member of the Dow Jones Sustainability and Britain's Top Employers Indices.

Further details can be found in the Corporate Responsibility Report 2014 **available at www.rentokil-initial.com**

Governance

The Chief Executive has responsibility for Corporate Responsibility (CR). The Company has a robust policy framework for CR, monitored by internal audit and supported by a broad range of training resources, and a Speak-Up confidential reporting system.

To read more on Board responsibilities **go to page 45**

A skilled and engaged workforce

Rentokil Initial is committed to workplace practices that are based on equal opportunities for all colleagues, irrespective of age, gender, race, colour, sexual orientation, disability or marital status. The Company's policy is to recruit, appoint and promote on merit. As at the end of 2014 the Company employed 28,731 colleagues. Across the Company, approximately 36% of employees were female. 24% of our senior managers and 25% of our Board are female.

Key information

+3%	**+2%**	**66k**
Service colleague retention up 3% points year on year	Sales colleague retention up 2% points year on year	66,000 U+ development courses undertaken

Performance on skills development continued to improve in 2014. Learning and development is delivered primarily through U+, the Company's in-house university, as well as through on the job training. By the end of 2014, colleagues undertook 66,000 U+ online courses.

These included programmes on our Code of Conduct, health and safety, legal compliance and leadership development, together with sales, technical and operational topics specific to our business.

Engagement and collaboration is supported by sophisticated use of Google Apps including Google+ and Hangouts (video calls) which accelerate collaboration networks and lead sharing internally, as well as reducing travel time, energy use and cost. For example, one recognition event in 2014 was attended by 88 people, but photographs and posts from the event reached 38,000 views within two days.

See also Harnessing the power of Google and Apps to deliver our service promise **go to page 23**

High standards of health and safety

There is nothing more important in Rentokil Initial than ensuring that 'Everyone Goes Home Safe' at the end of their working day. Health and safety is our first priority and therefore is the first agenda item in meetings of senior management including the ELT and Board. In addition, the Board reviews the Health and Safety Policy annually.

Key information

Lost Time Accident (LTA) rate	Working Days Lost (WDL) rate
0.99 2014 Target	**21.93** 2014 Target
0.99 2014 Outcome	**27.08** 2014 Outcome
-11% Change vs 2013	**+6.5%** Change vs 2013

Note: For ongoing operations, adjusted following the disposal of Initial Facilities

2014 was a year of further improvement in health and safety performance across the Group, with improvements in LTA and WDL rates in the majority of our regions, but with remaining challenges in France and on WDL in North America. Despite the progress across the Group, regrettably there were two road traffic fatalities linked to our operations in 2014. In Thailand, a motorcyclist died after performing a u-turn in front of one of our vehicles, and in South Africa there was a second fatality involving a Company vehicle and a pedestrian.

Corporate responsibility – continued

The inaugural winners of the Chief Executive's Safety Health and Environment awards in recognition of their excellent performance in 2014 were:

Large Business

-15%

Benelux Workwear and Hygiene – LTA rate -15% to 0.73 (2013: 0.86)

-19%

UK Pest Control LTA rate -19% to 0.71 (2013: 0.88)

Small Business

Zero

UK Supply Chain Manufacturing – Zero lost time accidents in 2014; one LTA since 2011

Most improved

-59%

Australia
LTA rate -59% to 1.55 (2013: 3.80)

Innovation and responsible product stewardship

Rentokil Initial invests in an active innovation programme to support the responsible delivery of its categories. This includes full research and development of new products to enhance the quality and safety of the Company's services, also minimising their environmental impact.

To read more about our innovation programme **go to page 24**

In hygiene the Company has introduced new products with anti-microbial coverings to reduce cross contamination; new designs which enable more efficient delivery and reduced fuel consumption; and products to reduce energy consumption in the industrial washing process. In the UK, the hygiene business has introduced Modular Airfresh units which are more environmentally friendly, with 46% waste reduction and safer disposal (with 25% less chemicals).

Other initiatives which combine innovation with improved health, safety and environmental outcomes include: hygiene sensing to improve hand washing compliance; use of products approved under the EU's Biocidal Products Directive such as Alphachlorolose for mice; energy-efficient fly control units; more secure bait box designs; soda blasting replacing chemicals for graffiti removal and wall cleaning. Safety sheets are provided for all its products, and the Company actively supports organisations, such as the Campaign for Responsible Rodenticide Use (CRRU), to improve knowledge and understanding of safe pest control.

Environmentally responsible service delivery

The Company's environmental plan includes a target of an emissions reduction of 10% by the end of 2016 (derived from property energy and vehicle fuel). Since 2011 emissions have reduced by 13%. We are pleased to have met our 2016 target more than a year in advance.

Rentokil Initial's principal environmental KPIs are water consumption in the workwear processing plants (where large volumes of water are used in the laundry process) and energy derived emissions. Our workwear processing plants use water recovery systems, and boiler water treatment systems to ensure maximum boiler efficiency. Also, steamless laundries are being introduced (currently in use in six plants), with energy and water use benefits.

With vehicle emissions representing 65% of energy derived emissions, company-wide initiatives include:

- Branch optimisation: new scheduling tool launched in 45 branches in Europe, South Africa and Pacific in 2014. Further roll out in 2015
- Route optimisation: new optimisation tool – rolling out to 50% of 1,000+ service routes in major Europe businesses in 2015
- Driver telemetry: North America and France have deployed 'Trimble' telemetry across thousands of vehicles, leading to improved driver behaviours and more efficient vehicle use
- Vehicle selection and engine control unit mapping: fuel reduction was achieved by remapping engines to local road conditions

Key information

-20%

Total Company emissions – reduced by 20% since 2009 and by 4% in 2014

-26%

Water consumption (Workwear laundries) – reduced by 26% since 2009

-17%

Energy consumption (Workwear laundries) – reduced by 17% since 2009

-20%

CO_2 emissions (Workwear laundries) – reduced by 20% since 2009

Greenhouse gas (GHG) emissions reporting

Rentokil Initial reports on all direct and indirect greenhouse gas (GHG) emissions. Emissions have been calculated in line with the 2014 DEFRA reporting standards, and calculated using the UK Government conversion factors for Company Reporting produced for DEFRA and DECC.

Total emissions (tonnes CO_2e)	Energy derived		Fumigation derived	
	2013	2014	2013	2014
Direct GHG emissions (relating to the combustion of fuel and the operation of any facility)	219,333	**218,069**	380,979	**850,883**
Indirect GHG emissions (through the purchase of electricity, heat, steam or cooling)	26,864	**24,876**	0	**0**

Data methodology:

- Emissions calculated using DEFRA/DECC 'UK Government conversion factors for Company Reporting' May 2014
- Energy emissions include all emissions derived from property energy and vehicle fuel consumption
- Fumigation emissions relate to emissions derived from the use of Sulfuryl Fluoride in large building fumigation contracts

In 2014, the Company continued to measure and report on its use of Sulfuryl Fluoride (used in pest fumigation in ten of our country operations), a significant contributor to emissions. In 2014, absolute emissions derived from Sulfuryl Fluoride were 850,883 tonnes (2013 – 380,979 tonnes) following its use in a number of businesses acquired in North America where it remains in widespread use. There is yearly variability in fumigation gas emissions, as the use of these gases is typically related to large building fumigation contracts, which relate to ad hoc customer requirements.

Environmental impacts – intensity values	2009	2010	2011	2012	2013	2014
Index of energy derived CO_2 emissions (CER)	100.0	92.2	91.9	85.2	83.6	**80.0**

Data methodology:

- Index of CO_2 emissions – calculated as an index of kilograms per £m turnover on a constant exchange rate basis, providing an accurate like-for-like performance comparison, removing the variables of currency and divestments and acquisitions. Emissions resulting from Initial Facilities and City Link have been excluded from this table

Supply chain

The Rentokil Initial Supplier Standard covers product, environmental, social and governance (ESG) issues, and ensures best-practice procurement. All contracts include anti-bribery and corruption clauses. There are just over 1,700 direct suppliers, with 30 deemed critical and managed by Group Procurement with regular audits.

Sustainability risks for critical suppliers are identified and managed by Group Procurement. Fabric suppliers meet key ESG standards including Fairtrade/Max Havelaar certification, Fibre Citoyenne and OEKOTEX. Chemicals used in pesticides and fragrances are validated by the Global Science Centre, to ensure regulatory compliance. In Hygiene, most hand washing liquids and foams and paper supplies carry Nordic Swan and Eco Flower labelling.

Positive community action

In 2014, the Company's Community Orientated Health and Education Programme undertook education training of over 3,000 children (exceeding its target by 200%) about the importance of hand hygiene in India and parts of Africa and Asia. Colleagues also undertook community activities with funds matched by the Company's Helping Hands scheme. These included bike rides and ice bucket challenges for the charity Malaria No More. In the UK the Company undertook a school education programme on hand hygiene and pest control linked to the award-winning 'Pestaurant' initiative (see page 14). Charitable cash donations amounted to £77,000 in 2014 (2013: £101,000).

Risks and uncertainties

Principal risks

The group's overall risk management approach is designed to provide reasonable, but not absolute, assurance at all levels of the group that risks are properly identified and are being effectively managed. This includes the provision of appropriate mechanisms to ensure that issues and concerns relating to risk can be escalated up through the organisation confidentially.

The principal risks most relevant to the group are described in the table below, together with mitigating actions. 'Assurance Risks', which relate to activities that the group must undertake in order to meet legal, fiscal and governance obligations, are also shown. The exact financial impact of one or more of our principal risks materialising will depend on the precise operational impact of the risk, its interaction with other risks and whether mitigating actions are successful in reducing the overall financial impact. However, as a rule of thumb, a 1% decrease in revenue, if not mitigated at all, would have an impact on operating profit in the range of £8.0m to £12.0m and on operating cash flow in the range of £6.0m to £10.0m.

Review of risks – Risks and mitigating activities are regularly reviewed by the Board and the senior leadership team, but it should be noted that remedial actions taken may not be sufficient on their own to fully mitigate the risks, should they materialise.

Other risks – The group is exposed to other risks and uncertainties related to environmental, political, social, economic and employment factors in the territories in which we operate. Additional risks and uncertainties not presently known to management or deemed to be of lower materiality may, if they materialise, have an adverse impact on the group's growth, profitability, cash flow and/or net assets.

Full details of the Company's financial risks can be found in **Note C1 on pages 120 to 122**

Managing our principal risks

Principal risk	Risk description	Mitigating actions
Growing our business profitably in an increasingly competitive environment	The Company's three primary categories (Pest Control, Hygiene and Workwear) operate in competitive environments. Acquiring new customers and retaining existing customers in such competitive environments remains challenging; failure to do so may have a negative impact on growth, profitability and cash flow.	• Tracking customer satisfaction and the perception of both customers and non-customers of Rentokil Initial, benchmarked against competitors • Significant investment in innovation to support our market leadership positions and support a brand premium through differentiation • Investing in new digital platforms to provide improved channels of communication and marketing • Investment in improving sales capabilities including the appointment of a Sales Excellence Director • International Accounts team formed in 2014 to develop business with multinational customers to take advantage of the Company as the most international player in our categories • Careful selection of potential acquisition targets to ensure strong cultural fit with the brand and our service model whilst supporting growth

Principal risk	Risk description	Mitigating actions
Maintaining margins during periods of weak economic growth	The global economic environment is volatile, with many Western economies experiencing historically low GDP growth. There is a high level of volatility in global commodity prices and exchange rates and wide variations in local market price and cost inflation across the globe. In the face of these economic pressures, our customers may choose not to renew contracts, or may look for reductions in prices or delay payments, which may have a negative impact on our ability to develop margins and cash flow.	• Regular monitoring of market pricing trends and individual customer profitability to ensure that margin erosion is minimised. Continuing focus on cost, with regular reviews of cost base and productivity programmes • Group functions with executive authority to deliver economies of scale in procurement, especially IT, fleet and energy, and logistics • Reduction in central and regional overheads of >£10m in 2014 • Investment in tools to monitor customer profitability • Regular monitoring of debtor days outstanding with action taken against customers with overdue debts

Principal risk	Risk description	Mitigating actions
Delivering consistently high levels of service to the satisfaction of our customers	Our business model depends on servicing the needs of our customers in line with internal high standards and to levels agreed in contracts. If our operatives are not sufficiently qualified, or do not have the right technical and inter-personal skills, or we fail to deliver successful innovations, this may negatively impact our ability to acquire new customers and/or retain existing customers, with the consequent impact on growth, profitability and cash flow.	• Creation of an Operational Excellence team to drive superior customer service • Targets for front-line staff and management based on delivering and improving customer service levels • 'Customer Voice Counts' – feedback sought from a range of customers, used to track customer service quality, with improvement in CVC scores year on year targeted at all locations • State of Service Key Performance Indicators used to monitor service delivery • HR development processes including leadership & development training, performance management, reward and incentives

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Managing our principal risks – continued

Principal risk	Risk description	Mitigating actions
Business continuity	The ability to continuously service customers without interruption is essential in a service industry. In our workwear category, where clothing is often tailored to individual needs, business could be adversely affected if access to the laundries is not possible due to issues such as fire, flood, IT failure or industrial action. Failure to service our customers may adversely affect our ability to retain those customers and may badly damage the Company's reputation. This may have a negative impact on growth, profitability and cash flow.	• All countries and units required to maintain Business Continuity plans • Detailed IT backup procedures including mirroring of information held at regional data centres • Regular feedback sessions with workforce • Procedures in place to ensure that potential industrial disputes are escalated quickly to Group HR Director • Local plans to service customers from adjacent laundries/branches where supply has been interrupted

Principal risk	Risk description	Mitigating actions
Financial market risks	We operate in international markets and are therefore exposed to foreign exchange risk, interest rate risk, liquidity risk, counterparty risk and settlement risk. If any of these risks materialise, this may have a negative impact on profitability, cash flow and financial statements, and may have a negative impact on financial ratios, credit ratings and/or the ability to raise funds for acquisitions. Further details of the impact of financial market risks are given in the notes to the Financial Statements on pages 120 to 122.	• Forward looking financing policy to ensure that the Company has sufficient financial headroom to finance all but the very largest acquisitions. Target credit rating of BBB achieved in 2014 • Treasury policies that limit key financial transactions, such as use of derivatives, hedging, raising bank finance and opening bank accounts • Monthly reporting of financial and liquidity ratios • Cash pooling and debt financing arrangement to match, as closely as possible, currency availability/demand across borders

Principal risk	Risk description	Mitigating actions
Fraud, financial crime or material financial misstatement	Theft of property and/or deliberate mis-stating of financial records may result in fraud and financial loss to the business and damage the Company's reputation.	• Code of Conduct regularly circulated and reviewed locally including annual Letter of Assurance for all senior management • 26 key financial controls defined centrally and independently assessed at country level every year • Mandatory training on Code of Conduct, including competition laws, anti-bribery and corruption, information security • International confidential 'Speak Up' hotline and e-mail address, monitored by Internal Audit • Significant frauds investigated by Internal Audit and lessons learned widely shared

Principal risk	Risk description	Mitigating actions
Health, safety & the environment	The Company operates in a number of hazardous environments and situations, for example: • Use of poisons and fumigation materials in pest control • Driving to customers across all our categories • Working at height • Bio-hazards from laundering of medical and hospital workwear and linen Non-compliance with internal policies and/or industry regulations could lead to personal injury, substantial fines and/or penalties including withdrawal of licences to operate, damage to the Company's reputation.	• Robust and up-to-date Health and Safety (H&S) policies • H&S officers appointed in all jurisdictions • Regular training of all relevant employees in safe working practices, including mandatory driving training • H&S KPIs discussed at all country and regional board meetings • Formal review of accidents and lessons learned widely circulated

Risks and uncertainties – continued

Managing our principal risks – continued

Principal risk	Risk description	Mitigating actions
Breach of laws and/or regulations (including competition and anti-trust laws)	The Company is a multinational business that operates in many jurisdictions and is increasing its business in emerging markets, including by acquisition and new country entry. Failure to comply with local laws such as anti-bribery and corruption laws, employment legislation and/or financial reporting requirements may result in fines and/or withdrawal of licence to operate, which could have an adverse impact of growth, profitability and cash flow.	• Group Legal involvement in all acquisitions, including advising on risk and regulatory issues • Regular compliance exercises, for example on anti-corruption and anti-bribery legislation, competition law, labour law and data protection • Authority schedule in place and regularly reviewed • Group and local policies in place and regularly reviewed • Requirement to report breaches in controls and/or laws to Group General Counsel and Head of Internal Audit • Mandatory training on Code of Conduct

Principal risk	Risk description	Mitigating actions
Integration of acquisitions	The Company has a strategy which includes growth by acquiring existing companies to extend its geographic footprint and/or to improve its market share in existing geographies. If the Company fails to successfully integrate these acquisitions into its existing organisation structures, the business may not achieve the expected financial and operational benefits which may have an adverse impact on growth, profitability and cash flow.	• Integration process considered by Investment Committee as part of acquisition approval process • Detailed induction programme for first 100 days • Continuity of management/leadership in acquired companies, where possible • Group departments, e.g. Health and Safety, Group Legal, Group Insurance, Group IT, involved early with new acquisitions to drive compliance with group standards, especially when entering new geographies • Review of acquisition benefits against original plan within two years

Corporate Governance

Directors' Report

This Corporate Governance Report for the year on pages 39 to 78 forms part of the Directors' Report. Disclosures elsewhere in the 2014 Annual Report are cross-referenced where appropriate and taken together fulfil the requirements of the Companies Act, the DTRs and the LRs. The Directors' Report and Other Statutory Disclosures can be found on pages 143 to 145.

Other information

Information relevant to the Directors' Report can be found elsewhere in this Annual Report on the following pages:

Statutory information	Location in this Annual Report
Accountability and audit	Page 144
Acquisitions and disposals	Page 44 and Notes B1 and B2 Financial Statements
Appointment of Directors	Page 6
Board of Directors and Committee membership	Page 49
Directors' conflicts of interest	Pages 40 and 41
Directors' interests in shares	Page 77
Directors' liabilities and protections	Page 49
Employees and gender diversity	Page 33
Going concern	Page 144
Greenhouse gas emissions	Pages 34 and 35
Key performance indicators	Pages 19 and 20
Operating model	Page 9
Pension schemes	Note A9 Financial Statements
Post balance sheet events	Note D3 Financial Statements
Risks and uncertainties	Pages 36 to 38
Share capital	Note C11 Financial Statements and Note 2 Parent Company Accounts
Substantial interests in shares	Page 50

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Board of Directors

1. John McAdam,
Chairman (66)
Chairman of the Nomination Committee

Skills and experience
John joined Rentokil Initial as Chairman in May 2008. Prior to this he had a successful executive career with Imperial Chemical Industries plc (ICI), becoming Chief Executive from 2003 until ICI's takeover by Akzo Nobel in 2008. Before joining ICI he held a number of senior executive positions at Unilever from 1974, with Birds Eye Walls, Quest International and Unichema International. Formerly a Director of Severn Trent plc and Sara Lee Corporation (USA).

Qualifications
Graduated from Manchester University with a first class honours degree in chemical physics and, after completing his doctorate, was awarded a research fellowship.

Other appointments
Chairman of United Utilities Group PLC, Senior Independent Director of J Sainsbury plc and Non-executive Director of Rolls-Royce PLC. Advisor to TPG Capital LLP.

2. Andy Ransom,
Chief Executive (51)

Skills and experience
Andy joined Rentokil Initial as an Executive Director in May 2008 and became Chief Executive in October 2013. Before becoming Chief Executive, he was responsible for the West region business and the Group Legal and M&A functions. Rentokil Initial's Asia-Pacific businesses were added to his remit in 2008/09. Formerly a senior executive at ICI (1987–2008) where he was responsible for a number of group functions and international businesses including ICI's regional and industrial divisions. He also served as the Executive Vice President of Mergers and Acquisitions, General Counsel and Company Secretary.

Qualifications
LLB (Hons) Law from the University of Southampton. A Solicitor.

Other appointments
Director and Trustee of Street League charity.

3. Jeremy Townsend,
Chief Financial Officer and
Chief Information Officer (51)

Skills and experience
Jeremy joined Rentokil Initial as Chief Financial Officer in August 2010 and, in addition, became Chief Information Officer in November 2013. Formerly Finance Director of Mitchells & Butlers plc, and previously an executive at J Sainsbury plc where he held various finance roles including Group Financial Controller, Corporate Finance Director and Strategy Director. Prior to Sainsbury's, Jeremy was employed by Ernst & Young, working in audit and corporate finance.

Qualifications
Graduated from Manchester University with a first class honours degree in Management Science. A Chartered Accountant.

Other appointments
Member of the Accounting Council of the Financial Reporting Council.

4. Peter Bamford
Non-executive Director (60)
Member of the Audit Committee

Skills and experience
Peter joined Rentokil Initial as a Non-executive Director in July 2006. He brings extensive experience to the Board over developing the marketing agenda for Rentokil Initial's brands. He was one of the key architects of developing the global Vodafone brand as Chief Marketing Officer and Director of Vodafone Group plc from 1998 to 2006. Prior to this he held senior positions at Kingfisher plc and Tesco PLC and was a Director of WHSmith PLC. He was formerly Chairman of PRS for Music Limited and Brandtone Holdings Limited (Ireland).

Other appointments
Chairman of SuperGroup Plc and Six Degrees Technology Group Ltd.

5. Angela Seymour-Jackson
Non-executive Director (48)
Member of the Remuneration Committee

Skills and experience
Angela joined Rentokil Initial as a Non-executive Director in March 2012. Angela was previously Chief Executive of RAC Motoring Services. Prior to joining RAC she held roles as Distribution Director of Aviva UK Life and Norwich Union Insurance.

Qualifications
A member of the Chartered Institute of Marketing and the Chartered Insurance Institute, with a master's degree in Marketing.

Other appointments
Managing Director, Corporate Solutions at Aegon UK plc, a Non-executive Director of Henderson Group plc.

6. Julie Southern
Non-executive Director (55)
Chairman of the Audit Committee

Skills and experience
Julie joined Rentokil Initial as a Non-executive Director in July 2014. She has had a long, successful career in a number of commercially-oriented finance and related roles working for some of the world's best known consumer brands. Most recently she was Chief Financial Officer from 2000 to 2010 and then Chief Commercial Officer from 2010 to 2013 of Virgin Atlantic Limited. Prior to this Julie held a number of financial and operational roles in Porsche Cars, Great Britain and WH Smith PLC.

Qualifications
Graduated from Cambridge University with MA (Hons) Economics. A Chartered Accountant.

Other appointments
Non-executive Director of NXP Semi-Conductors N.V. (NASDAQ), Non-executive Director of DFS Furniture plc.

7. Richard Burrows
Non-executive Director (69)
Member of the Remuneration Committee

Skills and experience
Richard joined Rentokil Initial as a Non-executive Director in January 2008. He has significant international business experience ranging from leading successful manufacturing and service businesses in the drinks industry to banking and financial services roles. Formerly Governor of the Bank of Ireland, joint Chief Executive and latterly a Non-executive Director of Pernod Ricard SA (France), Chairman and Chief Executive of Irish Distillers and a Director of CityJet Ltd (Ireland), Mey Ìçki (Turkey) and Eurasian Natural Resources Corporation PLC.

Qualifications
A graduate of Wesley College, Dublin (Ireland). A Chartered Accountant.

Other appointments
Chairman of British American Tobacco p.l.c. and Voicesage Global Holdings Ltd. Non-executive Director of Carlsberg A/S (Denmark).

8. Alan Giles
Non-executive Director (60)
Chairman of the Remuneration Committee

Member of the Nomination Committee and Audit Committee

Senior Independent Director – with effect from 1 January 2015

Skills and experience
Alan joined Rentokil Initial as a Non-executive Director in May 2006. He has extensive commercial and strategic service industry experience, having led two major retail brand businesses through significant periods of change. Formerly Chairman of Fat Face Group Limited, Chief Executive of HMV Group plc, Managing Director of Waterstones, a Director at WHSmith PLC and Book Tokens Limited and held Non-executive Directorships at Somerfield plc and Wilson Bowden Plc.

Other appointments
A Non-executive Director of the Competition and Markets Authority. Chairman of the Advisory Board at the Oxford Institute of Retail Management and Associate Fellow at Oxford University's Saïd Business School. Honorary visiting professor at Cass Business School.

9. Daragh Fagan
General Counsel & Company Secretary (45)

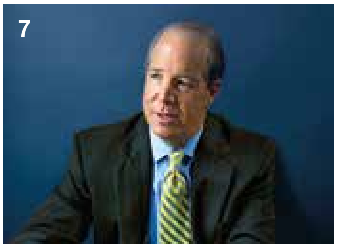
Skills and experience
Daragh joined Rentokil Initial in September 2013 as Group General Counsel, and added the role of Company Secretary on 30 July 2014. He has extensive in-house legal and company secretarial experience in major listed multinational corporations in the energy and media/financial services sectors, including significant businesses in rapidly developing economies. He joined the Company from Thomson Reuters where he was General Counsel, Europe & Asia, and previously General Counsel EMEA for Reuters Group plc. Before Reuters he spent ten years in the oil and gas exploration industry with Eni SpA, ultimately as Associate General Counsel, North America, North Sea & Middle East.

Qualifications
Graduated from Cambridge University with MA (Hons) in History. A Solicitor.

Other appointments
None.

Note: Duncan Tatton-Brown stood down as a Director on 14 May 2014 at the conclusion of the Annual General Meeting and Peter Long stood down as a Director on 31 December 2014.

Executive Leadership Team



1. Andy Ransom
Chief Executive (51)

Please see page 40.

The Chief Executive chairs the Executive Leadership Team, comprising the key regional business and functional leaders. They meet regularly to review operational performance, execution against strategy, governance and risk management.

2. Jeremy Townsend
Chief Financial Officer and Chief Information Officer (51)

Please see page 40.

3. Jürgen Höfling
Managing Director, Europe (51)

Skills and experience
Jürgen joined the Company in October 2014. His previous career was in sales and marketing in the logistics sector, principally 14 years at Deutsche Post and DHL International. He held the position of Chief Executive Officer, DHL Global Mail, responsible for the worldwide mail business of DHL/Deutsche Post outside Germany. From 2009 he was founding partner of Theron Management Advisors, an international management consultancy. He is a German national and fluent in English, French and German.

Qualifications
Degree in Integration & Marketing, Wharton School of the University of Pennsylvania.

Other appointments
None.

4. Martin Sawkins
Group HR Director (59)

Skills and experience
Martin joined the Company in November 2008. He previously held positions as Group HR Director at HomeServe plc, Group HR Director at The AA Ltd and HR Director at Centrica Home and Road Services. Prior to this he held a number of senior positions in HR and operations at British Aerospace and United Biscuits.

Qualifications
BSc (Hons) in Physics from Southampton University.

Other appointments
Non-executive Director of Wincanton plc and Scapa Group plc.

5. Stewart Power
Chief Marketing Officer (44)

Skills and experience
Stewart was appointed to the above position in March 2014 having covered it on an interim basis since December 2013. He joined Rentokil Initial in 2006 as Director of Marketing and Strategy for the Rentokil division and became Group Marketing Director in 2010. Prior to this he held roles as Marketing and Strategy Director at RAC Business Solutions, Director of Business Solutions at Capita Group and was a management consultant with the Boston Consulting Group. He started his career at the BOC Group plc spending seven years in strategy, marketing and sales roles.

Qualifications
MBA from London Business School. BSc in Physics from Imperial College, University of London and a member of the Chartered Institute of Marketing.

6. Phill Wood
Managing Director, UK & Rest of World (49)

Skills and experience
Phill was appointed to the above position in October 2013. He joined the Company in 2006 as Managing Director Europe (Pest Control) and was appointed Managing Director of the Pest Control division, UK and Ireland in 2009. Previously at Lex Service/RAC plc for 15 years, holding Managing Director positions of commercial fleet and outsourced vehicle solution divisions. Prior to that he held commercial business development and senior operational roles within the Lex Service Group.

Qualifications
First class BSc (Hons) in Management Science from Loughborough University. A Chartered Management Accountant.

Other appointments
None.

7. John Myers
Managing Director, North America (57)

Skills and experience
John was appointed to the above position in October 2013. He joined the Company in 2008 as President and Chief Executive of North America Pest Control division. His previous career was as Senior Vice President of Sales at Cintas Corporation. He previously held a number of operations and business development roles within the Cintas Group. Prior to that he was President and Chief Executive at Bio Quest LLC and began his career with American National Can Company where he held a variety of sales, operations and marketing roles including one international assignment.

Qualifications
Degree in Business Administration from the University of Vermont and MBA from Mercer University.

Other appointments
Member of the United Way Board in Berks County.

8. Daragh Fagan
General Counsel & Company Secretary (45)

Please see page 41.

Chairman’s Statement

John McAdam
Chairman

Dear fellow shareholder

Strong corporate governance underpins the successful execution of our strategy, and helps drive growth in our business and the creation of shareholder value. By insisting on high standards of governance across the Company, we help create a stronger performance culture and ensure, throughout the business, better, quicker decision making.

We have continued to streamline our portfolio of businesses in 2014 under our Chief Executive, with the sale of Initial Facilities in March to Interserve plc, and have made substantial progress in executing against our new corporate strategy put in place at the end of 2013 and outlined in last year’s Annual Report.

As described in the Strategic Report, we believe that the clarity of our plan, supported by an appropriate governance framework, will deliver a tangible improvement in the return to shareholders.

Sale of Initial Facilities

After the sale of City Link in 2013, the sale of Initial Facilities removed a non-strategic business in our Manage For Value quadrant from the group, and allowed the Board to focus on the core categories of Pest Control, Hygiene and Workwear.

Board composition

The composition of the Board has continued to evolve in 2014. At the AGM in May, Duncan Tatton-Brown stepped down after nine years on the Board, latterly as Audit Committee Chairman. In July we were delighted to appoint Julie Southern to the Board as our new Audit Committee Chair. As mentioned in last year’s report, Peter Long, our Senior Independent Director, who joined the Board in 2002, stepped down at the end of 2014. Peter has made an enormous contribution to the work of the Board in his 12 years as a Non-executive Director and my colleagues and I on the Board have benefited greatly from his wise counsel during that time. Alan Giles has taken over the role of Senior Independent Director from 1 January 2015, combining it with his role as our Remuneration Committee Chairman.

It is my responsibility to ensure that Board members have a diverse range of backgrounds and skills and that they all contribute to our decision-making. Each Board member brings his or her viewpoint to Board discussions and collectively, as well as individually, I am confident the Board demonstrates the highest standards of governance and integrity which is essential to ensuring that these standards are reflected across the group.

With the appointment of Julie Southern in July 2014, I am pleased to report that we now have a 25% level of female representation at Board level, which makes us consistent with the recommendations of the Davies Review. We will continue to look to enhance the composition and diversity of the Board over time, with a view to equipping the Board with the optimum range of skills for the business’ future development, and this will remain an important topic for the Board in 2015.

The Board evaluation for 2014 reconfirmed the positive outcome of the previous year, the ongoing improvement in ratings versus 2013 and previous years, and confirms that the Board functions effectively. Some suggestions for improvements were identified which are set out on page 46.

Challenge

A major responsibility of the Board is to challenge the Executive team constructively over its execution of strategy and hold it to account over actions taken. During the year the Board has held meetings in Oslo with the team leading the business across the Nordics, with the leaders of the business in North America and Benelux, and with the digital marketing and innovation teams. One of our Non-executive Directors visited our Pacific business’ head office in Australia and spent time with its management while in the region on business. These engagements not only help Directors to develop a better understanding of the issues faced in implementing strategy but also provide reference points for the assessment of the management cadre in the organisation. We continue to ensure that the induction process for Directors includes time with frontline staff and detailed briefings on the operational businesses, as well as information on their responsibilities and the governance framework of the group.

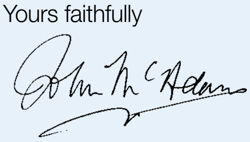
Reporting and engagement

I hope that you have found the Strategic Report to shareholders on pages 1 to 38 a helpful explanation of our strategy and of how the strategy is executed through our business model. This year we have taken into account the guidance of the Financial Reporting Council (FRC) on strategic report preparation, issued in June 2014, the changes in the UK Corporate Governance Code, following its reissue in September 2014 and ongoing developments in remuneration reporting under the new regulations. Our remuneration policy, appended to the Directors’ Remuneration Report on pages 61 to 68, was approved by shareholders at the AGM in May 2014 and will not be put to the vote again until 2017.

I hope that the remainder of this report gives you a clear understanding of the governance process as well as how the Board complies with its obligations under the UK Corporate Governance Code 2012, the Listing Rules and the Disclosure and Transparency Rules. We will continue to keep these obligations under review during 2015.

If you are able to attend the AGM, I look forward to seeing you in May. In the meantime we are keen to engage with shareholders and other stakeholders and would welcome your feedback on this Annual Report. Please e-mail investor@rentokil-initial.com and let us know what you think.

Yours faithfully



John McAdam
Chairman
26 February 2015

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Corporate Governance

Corporate Governance Report

Good corporate governance from the Board down through the business units ensures the right decision-making processes, controls and information to drive strategy and deliver long-term shareholder value.

Compliance statement

As noted in the Chairman's introduction, the principal governance framework applying to the Company is the UK Corporate Governance Code ('the Code'). The Company has complied throughout 2014 with the relevant main principles and detailed provisions set out in the Code published in 2012. This Corporate Governance Report also addresses the requirements of the Code published in September 2014 which will apply to future reporting periods from 1 October 2014 and will seek to comply with the 2014 Code from 2015 onwards. The Code is published by the Financial Reporting Council and the full text is available on its website at www.frc.org.uk

Role and effectiveness of the Board

The role of the Board

The Board is collectively responsible for the long-term success of the Company by creating value for shareholders and always acting in their interests. It assesses whether the necessary financial and human resources are in place to enable the Company to meet its objectives as well as ensuring that it takes into account safety, environmental and social factors when reviewing operations and taking decisions.

Specifically the Board must:

- provide entrepreneurial leadership
- understand and monitor risk
- develop the business model, consider and approve strategy, approve annual operating plans and major transactions
- ensure the adequacy of management resources and make executive appointments including that of the Chief Executive
- challenge and support Executive management, oversee the governance process and the control framework
- report to shareholders and be accountable to them

A schedule of the matters reserved for the Board's attention is reviewed annually and was most recently reviewed in December 2014. The schedule sets out the Board's ultimate responsibility for the group's strategy, operations and risks and reserves to the Board power to approve a range of decisions of a significant nature. The schedule is available on the Company's website.

Without seeking to single out one responsibility above others, the Board is mindful of its responsibility for the group's risk management approach, including evaluating and reviewing the overall level of risk that is inherent in its strategy and for the execution of that strategy.

The Board has carried out a robust assessment of the principal risks facing the Company, including those that would impact its business model and future performance, and more detail of the key risks identified and considered is set out at page 36.

An overview of the matters considered by the Board in 2014 is shown in the table on page 50.

Key Board roles

The division of responsibilities between the Chairman and Chief Executive is set out in writing and is summarised on page 45, together with the primary responsibilities of the Senior Independent Director and those of the Company Secretary. Non-executive Directors have regular opportunities to meet with members of Executive management and also hold discussions under the leadership of the Chairman without Executive members present. At least once a year Non-executive Directors meet under the leadership of the Senior Independent Director without the Chairman being present.

Appointments to the Board and composition

The Company's articles of association empower the Board to appoint new Directors. To ensure a formal, rigorous and transparent procedure for appointing Directors, a Nomination Committee comprising independent Non-executive Directors and chaired by the Company Chairman has responsibility for managing the appointment process and its work is described on page 58.

In order for the Board to discharge its duties and responsibilities effectively, it must comprise the right blend of individuals whose skills and experience are gained in a diverse range of backgrounds. Most importantly, Directors must exhibit independence of mind, integrity and have the ability to challenge constructively when appropriate. All appointments are made on merit and against objective criteria. In the case of candidates for Non-executive Directorships, time commitment and potential conflicting interests are considered carefully by the Nomination Committee. Pro-forma letters of appointment and employment contracts are available for public inspection on the Company's website.

At the date of this report the Board has eight members: the Chairman, five Non-executive Directors, and two Executive Directors. The names of the Directors serving throughout and at the end of 2014 and their biographical details are set out on pages 40 to 41. Duncan Tatton-Brown stepped down as a Director on 14 May 2014 and Peter Long stepped down from the Board as a Director and Senior Independent Director on 31 December 2014.

As mentioned in the introduction, diversity considerations are among the important factors considered by the Nomination Committee and the Board when considering the composition of the Board. The Nomination Committee and the Board will continue to seek to identify the best-qualified candidates to enhance the effectiveness of the Board, regardless of gender, ethnicity or other personal characteristics.

Board responsibilities

For more information go to pages 47-49

Principal governance responsibilities

Chairman
John McAdam

Duties include:
- Leading and managing the Board
- Providing timely information to Directors
- Setting the agenda and managing the Board's time
- Communication with shareholders
- Director induction, training and development
- Board succession and Chair of the Nomination Committee
- Performance evaluation of the Board and Chief Executive

Chief Executive
Andy Ransom

Duties include:
- Recommending strategy and strategic priorities
- Managing agreed strategies and strategic priorities
- Operational and financial performance, including identifying and managing risks to delivery of strategy
- With the Chief Financial Officer, explaining performance to shareholders
- Executive management capability and development
- Overall development of group policies
- Responsibility for all corporate responsibility matters which are reviewed at least annually by the Board and by the Executive Leadership Team*

Senior Independent Director Peter Long
to 31 December 2014

Duties include:
- Leading the Non-executive Directors' appraisal of the Chairman
- Work with the Chairman on Board effectiveness
- Providing an alternative channel of communication for investors, primarily on corporate governance matters
- Being a sounding board for the Chairman

Company Secretary
Paul Griffiths
to 29 July 2014
Daragh Fagan
from 30 July 2014

Duties include:
- Secretary to the Board and each of its Committees, reporting directly to their Chairmen
- Secretary to the Executive Leadership Team, reporting directly to the Chief Executive
- Assisting the Chairman and Senior Independent Director in their evaluation of the Board's effectiveness
- Keeping the Board and its Committees informed on governance matters and advising on these through their Chairmen
- Assisting in the overall development of group policies

* The group's corporate responsibility performance is in the group's web-based 2014 Corporate Responsibility Report which is available online at www.rentokil-initial.com

Balance and independence of Board members

The Board believes that it and its Committees have an appropriate composition to discharge their duties effectively and to manage succession issues. The Board keeps its membership and that of its Committees under review to ensure that an acceptable balance is maintained and that the collective skills and experience of its members continue to be refreshed. It is satisfied that all Directors have sufficient time to devote to their roles and that undue reliance is not placed on any individual.

All Directors may serve on a number of other boards, provided that they can demonstrate that any such appointment will not interfere with their time commitment to the Company and that they obtain the agreement of the Chairman before proceeding. This ensures that any potential conflicts of interest are considered and addressed. The major commitments of the Directors are shown in their biographical information on pages 40 and 41. Currently Non-executive Directors are obliged to commit at least 20 days a year and the Chairman is obliged to commit at least two days a week to the Company.

The continuing independence of Non-executive Directors is critical to their ongoing effectiveness over challenging executive management. The independence of Directors is reviewed as part of the individual Director performance evaluation process. The performance evaluation process provides assurance that all Non-executive members of the Board retain the independence of judgement which underpins the culture of constructive challenge in the boardroom. The Non-executive Directors bring their wide experience to the boardroom for the benefit of the execution of business strategy, and as a group and individually constructively challenge the Executive team both at Board and Committee meetings as well as during the many exchanges which occur between formal meetings.

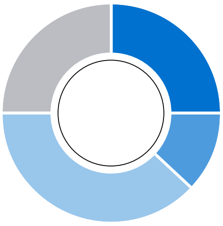
All Non-executive Directors (other than the Chairman) have been determined by the Board to be independent, having retained their independence of character and judgement. In making this determination the Board has taken into account indicators of potential non-independence as set out in the Code. No Director took part in the Board's consideration of their own independence.

The Board considers that an individual's independence cannot be determined arbitrarily on the basis of a particular period of service. In the case of Peter Long, who stepped down at the end of December 2014 and had served as a Director for 12 years, the Board continued to benefit from his considerable experience and knowledge resulting from the length of his service as well as from his wider business experience.

Corporate Governance – continued

Directors' length of service

Directors' tenure



Board performance, training and succession

The Board ensures that the Directors continue to provide suitable leadership for the Company through a regular performance evaluation process, training processes, Board succession planning and annual re-election by shareholders.

Performance evaluation

This involved an external independent facilitator, Lintstock, engaging with the Chairman and Company Secretary to set the context for the evaluation. Lintstock is a specialist corporate governance consultancy and has no commercial dealings with the group, other than over the provision of corporate governance services to the Board.

Actions taken following the 2013 evaluation were as follows:

- **Competitor Landscape** Presentations to the Board included detailed analyses of the competitive position of the group in its key markets and positioning in relation to key competitors and generally. Enhancing the Board's understanding of the competitor landscape was a regular feature of briefings by management and the Chief Executive.
- **Differentiated Strategy** Use of the four quadrants (Emerging, Growth, Protect & Enhance and Manage For Value) became an established means of analysing and articulating the performance of the business, from operational management to growth and investment metrics including M&A activity.
- **Greater Focus on Strategic Risk Issues** At the Board's strategy review session in November 2014 and periodically during the remainder of the year, strategic risks, and efforts to understand and mitigate their impact were discussed by the Board.
- **Greater Exposure to Leadership and Talent Pool** The range of Executives who engaged with the Board during the year was broadened and plans for scheduled in-depth reviews by the Board and Audit Committee of key regions and functions are in place for 2015.

The external evaluation in 2014 covered: the balance of skills and experience, independence and knowledge, diversity including gender of Board members, how the Board works together, all of which are important factors relevant to an assessment of the Board's effectiveness. This year there was particular emphasis on the way in which the Committees, the Board and the Chairman exercised their strategic and operational oversight role. This included a review of our organic and M&A growth plans, oversight of category and regional strategy, and the nature of and competitive dynamic in the markets where the group operates. The review also covered: Board time management, strategic and operational risk oversight, key talent and succession, and the quality of information flow and Board support. The anonymity of all respondents was ensured in order to promote an open and frank exchange of views.

The Board considered the output from the 2014 review at its meeting on 18 February 2015. The review reported further progress in the effectiveness of the Board and against the actions identified in the 2013 review. Following some suggestions for further improvements, the Board agreed a number of actions, summarised below:

- **Operational business reviews:** allowing more time for formal deep dive reviews of all five regional businesses, the core categories and key functions. These have been scheduled into the Board calendar for 2015, to allow thoughtful, detailed preparation.
- **Risk oversight:** greater time for the Audit Committee to review the schedule of key risks and gaining greater clarity on the effectiveness of mitigation measures. In addition, Regional Finance Directors would attend Audit Committee meetings ahead of regional deep dives at the Board.
- **Digital marketing:** building on the greater focus in the second half of 2014, this will continue to receive regular updates on progress at each Board meeting and be reviewed in depth at least once in 2015.
- **Succession planning:** focus on refreshing the Board's range of skills as new appointments are made, and succession planning for Executive and Non-executive Directors.

We will report on progress in implementing the actions in the 2015 Report.

Succession planning

The Board is ultimately responsible for succession planning for Executive and Non-executive Directors. The Nomination Committee has conducted a performance evaluation of each Non-executive Director seeking re-election and concluded that their performance continues to be effective and that each demonstrates commitment to the role. The Committee is also satisfied that the backgrounds, skills experience and knowledge of the continuing Directors collectively enables the Board and the Committees to discharge their duties and responsibilities effectively. Further information on the succession planning process is included in the Nomination Committee Report on page 58.

Training

Where appropriate, Directors participate in peer group discussion forums and seminars related to the commercial environment and targeted at specific needs, for example relating to executive remuneration, financial reporting or risk management. Training also covers the group, its business sectors and governance matters more generally, including individual experiences with frontline staff.

Further information on the induction process for new Directors is included in the Nomination Committee Report.

Annual re-election

In accordance with the Code, the Directors are subject to annual re-election by shareholders. To enable shareholders to make an informed decision, the 2015 notice of the AGM includes biographical information and a statement as to why the Company believes the Directors should be re-elected. The results of the individual Director performance review undertaken by the Chairman indicate that each Director continues to be effective and demonstrates commitment to the role.

The Board recommends to shareholders the re-appointment of all Directors retiring at the meeting on the basis that they are all effective Directors of the Company and demonstrate the appropriate level of commitment to the role. The terms of the Directors' service contracts are disclosed in the Directors' Remuneration Report starting on page 60. Directors' interests in shares are disclosed on page 77. Directors' service contracts and the letters of appointment of the Non-executive Directors are available for inspection at the Company's registered office and will be available at the AGM which will take place on 13 May 2015. A pro-forma of the Non-executive Directors' letters of appointment is available at www.rentokil-initial.com

Board Committees and Board support

In addition to a clear statement of the matters reserved to the Board, each Board Committee has written terms of reference, approved by the Board, summarising its objectives, remit and powers. These are available on the Company's website at www.rentokil-initial.com. Membership of the principal Board Committees is shown in the Directors' attendance and membership table on page 49.

Agendas, papers and minutes of Committee meetings are provided to all Board members, save for the private sessions of Committee members. Chairmen of Committees update the Board following each Committee meeting. The Nomination Committee is chaired by John McAdam, the Company Chairman. The chairmen of Committees attend the AGM to answer any questions on the Committees' activities.

Reports by the principal Board Committees (Audit, Remuneration and Nomination), including a full discussion of their terms of reference, role, structure and composition are set out between pages 52 and 69.

For more details see:
Audit Committee – page 52
Nomination Committee – page 58
Remuneration Committee – page 68

Governance overview

Corporate Governance – continued

In addition to the principal Board Committees, the Board operates a number of ad hoc Committees. The main one being the Finance Committee which comprises the Chairman, the Chief Executive, the Chief Financial Officer and Non-executive Directors with relevant financial experience. This Committee reviews matters concerning Company financing and group treasury policy and makes recommendations to the Board on financing matters.

The Chairman, supported by the Company Secretary, ensures that the Board is kept properly informed and that matters are given appropriate attention. Board papers and other information and resources are provided in sufficient time to allow Directors to be properly briefed in advance of meetings. All Directors are able to make further enquiries of the Executive Directors or management whenever necessary and have full access to the Company Secretary who is responsible for advising the Board through the Chairman on corporate governance matters. There is also a procedure in place for Directors to take independent legal advice, if they judge this to be necessary, at the Company's expense.

Managing conflicts of interest

The Directors have a statutory duty to avoid a situation where they have, or could have, a direct or indirect interest that conflicts or might possibly conflict with the interests of the Company. The Board is permitted (under powers from shareholders contained in the articles of association) to authorise actual or potential conflicts of interest.

The Company has a procedure in place to deal with the situation where a Director has a conflict of interest and as part of the process the Board considers each potential conflict situation on its particular merits. The Board maintains a register of authorisations granted and the scope of any approvals given. These potential conflicts are not material either to the Company or, the Directors believe, to the other companies that are the subject of the potential conflict. The register of authorised conflicts is reviewed by the Board regularly. All of the approvals given have been situational and no transactional conflicts have occurred.

Details of Directors' interests are shown on pages 40 to 41. No Director has had a material interest in any contract of significance in relation to the Company's business at any time during the year or to the date of this report.

Executive governance

The Board's governance procedures delegate the day-to-day management of the group's businesses to the Chief Executive who in turn cascades authority to the wider management population through a documented schedule of authorities, setting out responsibilities, decision-making and approval powers of managers at different levels in the organisation.

Executive Leadership Team
To support the Chief Executive in managing the business at group level the Executive Leadership Team has been established under the Chief Executive's chairmanship and comprises the group's operational heads for Europe, North America and UK & Rest of World and the Heads of the Finance and IT, Human Resources and Marketing & Innovation Functions, as well as the Company Secretary. They meet regularly to review performance, operational actions, governance and risk management. Biographical information on the Executive Directors, Andy Ransom and Jeremy Townsend, and on the Company Secretary, Daragh Fagan, is provided on pages 40 to 41 and information on other current members of the Executive Leadership Team is shown on page 42.

Senior Leadership Forum
The Chief Executive has also established the Senior Leadership Forum comprising approximately 25 of the most senior operational and functional colleagues globally who meet on a monthly basis by conference call and twice a year in person, to share progress and discuss a range of issues that are critical to the operational performance of the group as a whole.

Clear roles and responsibilities

Disclosure Committee
The Company's Disclosure Committee, chaired by the Chief Financial Officer, supports the Board's responsibility for the accuracy and timeliness of the disclosures made by the Company, whether in connection with its financial reporting obligations or on other matters.

Group Risk Committee
The Company's Group Risk Committee, chaired by the Chief Financial Officer, has oversight of the group's risk and control functions and reviews the risks the group is facing and the effectiveness of the internal controls. It includes the Company Secretary and representatives from the HR, operational, IT, finance and internal audit functions. Risk management and internal control is an intrinsic part of the governance process as is the identification, management and control of risk. Copies of the minutes of the Group Risk Committee are provided to the Audit Committee. Information on the risk management and control framework is provided in the Risks and Uncertainties section on pages 36 to 38 and in the Audit Committee Report on pages 52 to 57.

Investment Committee
The Company's Investment Committee, chaired by the Chief Executive and including the Chief Financial Officer, Group Financial Controller and the Company Secretary, reviews and approves investments below the threshold requiring approval by the Board, including M&A transactions, property sales and investments and environmental remediation expenditures.

Performance reviews
The Chief Executive and Chief Financial Officer lead monthly and quarterly business performance reviews with business unit management teams.

Category Boards
There are category Boards for pest control, hygiene and workwear. These are forums where the senior operational and functional leaders of the relevant category meet to coordinate the development agenda for growth and productivity initiatives and to oversee the sharing of best practice. They meet at least quarterly with the Pest and Hygiene category Boards being chaired by the Chief Executive, while the Workwear Board is chaired by the Managing Director, Europe.

Corporate responsibility
The Chief Executive is responsible for corporate responsibility and the Executive Leadership Team has authority for reviewing all aspects of corporate responsibility. The Board reviews specific corporate responsibility matters on a regular basis and on a broader basis at least once a year. A Safety, Health and Environment (SHE) report, including a review of SHE KPIs, is the first item on the agenda at each meeting of the Board, Executive Leadership Team and Senior Leadership Forum. SHE performance outcomes are published annually. Further information can be found in the Corporate Responsibility section on pages 33 to 35 and at www.rentokil-initial.com

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Business units

The governance process in business units comprises the application of group and local policies and procedures, management oversight and the analysis and management of risk, all underpinned by the group's values and behaviours. The group operates through locally constituted and governed legal entities in 63 countries. All staff are required to act in accordance with principles set out in the group's Code of Conduct which is communicated internally in full in 14 languages and in summary format in 32 languages and is available to shareholders at www.rentokil-initial.com

Directors' liabilities and protections

Directors are ultimately responsible for most aspects of the Company's business dealings. They face significant personal liability under criminal or civil law, or the UK Listing, Prospectus, Disclosure and Transparency Rules, and face a range of penalties including censure, fines and imprisonment. The Company considers that it is in its best interests to protect individuals who serve as Directors from the consequences of innocent error or omission, since this enables the Company to continue to attract prudent, appropriately qualified individuals to act as Directors.

The Company maintains at its expense a Directors' and officers' liability insurance policy to afford an indemnity in certain circumstances for the benefit of group personnel including, as recommended by the Code, the Directors. The policy does not provide cover where the Director or officer has acted fraudulently or dishonestly.

In addition the Company has granted indemnities in favour of Directors, as permitted by s.232 to s.235 of the Companies Act 2006. In general terms, the indemnities protect Directors to the extent permissible by law from all costs and expenses incurred in the defence of any civil or criminal proceedings in which judgement is given in their favour or the proceedings or otherwise disposed of without finding fault or where there is a successful application to court for relief from liability. The indemnity operates to the extent that the Director is not able to recover the relevant amounts under the Company's Directors' and officers' liability insurance.

Board meetings

The Board met 11 times during the year, all scheduled meetings, and a Committee of the Board met six times in relation to the release of quarterly results, the disposal of Initial Facilities and the allotment of shares under the 2008 one-off incentive arrangement. As in previous years the Board has this year visited one of its overseas operations, on this occasion the Nordics business. The Board had the opportunity to meet the extended management team of the business and conduct a detailed review of the businesses in each of the key Nordic markets, the differences between those markets and the competitive dynamic within them and their ability to leverage the resources and exchange best practices and innovation with the wider group.

A summary of the activities carried out by the Board during the year is shown on page 50 and Directors' membership and attendance at Board and Committee meetings is shown below.

Non-attendance at meetings by Directors was either as a result of unavoidable changes in commitments, illness, or from ad hoc meetings called by the Company which conflicted with existing arrangements. The Chairman (or Committee chairman) seeks the views of any Director unable to attend a meeting and provides a briefing on outcomes. Directors are provided with material for all meetings, whether or not they are able to attend.

Directors' attendance and Committee membership

	Board	Audit Committee	Remuneration Committee	Nomination Committee
John McAdam	11	–	–	3 (Chairman)
Andy Ransom	11	–	–	–
Jeremy Townsend	11	–	–	–
Peter Bamford	9	6 (Acting Chairman)*	–	–
Richard Burrows	11	–	9	–
Alan Giles	11	6	9 (Chairman)	3
Peter Long#	9	–	8	2
Angela Seymour-Jackson	11	–	9	–
Duncan Tatton-Brown~	4	1 (Chairman)~	–	1~
Julie Southern†	5+	4 (Chairman)†	–	–
Total number of meetings	11	6	9	3

* Peter Bamford acted as Chairman at the Audit Committee meeting on 28 April 2014
~ Duncan Tatton-Brown resigned on 14 May. Peter Bamford acted as Chairman of the Audit Committee in April 2014 in the absence of the chair of the Committee
# Peter Long resigned on 31 December 2014
† Julie Southern was appointed to the Board on 21 July 2014 and is the Chairman of the Audit Committee

Corporate Governance – continued

Key items discussed by the Board

In 2014, the Board considered:

- Safety, Health & Environment performance and governance
- Operational and financial performance, including review of the annual operating plan
- Preparation of the Annual Report and accounts, and quarterly and half year financial results
- Investor relations activity
- M&A activity including the disposal of Initial Facilities
- Reviews of key risks to the business, including material disputes
- Governance arrangements and processes including conflicts of interest, Board evaluation, and Board governance structures and processes
- Strategy for the group and its businesses
- Marketing and innovation
- Visit to Oslo to review the Nordics business
- Colleague engagement and succession planning
- Corporate responsibility

Accountability to shareholders

Accountability to shareholders is a key consideration and the Board is extremely conscious that it is a steward of the business and that ultimately it manages the group on their behalf. Accountability represents both clear and open reporting on current performance and plans for the future and taking into account the views expressed by shareholders.

The Company has a premium listing on the London Stock Exchange and an ADR listing on the New York Stock Exchange to facilitate shareholding by retail investors in the United States. All ordinary shares carry the same rights and no shareholder enjoys any preferential rights, regardless of the size of their holding. Further information on the rights attaching to shares can be found in the Directors' Report on page 144.

The Company has been notified pursuant to DTR 5 of the following substantial interests in the Company's share capital.

Substantial interests in shares at 26 February 2015

	%	No. of ordinary shares	Nature of holding
Schroders plc	14.93	272,214,223	Indirect
Ameriprise Financial Inc.*	10.06	183,351,215	Indirect
Invesco Ltd	9.88	179,549,886	Direct
Aviva plc (and subsidiaries)	5.64	102,915,768	Direct
Majedie Asset Management Ltd	5.61	101,963,126	Indirect
Artemis Investment Management LLP	5.37	97,646,833	Direct

* Ameriprise Financial Inc. includes Threadneedle Asset Management Holdings Ltd

Formal reporting

The Company publishes a half yearly unaudited interim statement at the end of July/early August as well as audited financial statements which are announced in February and circulated to shareholders in early April. From the start of 2015, in accordance with the changes implemented by the Financial Conduct Authority with effect from 7 November 2014, we will cease formal provision of interim management statements on a quarterly basis. We will however continue to provide simplified quarterly trading updates in May and November and make regulatory news announcements when required to ensure that all required information is made available to shareholders on a timely basis.

The Code requires that the Board provides a fair, balanced and understandable assessment of the Company's position and prospects in its external reporting. The Board considers that the Annual Report and accounts for 2014, taken as a whole, is compliant with the Code requirement and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Over 75% of shareholders obtained their primary information on the Company through electronic communications and the Company's website. The Company strongly encourages shareholders to use electronic means for accessing shareholder communications, saving resources and cost that would be involved in distributing printed material. Shareholders who elect to receive electronic communications can revert to paper communications at a future time, if they so wish. The Company periodically canvasses shareholders on how they wish to receive their shareholder communications and did so in February 2014 and February 2015.

The Company's website www.rentokil-initial.com contains information on the Company's operations and the website Investor section contains information on past results and publications, press releases and analyst presentation material. It also contains information to help shareholders manage their holdings such as change of address or change of name notifications, transfer of shares, lost share certificates, online and telephone share dealing facilities and how to receive shareholder communications electronically.

Shareholder communications

The Board places great importance on communications with shareholders and also recognises the contribution made by other providers of capital and is open to hearing the views of such providers in so far as they are relevant to the Company's overall approach to governance.

The following summarises the activities carried out by the Company to ensure that investors and other interested parties have a transparent and effective dialogue with the Company.

- The Chairman, Chief Executive and Chief Financial Officer make themselves available to shareholders at all appropriate times
- Regular dialogue with institutional shareholders through one-to-one and group meetings, formal investor and analyst conference calls as well as ad-hoc communications, where appropriate
- Formal presentations are held after full-year and half-year results, to which investors and sell and buy-side analysts are invited. These presentations are web-cast and any investor is able to hear the presentation and related questions and answers via the Company's website. Slide presentations of results are hosted on the Company's website as are recordings of meetings
- Conference calls for investors and analysts are hosted after the first and third quarter trading updates, with typical levels of participation in excess of 80 shareholders and analysts
- Investor roadshows are conducted after full-year and interim results, involving extensive investor meetings on each occasion
- The Chief Financial Officer, supported by the Group Financial Controller and Treasurer, regularly meets with and hears the views of representatives of the debt capital markets
- The Chairman, the Senior Independent Director and Committee chairmen are available to attend meetings with investors, as required, and will typically do so on a number of occasions annually
- The Company provides opportunities for private client investor presentations across the UK
- The Board receives material issued by shareholder representative groups to ensure that the views and preferences of investors are taken into account
- The Company sees the AGM as an important opportunity for all shareholders to engage with the Board over performance and other matters on the agenda for the meeting and encourages both private and institutional shareholders to attend
- The Board is briefed on the Company's investor relations programme through a regular report from the Head of Investor Relations as well as by periodic updates from the Chief Executive and the Chief Financial Officer

Additional information for investors can be found on pages 146 to 148.

Annual general meeting

The AGM will be held at 12 noon on 13 May 2015 in the Ascot Suite at The London Gatwick Hilton Hotel, (South Terminal), Crawley, West Sussex RH6 0LL. A separate notice of meeting, containing explanation of the items of special business has been sent to all shareholders and is available at www.rentokil-initial.com. The Company encourages all shareholders to attend the AGM and to participate in discussion of the matters at the meeting. The Chief Executive will present to shareholders on the Company's strategy and performance and all Directors will be available to answer questions both formally at the meeting and informally over lunch. Voting at the AGM will be conducted by a poll and the results announced to the market and displayed on the Company's website the day following the AGM.

John McAdam
Chairman
26 February 2015

Audit Committee

Audit Committee Report

Dear shareholder

The Audit Committee has a clear set of responsibilities which are laid down in its terms of reference and agreed by the Board. These terms of reference were reviewed and updated during the year and conform with the requirements of the UK Corporate Governance Code 2012 (the Code) and to the best practice standard laid down by the Institute of Chartered Secretaries and Administrators (ICSA).

The Committee comprises only independent Directors and its overriding purpose is to provide assurance to the Board that the interests of shareholders are appropriately protected, principally in the areas of financial reporting (both internal and external) and over the effectiveness of the internal control environment and of the internal and external audit processes. The role of the Committee is set out in this report and the terms of reference are available at www.rentokil-initial.com

The Code requires that the Committee report on significant matters considered during the year. The Committee has therefore set out its position formally on the issues relating to the financial statements where key judgements were taken. These are:

- restructuring costs;
- the annual impairment assessment of goodwill and acquired intangible assets; and
- provisions for tax contingencies and UK deferred tax asset recognition.

In the Audit Report on pages 79 to 80 the auditor also provides a commentary on what they consider to be the significant matters of judgement taken in respect of the financial statements. I am comfortable that all material issues of accounting judgement have been fully discussed by the Committee and that there were no divergent views between management and the auditor that were not resolved.

In addition to consideration of areas of accounting judgement we have set out on pages 53 to 54 a summary of all the activities of the Committee during the year divided between the Committee's primary areas of focus: internal controls and risk, external audit and financial reporting.

I took on the role of chair of the Audit Committee in July 2014 from Duncan Tatton-Brown who had stepped down after chairing the Committee since July 2003. I am grateful to Duncan for leaving me with such a sound platform to build on and have been delighted to take on the chairmanship of such a well-functioning Committee whose members are very engaged with the work required of them. In his report last year Duncan commented on the organisation's improved control framework and it has been encouraging in my first five months to see this trend continue, with evidence of positive and transparent engagement between different parts of the business and the internal audit team. In 2015 we will continue to focus on improving financial controls, in particular taking the lessons learned from divisional audits during the disposal of Initial Facilities and from the issues on a significant commercial contract in Belgium, and strengthening the review of business processes to support the delivery of the business strategy.

Although the business has a mature risk management process we will strengthen it further for 2015 by the addition, where possible, of explicit targets to allow the business to better demonstrate progress on the mitigation of the risks identified. The Committee also plans to have regular attendance from regional financial directors which will allow us to access a good local view and give us a deeper insight into the financial talent in the wider business.

As described in this report, we will continue to monitor the effectiveness of the internal audit assurance process but the Committee has seen clear benefit from the more thematic and targeted approach to internal audit assurance over the last two years which has helped to ensure that internal audit's forward-looking programme is fully aligned with the group's risk profile and its strategy.

The Committee has considered the recommendations of the Code and related guidance in relation to tendering the external audit at least every ten years. As shareholders will be aware, KPMG LLP were appointed auditor to the group in 2009 following a competitive tender. As reported last year, the lead audit partner appointed in 2009 retired from the firm early in 2013 and the Company had a new lead audit partner with effect from the beginning of the 2013 financial year. Given that the Committee is comfortable with the effectiveness of the audit process and the Committee's relationship with KPMG LLP is good, the Committee does not see audit re-tendering as relevant to the Company at the present time.

I continue to be satisfied that the Committee has been provided with good quality and timely material to allow proper consideration to be given to the Committee's responsibilities. The Committee has met with the internal and external auditors without management present on a number of occasions and I have a regular dialogue with the external audit partner, the Chief Financial Officer and the Director of Risk and Internal Audit.

Yours faithfully

Julie Southern
Chairman,
Audit Committee
26 February 2015

Role of the Committee

The Audit Committee assists the Board in its oversight and monitoring of financial reporting, risk management and internal controls. The Committee's focus is to review and challenge in these areas both with management and with internal and external auditors. The Committee's terms of reference include a responsibility on the Committee to advise the Board on whether the content of the Annual Report taken as a whole represent a fair, balanced and understandable representation of the Company's performance, financial position and prospects.

The Committee:

- monitors the integrity of the annual and half-year results and interim management statements, including a review of the significant financial reporting judgements contained therein
- keeps under review the Company's internal financial controls and internal control and risk management systems
- provides the Board with an independent assessment of the group's accounting affairs and financial position
- monitors and reviews the effectiveness of the Company's internal audit function
- establishes and oversees the Company's relationship with the auditor, including setting their fees, monitoring their independence and effectiveness and ensuring that the Company's policy relating to their engagement on non-audit matters is appropriate and observed
- monitors matters raised pursuant to the Company's whistleblowing arrangements

The Committee reports to the Board on its activities and minutes of meetings and material considered by the Committee is shared with the Board.

The Board is required by the Code to present a fair, balanced and understandable assessment of the Company's position and prospects. In relation to this requirement, reference is made to the Statement of Directors' responsibilities for preparing the Annual Report and the financial statements set out on page 145.

Terms of reference

The terms of reference of the Committee are available at www.rentokil-initial.com. The Committee's terms of reference were reviewed by the Committee during 2014 and the Board approved a number of amendments to the text to ensure that the terms of reference are fully aligned to current best practice. They take full account of the FRC Guidance on Audit Committees.

Composition of the Committee

The members of the Committee are set out on page 49 in the Corporate Governance Report. Julie Southern is a Chartered Accountant with extensive financial and accounting experience. Duncan Tatton-Brown, who chaired the Committee until he stepped down in May 2014, is a Chartered Management Accountant with extensive financial and accounting experience. Both Peter Bamford and Alan Giles have extensive commercial and operational experience in overseeing the financial affairs of substantial business undertakings. Biographical information on all Committee members is set out on pages 40 to 41. Committee members are all independent Non-executive Directors and both Duncan Tatton-Brown and Julie Southern are considered by the Board to have recent and relevant financial experience. The Committee did not find it necessary to seek external advice during the year, other than through its usual dialogue with the auditor.

Meetings of the Committee are attended by the Chairman, the Chief Executive, the Chief Financial Officer, the auditor, the Director of Risk and Internal Audit and the Company Secretary. Other Company executives attend meetings periodically such as the Group Financial Controller and Treasurer, the Group Tax Director and the regional Finance heads who periodically update the Committee on control and reporting within their areas of responsibility.

Activities of the Committee in 2014

The Committee met six times during the year and attendance at those meetings is shown on page 49.

Key items discussed by the Audit Committee

In 2014, the Committee considered:

Internal controls and risk

- The status of the control environment
- The outcome of internal audit investigations and status of resolution of issues raised
- Group risks and actions to enhance their measurement, monitoring and mitigation actions
- Review and enhancement of relevant policies and procedures including the group authority schedule
- Review of issues, including controls weaknesses arising from divisional audits and on a significant commercial contract in Belgium
- Review of issues, arising from divisional audits relating to the disposal of Initial Facilities
- Group reporting processes and the central control environment, including review of Group Risk Committee minutes
- The conclusions and themes emerging from the internal audit investigations conducted during the year and approved the plans for 2015 in parallel with the Board's strategic review and operating plan for the year

External audit

- The terms and scope of the audit engagement for the annual, half-year and quarterly financial statements together with fees charged
- The effectiveness of the external audit process
- A review of the annual financial statements, consideration of principal areas of accounting judgement or materiality, further details of which are provided in this report, including discussions with the auditor without executives present
- Compliance with the Company's policy on the provision of non-audit services by the auditor
- The audit strategy for the 2014 audit including the key areas of focus, materiality levels, scope and coverage
- An analysis setting out the basis on which KPMG LLP continued to meet the appropriate professional standards of independence as auditor to the Company

Audit Committee – continued

Accounting, financial reporting

- The effectiveness of the internal control and risk management framework and consideration of the statement to shareholders on the control environment
- The annual, half-year and quarterly financial statements together with the significant financial reporting judgements relating to each statement
- A review of material litigation and claims
- A review of and recommendation to the Board in relation to the going concern analysis

Significant issues considered by the Audit Committee

After discussion with both management and the auditor, the Committee determined the key issues of accounting judgement affecting the financial statements and therefore providing the potential for material misstatement in the group's financial statements related to be:

- restructuring costs;
- the annual impairment assessment of goodwill and acquired intangible assets; and
- provisions for tax contingencies and UK deferred tax asset recognition.

These issues have been discussed and reviewed by the Committee during the year but notably at the review of the interim results and at the review and agreement of the audit plan for 2014.

Restructuring costs
There has been a material reduction in the level of restructuring costs in 2014. Approval of any restructuring costs requires a specific business case and authorisation from the Chief Financial Officer and Chief Executive. As a result of the reduced level of restructuring costs in 2014 and the anticipation that they will be at or below this level in 2015, the Committee does not consider this to be a key issue going forward.

Annual impairment assessment of goodwill and acquired intangible assets
The group has £391.3m of acquired intangible assets at 31 December 2014. Management is required to perform annual tests for potential impairment of goodwill and other intangible assets. The group's principal non-financial assets are grouped into cash-generating units (CGUs) for the purpose of assessing the recoverable amount – usually a country business unit. Where a CGU carries goodwill above the local equivalent of £1m sterling, this must be tested for potential impairment using a centrally provided model. For goodwill balances below the local equivalent of £1m sterling, CGUs are only required to satisfy themselves that nothing has happened since the previous review or since the goodwill balance was established that would indicate any impairment.

Cash flows are based on recent strategic plans as amended for any significant changes since preparation. Discount rates used for cash flows must be the applicable rate from the internally published group discount rates, which are adjusted for local country risk. CGUs are required to provide positive confirmation that they have performed impairment tests and, where applicable, that they are satisfied that no impairment of goodwill is necessary.

The auditor reviews the centrally provided model and a sample of individual CGUs impairment testing, as well as evaluating the procedures undertaken to identify indicators of impairment in the year.

Although the total values of intangible assets are significant, management has been able to demonstrate to the Committee that there is material headroom in the major balances based on the assumptions made.

Provision for tax contingencies and UK deferred tax asset recognition
The group holds a number of provisions for outstanding tax exposures which arise in the normal course of business. The group operates across a wide range of tax jurisdictions, representing many different approaches to the charging and collection of corporation tax. Due to the complexity of the group's tax position there are a number of areas where significant judgement is exercised. The group employs local tax experts to support judgements where there is significant uncertainty and the amounts involved are material. In respect of transfer pricing across tax jurisdictions the group has benchmarked its approach using international tax experts to ensure the risk of breaching local tax authority requirements is mitigated. In addition, the group has deferred tax assets that have been recognised in respect of tax losses in the UK. There is inherent uncertainty involved in both evaluating the accessibility of the tax losses and in estimating the quantum of future UK taxable profits to utilise the assets. Where the judgements are material to the group, the auditor uses its own specialists to assist in the review of the approaches taken and assumptions made by management and ensure these result in adequate provisions. The Committee is satisfied that the assumptions supporting the valuations are appropriate and that the assets are reasonably stated in the financial statements.

Internal audit

The group has an internal audit team led by the Director of Risk and Internal Audit. Where justified by the need for local language or technical expertise in particular markets, the team draws additional resources from external practices, principally Deloitte LLP (in 2014 this was for the audits of Turkey and Brazil only). The Committee also has the benefit of the output from the controls testing carried out by the Company's auditor, KPMG LLP. The Director of Risk and Internal Audit reports to the Chief Financial Officer and has direct lines of communication with the Chairman of the Audit Committee, the Chief Executive and the Company Chairman, as well as to all operational and functional leaders in the business.

The Company has completed the changes to the structure of the internal audit function started in 2011 and the Committee remains comfortable that the assurance process has been enhanced by the changes made. The effectiveness of the internal audit function will be kept under review.

During the year, internal audit continued with the approach first adopted in 2012, to review a broad range of business processes in depth at a relatively limited number of business locations. The audit plan approved by the Committee in December 2013 has been completed, with a number of additional investigations carried out at the Company's request during the year. The common themes and related recommendations arising from the 20 audits and investigations completed or in progress, considered by the Committee covered: key financial controls, entertainment and expenses, state of service performance monitoring, IT general controls and entity level controls, pricing strategy, sales and customer account management, customer contract management, stock and warehousing, business continuity management and compliance with treasury policy, health and safety policy and Code of Conduct compliance.

In each area of focus recommendations for implementation of additional controls or improvements to the existing controls were agreed with management and realistic time frames set for actions to be completed. Progress on the completion of agreed recommendations is reviewed by the Committee and it noted that the number of overdue audit recommendations is at a historically low level.

None of the failures identified by internal audit in the control environment or any of the recommendations resulting from individual audits represented a systemic underlying issue and overall the work of the internal audit function is supportive of the Committee's and the Board's view (set out in 'Risks and uncertainties' on page 36) that the financial controls environment is working adequately.

External audit

Audit services

The auditor is appointed by shareholders to provide an opinion on the financial statements and certain other disclosures prepared by the Directors. KPMG LLP has acted as the auditor to the group throughout the year. The Committee is responsible for oversight of the auditor, agreeing the audit strategy and related work plan as well as approving their fees.

The auditor attends all meetings of the Committee and meets with the Committee without executive management present. The main engagement with the Committee in 2014 has been over the review and publication of annual and periodic financial statements and consideration of the changes required this year in reporting to shareholders on the Committee's activities in relation to its review of the financial statements, as provided in the Code. The Committee considers that it has an effective working relationship with the external audit team. As reported below, the Committee has formally reviewed the effectiveness of the auditor and is satisfied with their performance.

Audit related and non-audit services

To safeguard the objectivity and independence of the auditor, the Company has a policy on the engagement of the auditor's services on audit related and non-audit services. The Committee accepts that certain work of a non-audit nature is best undertaken by the auditor. The policy sets out the nature of services that are permitted and those that are specifically prohibited. In general, permitted services would be limited to matters that are closely related to the annual audit process or where a detailed knowledge of the group is advantageous. The auditor is permitted to be engaged on transaction services but not to undertake any work which would itself be subject to audit. The Committee reviews regularly the amount and nature of non-audit work performed by the auditor to ensure that the auditor's independence is not compromised. Any engagement on permitted services in excess of £50,000 requires the approval of the Chairman of the Audit Committee and any engagement in excess of £250,000 requires the approval of the Committee. A copy of the policy is available at www.rentokil-initial.com

Fees for audit related and non-audit services incurred during the year amounted to £0.6m (2013: £0.5m), representing 27% of the audit fees. Details of the fees paid for audit services, audit related services and non-audit services can be found in Note A11 to the financial statements.

Disclosure of information to the auditor

The Committee monitors the process leading up to the preparation of financial statements, including the arrangements the Company has in place for disclosing all relevant audit information to the auditor. A formal confirmation on disclosure of information to the auditor is provided in the Directors' Report on page 145.

Effectiveness

Under the Code the Committee is required to review and monitor the auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements. The 2013 audit was completed and all milestones reached including dealing with the additional complexity caused by the disposal of Initial Facilities. There were no significant unexpected events relating to the publication of the year-end results.

The Committee conducted a review of the auditor's effectiveness during the year, drawing input from the Chief Financial Officer, the Director of Risk and Internal Audit and other members of the senior finance management team as well as from the majority of the finance directors of the group's subsidiaries. The process made use of a formal evaluation using a questionnaire which was completed by 39 business units as well as by the central accounts, tax and treasury functions. The questionnaire covered:

- resources and expertise of the external audit team
- effectiveness of the audit process
- effectiveness of the financial controls testing process

The Committee considered the detailed findings of the review which included a number of detailed recommendations, none of which was material in the overall context of the group audit but was helpful in relation to improvements in the Company's processes and those of the auditor. Taking all responses into account, the scoring mechanism (which was the same as in the previous year), demonstrated that the audit performance was effective and at a similar level to the previous year.

Audit Committee – continued

Auditor independence and objectivity
In concluding that KPMG LLP should be proposed for re-appointment as auditor at the 2015 AGM, the Board and the Audit Committee took into account the need to ensure that auditor independence was safeguarded. The Audit Committee also took into account the review undertaken of the effectiveness of the audit process as well as input from Executive management.

The Company considers that there are sufficient controls and processes in place to ensure that the required level of independence is maintained. The Board does not consider that there is any material risk of the Company's auditor withdrawing from the market.

Auditor re-tendering
Following a tender process in 2009, KPMG LLP replaced PricewaterhouseCoopers LLP as the group's auditor. The Code states that FTSE 350 companies should tender the provision of audit services at least every ten years or explain their approach, if different. A resolution concerning KPMG LLP's proposed re-appointment as auditor and setting of its fees will be proposed at the AGM of the Company to be held on 13 May 2015.

Group's approach to risk management and internal control

The group's approach to managing risk and ensuring that an effective internal control environment is maintained is described below and the Board's statement on internal control and risk is set out in the section immediately following.

The identification and management of risk is fully integrated into the development of the group's strategy and into the day-to-day operational execution of the strategy by the regions and business units. Ensuring that risks are identified and managed effectively is a part of every manager's and supervisor's job through leadership of the teams for which they are responsible.

The Board has overall responsibility for the group's risk management approach, which includes:

- review and approval of the group's overall strategy, including overall risk appetite. This includes reviewing the risks that may prevent the group from achieving its objectives and ensuring that these risks are mitigated or managed to an acceptable level
- regular reviews of business performance including updates of the risks that the business is facing, and challenging management to obtain assurance that these risks are being effectively managed
- review of management's approach to identifying and managing risk including approval of the group key risks schedule and recommending enhancements
- evaluation of the effectiveness of internal controls, including financial, operational and compliance controls
- evaluation of the effectiveness of internal and external audit
- delegation of authority to the Chief Executive and Chief Financial Officer to make commitments on behalf of the Company

Some of the above responsibilities are delegated to the Audit Committee, the full remit of which is described above.

The Audit Committee receives regular reports from the Chief Financial Officer and the Director of Risk and Internal Audit on financial controls and process improvement programmes. These include:

- an annual report on the overall status of the control environment in the group including the results of testing and reports on identified areas of weakness in controls
- action plans on control environment improvements and updates on their implementation
- updates on control breakdowns and planned actions to prevent a recurrence
- periodic reports from divisional and functional finance executives, and internal audit

The Group Risk Committee chaired by the Chief Financial Officer includes senior functional executives with day-to-day responsibility for the internal control environment covering financial, HR and IT systems, legal and regulatory compliance as well as the Director of Risk and Internal Audit and a representative of operational management. The Group Risk Committee supports the Audit Committee and Executive management by:

- providing oversight of the framework for managing risk throughout the group
- providing oversight of the processes for reviewing the effectiveness of the group risk management framework and internal control systems
- assisting the Committee and the Board assess the risks the group is prepared to take
- monitoring emerging risks
- determining internal responsibility for appropriate mitigating strategies

Specific programmes are used to support implementation of the Code of Conduct and underlying policies, national laws and regulations. In some cases dedicated specialists ensure that standards are set and complied with, for example in health and safety, IT security, pensions and tax. More broadly, e-learning training including on the U+ learning management platform is used to ensure that expected standards of behaviour are widely disseminated and adopted across the group, for example to ensure understanding of the Code of Conduct and compliance with competition law and anti-corruption/anti-bribery legislation.

Independent re-assurance of the effectiveness of risk management and internal controls across the group is provided to the Chief Executive and the Board by Group internal audit.

The Board delegates day-to-day management of the Company to the Chief Executive who, together with his Executive Leadership Team, is responsible for day-to-day identification and management of risk, which includes:

- setting targets and objectives for their respective teams in line with the agreed group strategic direction
- monitoring of business performance through monthly and quarterly meetings with regional and functional leadership
- compilation and regular review of the group risk register and the status of mitigation actions
- ensuring that operating units maintain sound systems of internal control and appropriate assurance mechanisms including controls relating to the preparation of financial statements, health and safety, and employment matters

- delegating authorities to ensure that decisions are made at the most appropriate level in the organisation taking into account the level of risk involved (financial and non-financial)
- demonstrating behaviours in line with and promulgating the Code of Conduct, a copy of which is available at www.rentokil-initial.com

Board statement on the effectiveness of risk management and internal control

The Board has overall responsibility for maintaining sound systems of risk management and internal control and for reviewing their effectiveness. The systems of internal control and risk management have been developed to ensure compliance with the Code on internal control and risk management.

The system of risk management and internal control described in the preceding section is designed to manage and mitigate risk rather than eliminate the risk of failure to achieve business objectives. In pursuing business objectives, internal controls and risk management can only provide reasonable, and not absolute, assurance against material misstatement or loss.

Risks are considered in the context of long-term strategic and emerging threats; medium-term challenges associated with business change programmes; short-term risks triggered by changes in the external and regulatory environment; short-term risks in relation to internal operations and control.

The Board gains confidence over the effectiveness of control processes through regular and transparent management reporting, the governance processes and from the external and internal assurance processes. The Board reviews the strategic risks facing the group and mitigating actions as part of its annual review of strategy and operational risks.

The Audit Committee assists the Board in meeting its obligations for maintaining sound systems of risk management and internal control and a summary of the Committee's activities in 2014 is provided earlier in this report. The Board has conducted a review of the effectiveness of the system of internal control for the year ended 31 December 2014 and confirms that:

- the group has an ongoing process for identifying, evaluating and managing the significant risks faced by the group
- this process has been in place for the year under review and up to the date of approval of the Annual Report and Accounts
- the process is regularly reviewed by the Board
- the process accords with the Code

Code of Conduct

Updated, mandatory online training was issued on the group's Code of Conduct, and on other compliance areas including competition law, anti-bribery and corruption and securing information and protecting privacy. Enhanced monitoring and recording of training completions is achievable using the U+ platform. Over 58% of colleagues invited to partake have participated in these online training modules.

The Code of Conduct is distributed in full in 14 languages and in summary format in 32 languages covering all of the group's material operations and a communications programme and material for workplace briefing to support reinforcement of Code of Conduct compliance is embedded in the business units. The effectiveness of the communications programme is reviewed by group internal audit.

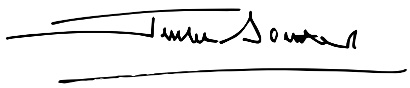
The Code communications for frontline colleagues includes specific material, tailored to each business category, flagging the key 'Do's and Don'ts' of responsible business conduct that are embedded in the group's Code of Conduct. The Board will continue to keep policies supporting Code of Conduct compliance under regular review to ensure that they are appropriate and effective.

Whistleblowing 'Speak-up'

There are policies and procedures in place for the reporting by colleagues of suspected wrongdoing, for these suspicions to be formally investigated, and for the results of the investigation to be reported to the whistleblower. The Committee receives a report on control incidents arising from whistleblowing as well as from other sources. The Committee also reviews periodically processes which the Company has in place to ensure that in all territories there is an effective communication process through which colleagues are kept informed about the whistleblowing process. Global Freephone numbers and a dedicated email address have been established. In addition to workplace material for colleagues, multiple language information on the 'Speak-up' programme is prominently displayed on the group and individual business unit intranet sites.

Committee effectiveness

The Committee conducted a review of its effectiveness using the services of Lintstock, an independent external corporate governance consultancy. The review concluded that the Committee was performing effectively and had received sufficient, reliable and timely information from management to enable it to fulfil its responsibilities.



Julie Southern
Chairman,
Audit Committee
26 February 2015

Nomination Committee

Nomination Committee Report

Dear fellow shareholder

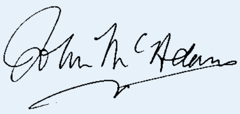
The Nomination Committee provides a focus for the key task of ensuring that the Board continues to comprise a group of individuals who work effectively together as a team and who possess the right mix of experience and talent to provide effective oversight and challenge to management.

After the selection of a new Chief Executive in 2013, the Committee's principal task in 2014 was to appoint a new Chairman of the Audit Committee to succeed Duncan Tatton-Brown. After a thorough review of external candidates with the assistance of Korn Ferry, Julie Southern was appointed to the Board and to the position of Chairman of the Audit Committee in July. Julie has brought a wealth of experience and expertise to the Board and the operations of the Audit Committee, and we look forward to benefiting from her contribution over the years to come.

The Committee continued to review the development of the senior cadre of executives in the Company, and we were pleased to note that a significantly higher proportion of appointments in the senior management team were being made from internal candidates, demonstrating improved strength in depth in the management and improving the likelihood of future Executive Director roles being appointed from within the organisation.

The Committee's report on the year follows.

Yours faithfully



John McAdam
Chairman,
Nomination Committee
26 February 2015

Role of the Committee

The Committee has delegated authority from the Board as set out in its terms of reference. The primary purpose of the Committee is to ensure that a regular, rigorous and objective evaluation of the structure, size, composition, balance of skills, knowledge and experience of the Board is undertaken and to recommend any changes to the composition of the Board and its Committees and to instigate and manage recruitment processes.

Material findings and recommendations are reported at the next Board meeting and copies of the minutes of meetings are circulated to all Directors where appropriate.

The terms of reference of the Committee were reviewed by the Committee during 2014 and are available at www.rentokil-initial.com

Composition of the Committee

The composition of the Committee and attendance at meetings in 2014 is shown in the chart on page 49. The Committee met three times during the year. All Non-executive Directors are invited to participate in meetings of the Committee.

Appointment process and diversity

Our policy on appointments to the Board is set out in the Corporate Governance Report on page 44. In brief, all appointments are made on merit against objective criteria and the process is usually supported through the use of an external recruitment consultant. This process was followed over the appointment of Julie Southern in 2014. The process typically commences with the selection of a suitable recruitment consultant, who will be briefed on the skill sets and candidate experience we were seeking to attract. The recruitment consultant (Korn Ferry in the case of Julie Southern), then prepares a candidate specification for approval by the Committee. Thereafter potential candidates are identified, interviews take place with members of the Committee, with other Non-executive Directors and with Executive Directors, following which the Nomination Committee forms a recommendation for consideration by the Board.

A similar process is undertaken when external candidates are under consideration for Executive roles.

The Board remains of the firm view that in order to secure the best talent either for the Board, or for within the business, it is essential to draw on the widest possible talent pool, and our diversity policy requires selection from diverse, objective and purely merit-based shortlists. Diversity enriches debate and problem solving at Board level and enhances operational performance as well as governance processes. The Board meets the Davies Report's targets for more balanced gender representation.

The Board is mindful that as Director rotation occurs candidates will be sought who fit the skills criteria and gender balance that is in line with the Board aspiration, and the needs of the global business. We continue to focus on encouraging diversity and business skills and experience throughout the group, recognising that Directors and leaders in our businesses with diverse skill sets, capabilities and experience gained from different geographic and cultural backgrounds enhance the effectiveness of the organisation.

The gender breakdown for the group as a whole (some 28,731 colleagues at the end of 2014) and for the senior management population (some 1,388 colleagues) is provided in the Corporate Responsibility Report on page 33.

Director induction process

Following the appointment of any new Director, the Chairman, in conjunction with the Company Secretary and Group HR Director ensures that a full, formal and tailored induction to the Company is made available. The induction process is summarised below:

On appointment the Company Secretary provides information on the group's businesses, including:

- Board and relevant Committee minutes from the prior year
- Key Board papers from the prior year
- Key policies and procedures
- Governance information about the Company, including the role of the Board, Board and Executive Committees, Chairman and Chief Executive
- Guidance for Directors on their legal and regulatory responsibilities in a UK publicly listed company, including briefings, on request, from the Company's external legal advisors

Before and after the first Board meeting the new Director will attend:

- Business briefings with the Chief Executive and the Chief Financial Officer
- Meetings with other members of the senior management team
- Meetings with country managers
- Visits to sites within the UK and/or overseas, including opportunities to spend time with frontline staff in the course of their duties
- Meeting with the auditor and financial advisors

Activities of the Committee in 2014

Audit Committee chairman succession

As mentioned above, the main task of the Committee in 2014 was the appointment of a successor to Duncan Tatton-Brown as Chairman of the Audit Committee, following the process outlined above. The Committee was supported in this work by Korn Ferry and by the Group HR Director.

Other matters considered by the Committee in 2014 included:

- A review of the Committee's report within the 2013 Annual Report and recommended approval to the Board
- A review of the Committee's effectiveness which was externally facilitated by Lintstock, an independent corporate governance consultancy
- A review of the potential conflicts of interest authorised by the Board and a review of the processes in place to ensure that potential conflicts are properly considered
- A review of the performance of individual Directors, utilising the output from the Board evaluation process, and making recommendations to the Board over the re-election of Directors at the AGM

Committee effectiveness

The Committee conducted a review of how it operates, which concluded that the Committee had operated effectively in 2014. The Committee noted that in 2015 its attention would be focused on Non-executive Director rotation as well as broader executive and Board succession planning.

John McAdam

John McAdam
Chairman,
Nomination Committee
26 February 2015

Directors' Remuneration Report

Alan Giles
Chairman, Remuneration Committee

Dear fellow shareholder

This year's Directors' Remuneration Report is split into four parts:

- Part 1 contains details of the current remuneration policy that was approved by a binding shareholder vote at the 2014 AGM and which remains effective for the forthcoming year
- Part 2 contains details of the activities of the Remuneration Committee during 2014
- Part 3 contains details of the intended implementation of our remuneration policy in 2015
- Part 4 contains details of pay received by Directors in 2014

Parts 2, 3 and 4 (together the Directors' Annual Remuneration Report) will be subject to an advisory vote at the 2015 AGM. As no changes are planned to our existing remuneration policy in 2015, Part 1 will not be subject to a vote at the 2015 AGM.

The key remuneration challenge in 2014 was to complete the review of the effectiveness of our long-term incentive arrangements for 2014 and beyond, in the context of portfolio rationalisation and the evolution of the Company's strategy, as the new Executive team reshapes the business and sets out a new growth strategy.

Link to strategy

As articulated in the Strategic Report, our strategy is focused on delivering significant medium-term improvements in revenue and profit and an immediate improvement in free cash flow. It calls an end to the restructuring era of the business and uses a quadrant-based approach to focus resources on delivering improved levels of growth and to prioritise capital allocation for restructuring, capex and M&A.

As a consequence annual bonus plans incentivise management to deliver short-term profit growth and revenue growth which, using the quadrant-based approach, will set the foundations for longer-term profitable growth. In 2014 co-efficients were introduced to adjust revenue targets in line with the quadrants. This approach has worked well and will be continued in 2015. Executive Directors' bonuses are only payable once demanding cash generation targets have been met.

The addition of earnings per share (EPS) as a second measure in our Long-Term Incentive Plan (LTIP) more directly aligns the plan with our strategy of medium-term improvements in profit. Given the business focus on improving efficiency and reducing costs around restructuring, such costs are included in the EPS calculation in order to incentivise management to achieve this.

The links between the strategy and the elements of remuneration for Directors remain unchanged and are described in the Remuneration Policy Report. For the wider management and colleague population, sales effectiveness and customer retention and growth remain two key levers where remuneration issues are critical. Incentivisation of colleagues throughout the business is now looked at in the context of both the business units' strategic positioning in the quadrants and the operational levers to drive growth.

Following the sale of the Initial Facilities business, the Remuneration Committee approved adjustments to existing incentives to ensure that arrangements for the core business remained effective. These adjustments included the removal of Initial Facilities' revenue and profit contribution from the group targets and a reduction in the cash gateway of £100m cash flow to £81m for the 2014 bonus plan.

Long-term incentive arrangements

In 2013 we conducted a thorough review of the Company's long-term incentive arrangements. In 2014, following consultation with major shareholders, we introduced EPS as a second performance measure alongside relative Total Shareholder Return (TSR) for approximately 100 participants, including the Executive Directors, to further strengthen the link between performance and reward. We also decided to retain the individual performance modifier for long-term incentive awards for the Executive Directors.

Corporate Governance Code 2014

The current shareholder approved policy provides for malus provisions in the LTIP and annual bonus arrangements. The Committee is considering the practical implications of the insertion of a clawback provision into future incentive schemes, and will in principle introduce such a provision for Executive Directors' short-term and long-term incentive awards from 2016 onwards.

Review of Advisors to the Committee

During the year the Committee conducted a review of the provision of professional advice to the Committee, and looked in detail at three potential sources of such advice. As a result of the review, Deloitte LLP has been re-appointed as advisors to the Committee.

Remuneration outcomes for 2014

The 2014 annual bonus had two performance gateways based on profit and cash generation, both of which were satisfied. The level of bonus was then determined by group profit and revenue performance and an individual performance modifier. As outlined elsewhere in the Annual Report, financial performance during 2014 in the form of revenue, profit and cash performance has shown strong progress.

The Committee reviewed performance in 2014 and determined that the Chief Executive, Andy Ransom, should receive a bonus of 61.62% of base salary. Jeremy Townsend, the Chief Financial Officer, will receive a bonus of 55.74% of base salary.

The increased weighting of the revenue component in the Executive Directors' annual bonus in 2014, and the introduction of a gateway based on cash generation, was to ensure alignment with strategy.

Relative TSR performance for the Performance Share Plan awards granted in 2011 was below median and therefore these awards lapsed in June 2014.

Andy Ransom's salary was set at £700,000 with effect from his appointment as Chief Executive on 1 October 2013 and no increase was made in respect of 2014. He received a 2% increase in salary with effect from 1 January 2015. Jeremy Townsend received a 2% increase in salary with effect from 1 January 2015, in line with inflationary increases across the broader UK workforce.

Engagement with shareholders

During early 2014, I engaged with a number of major shareholders, in relation to the introduction of the EPS measure as an additional measure of performance in the LTIP. I am extremely grateful for the input and support we have received, particularly as we have been reflecting on how best to incentivise Executive Directors and the broader team to deliver on the strategy and create value for shareholders.

Yours faithfully

Alan Giles
Chairman,
Remuneration Committee
26 February 2015

Part 1 – Directors' Remuneration Policy Report

At the AGM in May 2014, shareholders approved, with a 96% majority vote, the remuneration policy which sets out the Company's policy on the remuneration of Executive and Non-executive Directors. The remuneration policy became effective from the conclusion of the AGM on 14 May 2014 and can apply until 31 December 2017 unless a revised policy is approved by shareholders and comes into force before this date.

For the benefit of shareholders, in this Part 1 Policy section of the Directors' Remuneration Report, we have reprinted the approved Remuneration Policy Report. To ensure that the report is relevant within the context of this Directors' Remuneration Report, we have made minor textual changes to reflect 2015 information in the following sections: Base salary, Annual bonus, Long-term incentive plan, Measures and Targets, All colleague remuneration policy, Performance scenario charts, Chairman and Non-executive Directors and Stakeholder views. The original Remuneration Policy Report, as approved by shareholders, can be found in last year's Director's Remuneration Report (a copy of which can be found in the Investors section of our website).

The Company's remuneration policy for Executive Directors, which is described in the policy tables on pages 62 to 67, is designed to:

- attract and retain the leadership talent needed to drive and deliver business growth, financial performance and other key strategic priorities without paying more than is necessary
- recognise and reward individual contribution to delivering long-term, sustainable business performance
- ensure alignment of executives with the overall shareholder objective of long-term value creation through linking a substantial part of the remuneration package to long-term performance targets
- deliver a total reward package that is market-aligned, affordable and reflective of business performance
- encourage executive behaviours consistent with Rentokil Initial's business values and risk appetite

The same principles apply for the remuneration policy for other senior executives.

As noted in the introductory letter to shareholders, the Committee is open to an ongoing dialogue with shareholders on remuneration matters. In early 2014, the Company communicated with larger investors regarding the adoption of an EPS measure alongside relative TSR for the LTIP.

Strategic Report
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Additional Information

Part 1 – Directors' Remuneration Report – continued

Key elements of remuneration policy – Executive Directors

Base salary

Purpose and link to strategy	Operation	Levels of payout	Performance measures and periods
To attract and retain executives of the calibre required to implement our strategy	Cash salaries are normally reviewed annually with effect from 1 January. Salaries are set taking into account: • market data from both Towers Watson and Deloitte (or other appropriate data providers) for a cross-section of companies of a similar size and complexity at the time of review • scope and responsibilities of the role • external economic environment • individual skills and experience • contribution to overall business performance • pay conditions for other colleagues based in the UK or other regions which are considered by the Committee to be relevant for that executive	Salary policy is to set base salary at an appropriate level taking into account the factors described under 'Operation' and salary increases are considered in this context. While there is no maximum salary level, the Committee would normally expect percentage pay increases for the Executive Directors to be broadly in line with other colleagues in relevant regions. However, higher increases may be awarded in certain circumstances, where the Committee considers this appropriate, such as: • where a new Executive Director has been appointed to the Board at a lower than typical market salary to allow for growth in the role, then larger increases may be awarded in following years to move salary positioning closer to typical market level as the executive grows in experience • where the Executive Director has been promoted or has had a change in responsibilities, salary increases in excess of the above level may be awarded • where the positioning of an Executive Director's salary has fallen significantly behind market practice • in exceptional circumstances, where a Non-executive Director temporarily takes up an executive position The 2014 salary for the Chief Executive (Andy Ransom) was £700,000 and for the Chief Financial Officer (Jeremy Townsend) was £450,000. The 2015 salary for the Chief Executive (Andy Ransom) is £714,000 and for the Chief Financial Officer (Jeremy Townsend) is £459,000.	The payment of salary is not dependent on achieving performance targets although individual performance is taken into account when setting salary levels and determining any salary increases.

Key elements of remuneration policy – Executive Directors

Annual bonus

Purpose and link to strategy	Operation	Levels of payout	Performance measures and periods
Recognises and rewards the delivery of exceptional business performance against annual financial, strategic and operational goals and individual contribution to Company performance	The annual bonus is paid in cash each year after the Committee has reviewed performance against targets, which are set at around the beginning of each year for each Executive Director, taking into consideration the underlying performance of the business. The Committee may reduce bonus payments in respect of the current year or future years (potentially to nil) in the event of a material misstatement of the Company's audited results for the current year or prior years, serious reputational damage to a member of the Company's group or in any other circumstances where the Committee considers that this treatment is appropriate.	Bonus payouts start to accrue at 10% of base salary for meeting threshold levels of performance, with an on-target bonus opportunity of 50% of base salary and a maximum bonus opportunity of 100% of base salary (before the individual performance modifier). An individual performance modifier, based on individual performance as measured by the Company's performance and development review process, may also increase or decrease the opportunity stated above to further recognise individual contribution to business performance. The maximum opportunity will not exceed 120% of base salary.	The annual bonus is normally linked to a mix of financial elements and other key strategic performance targets, including achievement of personal objectives where appropriate. Financial elements will include profit and may include one or more of the following annual measures: • cash • revenue At least 50% of the bonus will be based on financial measures. Financial measures may be linked to group performance or the executive's specific area of responsibility if appropriate. The Annual Remuneration Report on pages 72 to 74 sets out the measures and weightings for 2014 and pages 70 to 71 for 2015. The Committee reserves the right to change the measures in future years to reflect alignment with business strategy and shareholder interests, subject to at least 50% of measures being financial in nature.

Long-Term Incentive Plan (LTIP)

Purpose and link to strategy	Operation	Levels of payout	Performance measures and periods
To motivate and incentivise delivery of exceptional business performance over the long-term and to create alignment with growth in value for shareholders **To act as a retention tool for the senior Executive Leadership Team**	Awards are made over shares (normally in the form of nil-cost options or conditional shares) with a face value set by reference to a multiple of base salary. Awards normally vest after three years, subject to the Committee's assessment of the achievement of the relevant performance conditions and underlying performance. Awards may be settled in cash. Award levels and performance conditions are set to support the business' long-term goals and seek to reflect market practice and shareholder guidance. Award levels are generally set at a market competitive level, relative to companies of comparable size and complexity. A 'malus' provision exists to allow the Committee the discretion to scale back awards granted on or after 1 May 2012 (potentially to nil) that have not yet vested in the event of a material misstatement of the Company's audited results, serious reputational damage to a member of the Company's group or in other circumstances where the Committee considers that this treatment is appropriate. Vested LTIP awards include dividend equivalents linked to the performance period.	The core award is 120% of base salary for the Chief Executive and 100% of base salary for other Executive Directors. 25% of the award shall vest for meeting threshold levels of performance. Awards are subject to an individual performance modifier which is based on annual bonus outcomes over the three years of the plan. This individual performance modifier can increase the LTIP award to 200% of base salary if exceptional business and individual performance is delivered over the performance period. If bonus targets are not met in each of the three years of the performance period, the LTIP award will normally reduce to 0%. The maximum award is therefore 200% of base salary (in line with the plan rule approved by shareholders, this may be increased to 250% in exceptional circumstances as determined by the Committee).	Awards are subject to • relative total shareholder return (TSR) performance, and • the achievement of earnings per share (EPS) targets. Performance measures will typically be weighted two-thirds relative TSR and one-third EPS but the Committee shall retain discretion to determine that a different weighting shall apply for future awards. Performance conditions are normally measured over a three-year period. Awards granted under the LTIP prior to 2014 were subject to total shareholder return performance only. If events happen which cause the Committee to consider that a performance condition would not, without alteration, achieve its original purpose, it may amend that performance condition provided that the amended performance condition is materially no less challenging than it would have been had the event not occurred.

Part 1 – Directors' Remuneration Report – continued

Key elements of remuneration policy – Executive Directors

Long-Term Incentive Plan (LTIP) – continued

Purpose and link to strategy	Operation	Levels of payout	Performance measures and periods
	Executive Directors are normally expected to retain at least half of their vested shares (after sufficient shares have been sold to settle any tax liability) until their shareholding guideline is met, unless agreed otherwise with the Committee. Under the shareholding guidelines, Executive Directors are expected to build up a shareholding in the Company of 100% of salary over a five year period. The exercise period for awards in the form of nil cost options extends from the date of vesting to the tenth anniversary of the award being made. The LTIP was approved by shareholders in 2006. Awards may be (a) adjusted in accordance with the rules in the event of a variation of the Company's share capital, demerger, special dividend or similar event that materially affects the price of shares and (b) amended in accordance with the plan rules.		The Annual Remuneration Report sets out the performance conditions for 2014 and 2015.

Pensions

Purpose and link to strategy	Operation	Levels of payout	Performance measures and periods
To attract and retain executives of the calibre required to implement our strategy **To facilitate executives' planning for retirement**	Executive Director pension arrangements are by way of a defined contribution arrangement or through a cash alternative of a similar value. The Committee retains the discretion to operate different pension arrangements where new Executive Directors are appointed to reflect individual circumstances, market practice and Company strategy.	Contribution of up to 25% of base salary.	None.

Benefits

Purpose and link to strategy	Operation	Levels of payout	Performance measures and periods
To attract and retain executives of the calibre required to implement our strategy	Benefits are determined taking into account market practice, the level of benefits provided throughout the group and individual circumstances. The main benefits for Executive Directors are: • life assurance • car or allowance • family healthcare • permanent health insurance • relocation benefits – in the event that an executive were required to relocate to undertake their role, the Committee may provide an additional appropriate level of benefits to reflect the relevant circumstances. Such benefits may be one-off or ongoing in nature. Should an Executive Director be appointed in a country other than the UK, benefits appropriate to that market would be considered. The Committee retains the discretion to change the benefits provided (including offering additional benefits) in line with market practice. This may include offering participation in any future all-employee share plan offered and the provision of a car and a driver for the Chief Executive.	Levels of benefits are set in line with market practice. The level of benefits provided varies year on year depending on the cost of provision of benefits to the Company and therefore it is not meaningful to identify a maximum level of benefits.	None.

Notes

Measures and Targets

All the measures selected support the delivery of short- and long-term financial performance of the business and shareholder value creation. Targets are set each year based on stretching internal budgets and achieving or exceeding these targets will both return value to shareholders and reward the Executive team for delivery.

The Committee has chosen revenue and profit measures for the 2014 and 2015 bonus. These measures have been chosen as revenue is a key focus for the business to increase and broaden our scale while ensuring that we also improve overall profitability. The individual performance modifier allows the Committee to incentivise executives to achieve specific strategic/operational objectives.

Over the long-term, performance measures are focused on generating returns to shareholders through the relative TSR measure and through a focus on improving earnings.

All colleague remuneration policy

At the end of 2014 the Company had 28,731 colleagues based in 63 countries (2013: 52,000 colleagues based in 60 countries). Our broad remuneration policy reflects the diversity of cultures, legislative environments, employment markets and the types and seniority of roles that this geographic spread provides. We structure our colleague reward to enable us to recruit and retain the right people doing the right job for our customers.

A broad population of management colleagues are invited to join the annual bonus plan (the Group Management Bonus Scheme – the GMBS). The measures for the GMBS are broadly aligned with those set out in the policy table above.

The senior management population are eligible to participate in the LTIP wherever practicable and possible, subject to local legislation and annually around 250 are invited to join the plan. The measures for the 100 most senior colleagues will remain aligned with those of the Executive Directors, with the exception of the use of the individual performance modifier, to support focus on key strategic targets; however, the plan structure below this may be varied to support the retention of this population.

Performance scenario charts

Our remuneration arrangements are designed so that a significant proportion of pay is dependent on the delivery of short- and long-term goals that are aligned with our strategic objectives and the creation of shareholder value.

In developing the scenarios below, the following assumptions have been made:

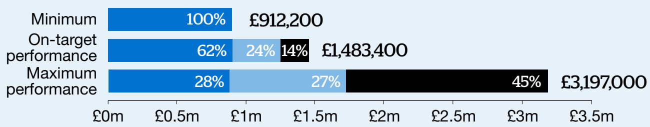
Minimum	No bonus payout No vesting under the LTIP
On-target performance	50% of maximum annual bonus payout assuming target individual performance under the individual performance modifier (50% of salary) 25% of target awards vesting under the LTIP (30% of salary for the Chief Executive and 25% of salary for the Chief Financial Officer), with no change resulting from the individual performance modifier
Maximum performance	Maximum annual bonus payout (120% of salary) Maximum LTIP vesting (200% of salary) i.e. maximum individual performance modifier

Illustration of remuneration policy for 2015 and 2014

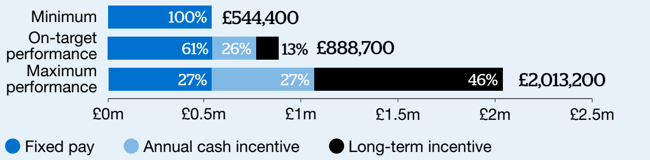
For the purposes of these illustrations, no share price growth or receipt of dividends is assumed. The top illustration shows remuneration policy for 2015 which is updated for reference from the 2014 policy which was approved at the AGM in May 2014. The bottom illustration shows remuneration policy for 2014 as disclosed in the 2013 Directors' Remuneration Report.

Illustration of remuneration policy for 2015

Chief Executive



Chief Financial Officer

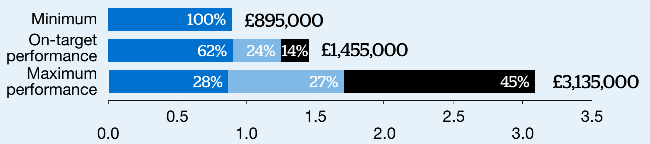


In 2015 Fixed pay for this illustration derived as follows:

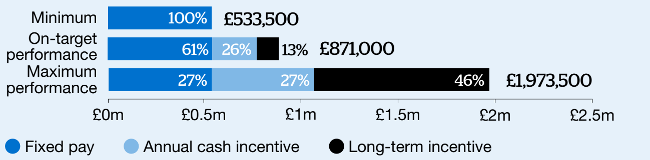
	Base from 1 January 2015 (£000)	Benefits (for 2014) (£000)	Pension (based on salary from 1 January 2015) (£000)	Total fixed (£000)
Andy Ransom – Chief Executive	714	19.7	178.5	912.2
Jeremy Townsend – Chief Financial Officer	459	16.5	68.9	544.4

Illustration of remuneration policy for 2014

Chief Executive



Chief Financial Officer



In 2014 Fixed pay for this illustration was derived as follows:

	Base from 1 January 2014 (£000)	Benefits (for 2013) (£000)	Pension (based on salary from 1 January 2014) (£000)	Total fixed (£000)
Andy Ransom – Chief Executive	700	20.0	175.0	895.0
Jeremy Townsend – Chief Financial Officer	450	16.0	67.5	533.5

Part 1 – Directors' Remuneration Report – continued

Key elements of remuneration policy – Chairman and Non-executive Directors

Fees

Approach	Details	Other items
Non-executive Directors' remuneration is determined by the Board on the recommendation of the Non-executive Directors' terms Committee of the Board (comprising the Chairman, the Chief Executive and the Chief Financial Officer) within the limits set by the articles of association. Non-executive Directors' fees are set at a level which is considered appropriate for the calibre of individual required to support the delivery of business strategy and taking into account skills, experience, time commitment and independent surveys of fees paid to Non-executive Directors of similar companies. Fees for the Company Chairman are determined by the Board based on external remuneration advice and considered by the Remuneration Committee taking into account typical fee arrangements at other companies of a similar size and complexity, the time commitment required to fulfil the role and the calibre of the individual required. Fees are reviewed at appropriate intervals.	Non-executive Directors' fees are payable in cash and consist of a basic fee plus additional fees payable to: • Senior Independent Director • Board Committee Chairmen Additional fees may be paid to Non-executive Directors on an ongoing or temporary basis if there is a change in their responsibilities or a significant increase in the time commitment required from them to fulfil their role. The Chairman receives annual fees agreed periodically by the Board and based upon external remuneration advice considered by the Committee. The fees for Directors were approved by shareholders in 2005 and shall not exceed in aggregate £1,000,000 per annum or such higher amount as the Company may from time to time by ordinary resolution determine.	No element of Non-executive Director remuneration is performance related. Non-executive Directors do not participate in any of the Company's incentive schemes, nor are they eligible to join the Company's pension scheme. The Chairman is not eligible to participate in the Company's annual bonus plan or in the Company's Long-Term Incentive Plan. The Chairman has access to a company car and driver. Non-executive Directors who are based outside the UK may be provided with support in relation to their tax reporting. The Chairman and Non-executive Directors do not currently receive any other benefits. However, benefits may be provided in the future if, in the view of the Non-executive Directors' fees Committee (for Non-executive Directors or the Committee for the Chairman), this was considered appropriate.

Recruitment

The Committee's key principle when determining appropriate remuneration arrangements for a new Executive Director (appointed from within the organisation or externally) is to ensure that arrangements are in the best interests of both the Company and its shareholders, without paying more than is considered necessary by the Committee to recruit an executive of the required calibre to develop and deliver the business strategy. When determining appropriate remuneration arrangements the Committee will take into account all relevant factors. These factors may include (among others):

- the level and type of remuneration opportunity being forfeited
- the jurisdiction the candidate was recruited from
- the skills, experience and calibre of the individual
- the circumstances of the individual

The Committee would generally seek to align the remuneration package offered with our remuneration policy outlined in the table above. However, the Committee may offer additional variable remuneration arrangements in respect of an Executive Director's appointment that it considers appropriate and necessary to recruit and retain the individual. Any variable remuneration awarded in respect of the Executive Director's appointment shall be limited to 370% of base salary. This reflects bonus policy and the level of award under the LTIP in exceptional circumstances. This limit excludes any awards made to compensate the Executive Director for remuneration forfeited from their previous employer.

The Committee may make awards on appointing an Executive Director to 'buy out' remuneration terms forfeited on leaving a previous employer. In doing so the Committee will take account of relevant factors including any performance conditions attached to these awards, the form in which they were granted (e.g. cash or shares) and the time over which they would have vested. Generally buy-out awards will be made on a comparable basis to those forfeited.

To facilitate awards outlined above, in the event of recruitment, the Committee may grant awards to a new Executive Director under Listing Rule 9.4.2 which allows for the granting of awards, to facilitate, in unusual circumstances, the recruitment of an Executive Director, without seeking prior shareholder approval or under other appropriate Company share plans. The use of Listing Rule 9.4.2. will be limited to granting buy-out awards only.

Where an Executive Director is required to relocate to take up their role the Committee may provide appropriate assistance with relocation either on an ongoing or one-off basis.

In the event that an internal candidate was promoted to the Board legacy terms and conditions may be honoured, including pension entitlements and any outstanding incentive awards.

In the event of the appointment of a new Chairman or Non-executive Director, remuneration arrangements will normally reflect the policy outlined above for Chairman and Non-executive Directors.

The Committee's intention is that timely disclosure of the remuneration structure of any new Executive Director or Chairman will be made by the Company unless not practical.

Directors' service agreements and Non-executive Directors' letters of appointment

Executive Directors

The Company's policy is for Executive Directors to have rolling contracts subject to one year's notice from the Company. The Company's policy in respect of the notice periods for the termination of Executive Directors' contracts conforms to the Code. The remuneration and contractual arrangements for the Executive Directors and senior management do not contain any matters that are required to be disclosed under The Takeovers Directive. The contracts of service for Executive Directors are as set out below.

Executive Directors	Date of service agreement	Type of agreement	Notice by the Company	Notice by the Director
Andy Ransom	31 December 2013	Rolling contract	12 months	12 months
Jeremy Townsend	4 March 2010	Rolling contract	12 months	6 months

Current policy is for Executive Directors to be required to give six months' notice to the Company. Andy Ransom has a legacy agreement requiring that he give the Company one year's notice, which was a term of his previous service agreement as an Executive Director prior to his appointment as Chief Executive. Under the terms of their contracts, Executive Directors are entitled to participate in the annual bonus scheme and performance share plan. They are also entitled to receive a car allowance, life assurance cover, family healthcare and permanent health insurance.

Non-executive Directors

Non-executive Directors have letters of appointment, but not service contracts. Subject to annual re-election at the AGM, Non-executive Directors will be appointed for an initial period of three years, which may be extended for a further period of three years by mutual consent and thereafter reviewed annually, subject to acceptable tests of performance and independence.

Director	Letter of appointment	Appointment period*
Peter Bamford	15 December 2011	Annual
Richard Burrows	15 December 2011	Annual
Alan Giles	15 December 2011	Annual
Angela Seymour-Jackson	5 March 2012	3 years
Julie Southern*	21 July 2014	3 years
Duncan Tatton-Brown#	15 December 2011	Annual
Peter Long~	15 December 2011	Annual

* Julie Southern joined the Board as a Director in July 2014
# Duncan Tatton Brown stepped down as a Director on 14 May 2014
~ Peter Long stepped down as a Director on 31 December 2014

Chairman

The Chairman, John McAdam, has a letter of appointment, dated 13 December 2012, setting out his responsibilities for the management of the Board. Since May 2014, the Chairman's contract may be terminated by either party without notice.

Copies of Executive Directors' service contracts and the Chairman and Non-executive Directors' letters of appointment are available for inspection by shareholders at the Company's registered office and on its website at www.rentokil-initial.com

Loss of office payments

The policy on termination is as follows:

Element	Policy – Disability, retirement, redundancy, death, sale of an individual employing business out of the group	
Base pay and benefits	On termination without notice, Executive Directors are entitled to a payment in lieu of notice equal to base pay and the value of benefits only for the duration of the remaining notice period, subject to mitigation. The Company has the ability to terminate Executive Directors' employment, without notice, in the event of a prolonged mental or physical incapacity to carry out his/her Company duties or in the event of gross misconduct or being disqualified to act as a Director. Appropriate medical benefits may still be provided in the case of prolonged mental or physical incapacity.	
Other	Executive Directors may be entitled to appropriate repatriation/relocation, outplacement, legal and/or tax and other relevant professional costs. The Committee would look to ensure that the level of these costs/benefits was reasonable and in the best interests of shareholders.	
	Policy – Disability, retirement, redundancy, death, sale of an individual employing business out of the group	Policy – other leavers
Bonus	Executive Directors may receive a bonus payment for the year in which they cease employment. This payment will normally be pro-rated for time and performance; however the Committee retains the discretion to review overall business and individual performance and determine that a different level of bonus payment is appropriate.	Generally, Executive Directors must be employed at the date of payment to receive a bonus. In certain circumstances, the Committee may determine that a bonus payment may be due to reflect performance and contribution to the point of cessation.
The Long-Term Incentive Plan (LTIP)	Awards may vest following a review by the Committee of the extent to which the performance conditions are met on a time pro-rated basis (on a monthly basis) in the case of redundancy, retirement or the sale of the individual employing company or business. In the case of disability or death the level of vesting will be determined by the Committee. The Committee may have regard in these circumstances to the performance conditions and time pro-rating formulae referred to above.	Vested awards may be exercised for six months following cessations. Unvested awards will lapse.

Part 1 – Directors' Remuneration Report – continued

When an Executive Director leaves the business on the basis of mutual agreement, the Committee will determine an appropriate payment taking into account the circumstances of leaving but any payment will be no more generous than that for leavers by reason of disability, retirement, redundancy, death or sale of an individual employing business.

There are no provisions for notice periods or compensation in the event of termination of the appointment of the Chairman or a Non-executive Director.

Change of control

If the Company is taken over or wound up, LTIP awards may vest by reference to the extent to which the performance conditions are met and on a time pro-rated basis (calculated on a monthly basis). Typically salaries and bonuses will be paid to date of change of control.

Comparison of remuneration policy to that of the wider employee group

Whilst our colleagues are not currently formally consulted on Executive Director pay, our employee opinion survey 'Your Voice Counts' and other surveys provides an opportunity for them to provide the Company with feedback on their own remuneration arrangements and also to comment on broader matters across the Company. The Committee recognises that it needs an understanding of the broader remuneration of colleagues when making decisions on Executive Director pay. The Committee annually reviews pay and conditions for all colleagues based in the UK and has sight of the high level outcomes of annual bonuses and is responsible for approving all LTIP awards across the group.

Stakeholder views

The views of shareholders are important to the Committee and provide the context for setting the remuneration arrangements for Executive Directors. The Chairman of the Remuneration Committee, the Company Chairman and the Chief Executive have met with a number of major shareholders and their views were taken into account when formulating this policy report in early 2014.

General

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out in this report where the terms of the payment were agreed (i) before the policy came into effect or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and an award over shares is 'agreed' at the time the award is granted.

The Committee may make minor changes to this policy for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation without seeking shareholder approval for that amendment.

Part 2 – Directors' Annual Remuneration Report

The Remuneration Committee

The Committee's main responsibilities are:

- to determine and agree with the Board the Executive remuneration strategy and policy
- to settle individual remuneration arrangements for the Chairman, Executive Directors and members of the Executive Leadership Team, including arrangements relating to those leaving the business
- ensuring that contractual terms on termination affecting Executive Directors and Senior Executives, and any payments made, are fair to the individual and to the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised
- to oversee the Company's incentive schemes including the operation and effectiveness of performance measures and targets in both annual bonus plans and in long-term incentive schemes
- to consider major changes in employee remuneration in the group
- to report to shareholders on remuneration matters
- to select and appoint advisors to the Committee

The Committee gives full regard to the matters set out in the UK Corporate Governance Code 2012 and 2014 ('the Code'). When determining policy, the Committee considers the pay and conditions across the rest of the Company.

The Committee comprised four independent Non-executive Directors during the year and at the date of this report comprised Alan Giles (Chairman), Richard Burrows and Angela Seymour-Jackson. Peter Long stepped down from the Committee in December 2014. Each of the Committee members has significant senior level experience of setting and monitoring remuneration matters in large, complex international businesses with similar characteristics to those of the Company, giving them the collective experience to offer a balanced, independent and informed view on remuneration matters. No member of the Committee has any personal financial interest, other than as a shareholder, in the matters to be decided by the Committee. No member of the Committee has any conflict of interest arising from other Directorships nor does any member participate in any of the Company's incentive or pension arrangements or have any involvement in the day-to-day running of the Company.

The Committee's terms of reference are available on the Company's website at www.rentokil-initial.com or from the Company Secretary. They were reviewed during the year and a number of amendments were approved by the Board to ensure that they remain in line with best practice as well as reflecting revisions to the Code.

The Committee met nine times in 2014 and in addition was consulted on various remuneration issues between formal meetings.

Details of Committee attendance can be found in the Corporate Governance Report on page 49. Key items considered by the Committee during the year are shown below.

Part 2 - Directors' Remuneration Report

Activities of the Committee

In 2014:

- Approval of the following for Executive Directors and senior Executives:
  - Base salaries for 2014
  - Bonus outcomes for 2013
  - Bonus structure for 2014
  - Proposed 2014 long-term incentive awards
  - Approval of remuneration policy including the Policy Report
  - Approval of the Directors' Annual Remuneration Report
- Consideration of reward arrangements for key executives below executive level, and appointment terms for executive leadership team appointments
- Review of broad colleague reward arrangements across the group
- Review of group targets in light of the sale of the Initial Facilities business
- Finalise changes to the structure of the LTIP following engagement with shareholders
- Review of assessments of performance against objectives and approval of 2014 awards under the LTIP
- Approval of the non-vesting of the 2011 performance share plan award as a result of performance targets not being met
- Review of the provision of professional advice to the Committee
- Annual performance review of the Committee

During 2015:

- Approval of the following for Executive Directors and other senior Executives:
  - Base salaries for 2015
  - Bonus outcomes for 2014
  - Bonus structure for 2015
  - Proposed long-term share awards and preliminary review of LTIP structure for 2015
- Review of proposed malus and clawback policy to be implemented in 2016
- Review with remuneration advisors of market practice on remuneration and governance issues
- Approval of the 2014 Directors' Remuneration Report
- Review of results of the annual Committee performance review

The Committee Chairman presents a summary of material matters discussed at each meeting to the following Board meeting and minutes of the Committee meetings are circulated to all Directors. The Committee reports to shareholders annually in this report and the Committee Chairman attends the AGM to address any questions arising.

The Committee conducted a review of its performance during the year with the assistance of Lintstock, an external independent specialist consultancy. The review concluded that the Committee continued to operate effectively and that individual Directors serving on the Committee continued to have access to appropriate advice and information.

Advisors to the Committee

Material advice and/or services were provided to the Committee during the year by:

- Deloitte LLP (Deloitte)
- Towers Watson Ltd (Towers Watson)
- Martin Sawkins – Group HR Director
- Paul Griffiths – Company Secretary to 29 July 2014
- Daragh Fagan – Company Secretary from 30 July 2014
- Louise Baker – Group Reward Director to 28 February 2014
- John Richardson – Group Reward Director from 1 March 2014

The Committee initiated a review of sources of professional advice in the first half of 2014, following which Deloitte has been retained by the Committee to provide independent advice on executive remuneration matters and on the Company's long-term incentive arrangements. Deloitte is a founding member of the Remuneration Consultants Group and adheres to its code in relation to executive remuneration consulting in the UK. Fees charged during the year for advice to the Committee were £19,910. Deloitte also provided services to the HR and Company Secretary teams in their roles of supporting the Committee. These services included support in preparing the Directors' Remuneration Report, provision of market data and support in relation to the taxation of and accounting for share plans. The Committee is satisfied that the Deloitte engagement partner and team, who provide remuneration advice to the Committee, do not have connections with the group that may impair their independence.

During the year separate teams within Deloitte provided the Company with a limited level of advice over non-remuneration matters, such as taxation and due diligence on acquisitions, although they are one of a number of advisors to the Company in such areas. Deloitte also acted as a co-source partner providing support to the internal audit function. The Committee is satisfied that neither the quantum nor the nature of services provided by Deloitte to the Company which are unrelated to remuneration matters represent a conflict of interest over the firm's role as advisors to the Committee.

Towers Watson's involvement with the Committee is limited to the provision of market data on competitiveness and current trends for use in connection with remuneration matters. Fees charged during the year for market data were £3,500. Towers Watson also advises the Company on UK pension scheme matters.

The Group HR Director has direct access to the Chairman of the Committee and together with the Group Reward Director advises the Committee on remuneration matters relating to Executive Directors and members of the Executive Leadership Team.

The Company Chairman attends meetings and makes recommendations in relation to the remuneration and incentive arrangements for the Chief Executive. The Chief Executive attends and makes recommendations in respect of remuneration arrangements for his direct reports. No Director or Executive is present when their own remuneration is under consideration.

Part 3 – Directors' Remuneration Report

Part 3 – Directors' Annual Remuneration Report – looking forward 2015

Executive Director base salaries from 1 January 2015

Executive Directors' and senior executives' salaries are reviewed with effect from 1 January each year in accordance with the remuneration policy. Base salaries reflect the role, individual experience, skills and contribution to overall business performance as well as external market conditions. Following a review of the performance of the business, the economic and market considerations in the UK, where average pay increases in the Company will be in the order of 2%, the Committee agreed that the salaries of Executive Directors for 2015 should be as set out below. The Committee also took into account the wider pay position across the group.

Andy Ransom's base salary was reviewed on appointment as Chief Executive in October 2013 in line with the policy set out on page 62 and was set at £700,000.Therefore his salary was not reviewed in January 2014. Andy Ransom's salary was reviewed again in January 2015 and with effect from 1 January 2015, the base salary for Andy Ransom was increased by 2% to £714,000. Also, with effect from 1 January 2015 the salary for Jeremy Townsend was increased by 2% to £459,000.

Salary from 1 January 2015

Executive Director	Salary	Effective date
Andy Ransom	£714,000	1 January 2015
Jeremy Townsend	£459,000	1 January 2015

Pension contribution

In 2015, Andy Ransom will receive a pension contribution worth 25% of base salary and Jeremy Townsend will receive a pension contribution worth 15% of base salary.

2015 bonus structure

Executive Directors can earn a maximum opportunity of 120% of their base salary as an annual cash bonus.

The focus of the bonus is on rewarding profitable growth in order to align Executive Directors' incentives with the group's strategy. The Committee has approved the following structure of bonuses for 2015 for the Executive Directors.

Both 95% of the profit target and a free cash flow gateway of £100m have to be reached at group level before a bonus is paid to the Executive Directors. If both these profit and cash flow gateways are achieved then Executive Directors can earn up to 100% of base salary based on a combination of revenue and profit targets. This is split 50%:50% for the Chief Executive and 70% profit:30% revenue for the Chief Financial Officer.

Revenue targets for Executive Directors will continue to be weighted to focus on the segments that will set the foundations for longer term profitable growth. To provide this focus the following co-efficients will be applied to revenue generated from businesses in the following quadrants, as described in the Strategic Report on page 9.

Quadrant

	Co-efficient 2015	Co-efficient 2014
Emerging	1.51	1.4
Growth	1.2	1.2
Protect & Enhance	0.7	0.7
Manage for Value	0.4	0.4

The above represent the 2015 co-efficients which are broadly the same as the previous years.

In 2014 the co-efficients were applied to the growth quadrant which worked as there were material differences within and between each of the quadrants. For 2015, we will apply the co-efficients to the total as the absolute growth numbers in three of the four quadrants are relatively small, making it difficult to achieve a meaningful split that balances back to zero. The 2015 scheme will be slightly less sensitive to differences in quadrant performance than the 2014 scheme but will still reward differential performance.

An individual performance modifier may also increase or decrease the opportunity stated above arising from performance against the revenue and profit targets to further recognise individual contribution to business performance. This individual performance modifier applies to all colleagues who partake in the Group Management Bonus Scheme (GMBS) measured by the Company's performance and by the individual development review process to further recognise individual contribution to business performance. For Executive Directors, the maximum opportunity will not exceed 120% of base salary.

Rating

	1	2	3	4	5
Modifier	0%	75%	100%	110%	125%[1]

1 The total bonus payment is capped at 120% of base salary for Executive Directors. Senior Management who partake in the Group Management Bonus Scheme (GMBS) have the opportunity to obtain 125% of base salary

Bonus targets have not been disclosed looking forward for 2015 as the Board believes that this information is commercially sensitive. Disclosing bonus targets could provide information about our business plans to our competitors which could be damaging to our business interests and therefore to shareholders. However, retrospective bonus outcomes for 2014 have been disclosed in the tables on page 72, and the 2015 targets will be disclosed in next year's report.

2015 PSP Award

The Performance Share Plan Award for 2015 is 120% of base salary for the Chief Executive and 100% of base salary for the Chief Financial Officer. This is based on EPS/TSR performance as explained below and a potential performance modifier of between 0% and 200% based on bonus performance over the three-year period. The maximum number of shares that can vest is capped at shares worth 200% of base salary at date of grant.

For the Executive Directors and the most senior colleagues (approximately 100 individuals), the relative TSR and EPS performance measures will continue to apply to two-thirds and to one-third of the total award, respectively. The structure of the EPS and relative TSR measures also remain unchanged from 2014.

Relative TSR performance (two-thirds of the awards):

- A relative TSR measure is used to ensure participants are incentivised to outperform key peers and to ensure that the interests of management are aligned with shareholders. TSR was also selected to reflect market practice and shareholder preferences. The structure remains unchanged.
- It is measured relative to the constituents of the FTSE 350 index, excluding financial services, property and primary resources sectors. The FTSE 350 is recognised as a broad index and is considered to be an appropriate benchmark for measuring performance given the Company's membership of the FTSE 250, the scope and scale of the Company's international operations, and the diverse nature of companies in the business services sector.
- 25% of the award will vest if Rentokil Initial's performance is positioned at median against the comparator group with the full award vesting for upper quartile TSR performance. Vesting is on a straight-line basis between these two points. No award vests for below median performance.

EPS measure (one-third of the awards):

- An EPS measure is used to more directly link reward to long-term profit performance.
- EPS is measured on a point to point basis over the three-year period of the award. In order to measure underlying earnings improvement EPS will be measured after adjusting for impairments, amortisation, pension interest and material one-off items, as the Committee considers that these items do not reflect the underlying performance of the business.
- Given the business' focus on improving efficiency and reducing costs around restructuring, the Committee felt that it was appropriate that restructuring costs are included in the EPS calculation in order to incentivise management to achieve this. Given the international nature of our business, EPS will be measured on an exchange neutral basis to reflect management performance by removing the impact of windfalls and losses as a result of exchange rate movements.

The targets in 2015 are as follows (with a straight-line vesting between these figures):

	Vesting level	Compound EPS growth per annum
Threshold	25% of maximum	7% per annum
Maximum	100% of maximum	13% per annum

Part of this EPS growth is anticipated to be driven by a reduction of annual restructuring costs although a substantial amount will be driven by underlying improvements in the business. In this context, the Committee has reduced EPS targets for awards to be made in 2015 given the expected reduced scope for restructuring costs reduction. The Committee is satisfied that these targets represent a stretching challenge for the business over the next three years. This is consistent with last year's Directors' Remuneration Report where the Committee noted that the 2014 targets were higher than typical market practice and that it anticipated lower targets would be set for awards going forward.

In addition, when determining the level of vesting, the Committee will also consider the underlying financial performance of the business, as well as the value added to shareholders during the performance periods and may adjust the vesting outcome if it considers this to be appropriate.

Individual performance modifier:

For Executive Directors, the initial level of vesting of their core PSP awards is determined by the TSR and EPS conditions outlined above. That level of vesting is then adjusted to reflect the effect of the individual performance modifier. As set out in the table below, the individual performance modifier reduces the level of the core award that would otherwise vest if an individual fails to reach threshold performance under the annual bonus in each of the three years of the performance period to zero, and increases vesting of the core award to a maximum of 200% if maximum bonus performance is achieved in each of the three years of the performance period.

Achievement against annual bonus targets in respect of each financial year (average over performance period)	Below threshold	Threshold	Target	Maximum
Individual performance modifier	0%	20%	100%	200%

Awards will vest on a straight-line basis between each point above.

Accordingly, there is the possibility that awards could vest at 200% of salary, if the business achieves upper quartile TSR performance and maximum EPS achievement over the performance period and financial performance that results in maximum bonus outcomes in each of the three consecutive financial years for the relevant business unit.

2015 Non-executive Directors' fees

Non-executive Director fees from 1 January 2015

Position	Fee policy for year beginning 1 January 2015
Chairman	£350,000 per annum
Non-executive Director	£55,000 per annum
Senior Independent Director	Additional £5,000 per annum
Chairman of Audit Committee	Additional £15,000 per annum
Chairman of Remuneration Committee	Additional £15,000 per annum

Part 4 – Directors' Remuneration Report

Part 4 – Directors' Annual Remuneration Report 2014

Directors' remuneration in the year to 31 December 2014

Single total figure for the remuneration of Executive Directors

The table below has been audited:

Purpose	Fixed pay						Variable pay				Total	
Executive Directors	**Base salary 2014**	Base salary 2013	**Benefits[1] 2014**	Benefits[1] 2013	**Pension[4] 2014**	Pension[4] 2013	**Annual bonus 2014**	Annual bonus 2013	**Long-term incentives[2] 2014**	Long-term incentives 2013	**Total single figure 2014**	Total single figure 2013
Andy Ransom[3] **Chief Executive**	**700**	513	**20**	20	**175**	128	**431**	177	**0**	0	**1,326**	838
Jeremy Townsend **Chief Financial Officer**	**450**	442	**17**	16	**68**	65	**251**	172	**0**	0	**786**	695
Alan Brown[5] **CEO to 30/09/13**	**–**	581	**–**	16	**–**	145	**–**	251	**–**	0	**–**	993

1 Executive Directors are provided with life insurance, private health cover and a company car or a car allowance. The value of the benefits is included under 'Benefits' in the above table. There were no other taxable benefits paid to Executive Directors in 2014

2 No LTIP vested in 2014 hence disclosure of nil

3 Andy Ransom was promoted to Chief Executive on 1 October 2013. His 2013 pay therefore, reflects three months as Chief Executive and nine months as an Executive Director. Andy Ransom's salary was unchanged throughout the period from 1 October 2013 to 31 December 2014

4 Andy Ransom receives a pension contribution, in the form of a cash supplement, worth 25% of base salary. Jeremy Townsend's aggregate pension contribution from the company is worth 15% of salary. This figure is included above

5 Alan Brown stepped down as a Director on 30 September 2013. His 2013 salary, benefits and pension to the point when he stepped down from the Board are disclosed for reference

Annual bonus plan

2014 bonus outcome

The Committee reviewed the 2014 bonus plan outcome for the group's senior management population based on the targets set at the start of the financial year. The metrics and the levels of performance for the Executive Directors for the 2014 bonus plan are set out on page 73. Individual performance was also reflected using an individual performance modifier. This is linked to the group performance and development review process; details are set out below. Bonuses earned are reflective of the performance of the group, individual businesses and achievement against specific personal objectives (where relevant).

To support the delivery of profitable growth in 2014 and beyond, and to align incentives with the group's strategy, revenue targets for Executive Directors were weighted to focus on sectors that were critical to the business and to provide focus the following co-efficients were applied to the revenue generated from the quadrants as described in the Strategic Report on page 10. As in previous years 95% of profit target has to be achieved before any bonus is paid out and in 2014 an additional cash gateway of £81m free cash flow, after adjustment for the disposal of Initial Facilities, had to be generated at group level before any bonus is paid to Executive Directors.

Quadrant	Co-efficient (2014)
Emerging	1.4
Growth	1.2
Protect & Enhance	0.7
Manage for Value	0.4

Bonus outcomes for 2014 and details of the range around target used to assess performance have been disclosed in the table below. For a bonus to be payable to Executive Directors, two gateway conditions had to be met:

- 95% of a profit target of £251m (99.1% achieved, therefore the condition was met)
- Cash generation of £81m (actual £141m, therefore the condition was met)

Annual bonus 2014

Andy Ransom
Chief Executive

	Group profit	Group revenue	Total
% weighting	50%	50%	100%
Range around target from threshold to maximum	95% to 110%	99% to 102% (see segment co-efficients)	
2014 target	£251m	£1,833.70m	
2014 performance	99.1%	100.8%	
% bonus achieved (before modifier)	21.33%	34.68%	56%
£ value bonus (before modifier)	£149,343	£242,759	£392,102

Jeremy Townsend
Chief Financial Officer

	Group profit	Group revenue	Total
% weighting	70%	30%	100%
Range around target from threshold to maximum	95% to 110%	99% to 102% (see segment co-efficients)	
2014 target	£251m	£1,833.70m	
2014 performance	99.1%	100.8%	
% bonus achieved (before modifier)	29.87%	20.81%	50.68%
£ value bonus (before modifier)	£134,408	£93,636	£228,044

The individual performance modifier will continue to apply for Executive Directors' performance ratings are linked to bonus through the individual performance modifier as set out in the table below. The individual performance modifier is also applied to bonus payments, for all global mid-level management colleagues based upon objectives and behaviours as it is for Executive Directors and senior management.

Rating

	1	2	3	4	5
Modifier	0%	75%	100%	110%	125%[1]

1 The total bonus payment is capped at 120% of base salary for Executive Directors. Senior management who partake in the Group Management Bonus Scheme (GMBS) have the opportunity to obtain 125% of base salary

An individual performance modifier of 110% was applied to the bonus for Andy Ransom for the period to 31 December 2014. A modifier of 110% was applied to the bonus for Jeremy Townsend. The total bonus outcomes, including modifiers, in relation to 2014 are as follows:

Bonus outcomes

Executive Director	Bonus
Andy Ransom	£431,312
Jeremy Townsend	£250,848

Bonus outcomes for 2014 for Executive Directors are also shown in the single total figure for the remuneration of Executive Directors table on page 72. Bonuses will be paid in cash.

Long-term share incentive plans

The Executive Directors and senior management population participate in the Performance Share Plan (PSP).

The Performance Share Plan

2011 PSP Vesting

Relative TSR performance for 2011 to 2014 was tested on the third anniversary of the grant date on 16 June 2014. The Company's position relative to the comparator group was below median and as such no award vested and the award lapsed. The LTIP number disclosed in the single total figure for the remuneration of Executive Directors on page 72 is therefore nil.

2014 PSP Award

In 2014 the Committee introduced a measure based on earnings per share (EPS) as well as the existing relative total shareholder return (TSR) measure for the Executive Directors and senior colleagues (approximately 100 individuals). The relative TSR and EPS performance measures apply to two-thirds and to one-third of the total award, respectively. Additionally, an individual performance modifier applies to Executive Directors' PSP awards.

- **Relative TSR performance (two-thirds of the awards):**
  - A relative TSR measure is used to ensure participants are incentivised to outperform key peers and to ensure that the interests of management are aligned with shareholders. TSR was also selected to reflect market practice and shareholder preferences. The structure remains unchanged.
  - Measured relative to the constituents of the FTSE 350 index, excluding financial services, property and primary resources sectors. The FTSE 350 is recognised as a broad index and is considered to be an appropriate benchmark for measuring performance given the Company's membership of the FTSE 250, the scope and scale of the Company's international operations, and the diverse nature of companies in the business services sector.
  - 25% of the award will vest if Rentokil Initial's performance is positioned at median against the comparator group with the full award vesting for upper quartile TSR performance. Vesting is on a straight-line basis between these two points. No award vests for below median performance.

Part 4 – Directors' Remuneration Report – continued

- **EPS measure (one-third of the awards):**
  - An EPS measure is used to more directly link reward to long-term profit performance.
  - EPS is measured on a point to point basis over the three-year period of the award. In order to measure underlying earnings improvement EPS will be measured after adjusting for impairments, amortisation, pension interest and material one-off items, as the Committee considers that these items do not reflect the underlying performance of the business.
  - Given the business' focus on improving efficiency and reducing costs around restructuring, the Committee felt that it was appropriate that restructuring costs are included in the EPS calculation in order to incentivise management to achieve this. Given the international nature of our business, EPS will be measured on an exchange neutral basis to reflect management performance by removing the impact of windfalls and losses as a result of exchange rate movements.

The targets in 2014 are as follows (with a straight-line vesting between these figures):

	Vesting level	Compound EPS growth per annum
Threshold	25% of maximum	14% per annum
Maximum	100% of maximum	20% per annum

The Committee recognises that these targets are higher than typical market practice and considers them to be very stretching. If these targets are achieved this will represent significant value creation for shareholders. Part of this growth is anticipated to be driven by a reduction of annual restructuring costs although a substantial amount will be driven by underlying improvements in the business. In this context, the Committee has reduced EPS targets for awards to be made in 2015 given the expected reduced scope for restructuring costs reduction.

In addition, when determining the level of vesting, the Committee will also consider the underlying financial performance of the business, as well as the value added for shareholders during the performance periods and may adjust the vesting outcome if it considers this to be appropriate.

Individual performance modifier:
For Executive Directors, the initial level of vesting of their core PSP awards is determined by the TSR and EPS conditions outlined above. That level of vesting is then adjusted to reflect the effect of the individual performance modifier. As set out in the table below, the individual performance modifier reduces the level of the core award that would otherwise vest if an individual fails to reach threshold performance under the annual bonus in each of the three years of the performance period to zero, and increases vesting of the core award to a maximum of 200% if maximum bonus performance is achieved in each of the three years of the performance period.

Achievement against annual bonus targets in respect of each financial year (average over performance period)	Below threshold	Threshold	Target	Maximum
Individual performance modifier	0%	20%	100%	200%

Awards will vest on a straight-line basis between each point above.

Accordingly, there is the possibility that awards could vest at 200% of salary, if the business achieves upper quartile TSR performance and maximum EPS achievement over the performance period and financial performance that results in maximum bonus outcomes in each of the three consecutive financial years for the relevant business unit.

Awards to Executive Directors under the 2014 PSP Award are set out in the table below.

2014 PSP Award outcome

The table below has been audited:

Participant	Date of award	Form of award	No. of shares awarded	Market price at date of award	Exercise price	% vesting for target levels of Company and individual performance	% vesting for maximum levels of Company and individual performance	Face value of award for target levels of performance £[1]	Face value of award for maximum levels of performance £[1]	Performance period
Andy Ransom	31/03/14	Nil cost option	1,134,522	123.4p	0.00p	120%	200%	£839,999	£1,400,000	TSR condition Three years to 31/03/17
Jeremy Townsend	31/03/14	Nil cost option	729,334	123.4p	0.00p	100%	200%	£449,999	£899,998	EPS condition Three years to 31/12/16

1 Calculation based on value of shares at date of grant of award

Total PSP awards held by Executive Directors

The table below has been audited:

PSP 2011[1]	Date of award	Plan	Market price of award	Scheme interest at 1 January 2014	Shares vested during 2014	Shares awarded during 2014	Shares lapsed during 2014	Shares exercisable during 2014	Shares exercised during 2014	Outstanding at 31 December 2014	Performance period
Andy Ransom	01/08/11	2011 PSP[1]	89.55p	980,394	–	–	980,394[1]	–	–	–	01/08/14
Jeremy Townsend	01/08/11	2011 PSP[1]	89.55p	925,926	–	–	925,926[1]	–	–	–	01/08/14
PSP 2012[2]											
Andy Ransom	08/05/12	2012 PSP[2]	83.5p	1,082,380	–	–	–	–	–	1,082,380	08/05/15
Jeremy Townsend	08/05/12	2012 PSP[2]	83.5p	1,042,692	–	–	–	–	–	1,042,692	08/05/15
PSP 2013											
Andy Ransom[3]	30/04/13	2013 PSP[3]	109p	458,716	–	–	–	–	–	458,716[3]	30/04/16
Andy Ransom	30/04/13	2013 PSP[3]	96.0p	937,500	–	–	–	–	–	937,500	30/04/16
Jeremy Townsend	30/04/13	2013 PSP	96.0p	921,186	–	–	–	–	–	921,186	30/04/16
PSP 2014[4]											
Andy Ransom	31/03/14	2014 PSP[4]	123.4p	–	–	1,134,522	–	–	–	1,134,522	31/03/17
Jeremy Townsend	31/03/14	2014 PSP[4]	123.4p	–	–	729,334	–	–	–	729,334	31/03/17

1 The PSP 2011 award was tested in June 2014. The median TSR performance condition for the three-year performance measurement period was not met. Therefore the PSP 2011 share awards lapsed on 1 August 2014

2 The maximum PSP vesting is only applicable in the event of upper quartile TSR performance and maximum annual bonus outperformance for participants for the three-year performance measurement period. No shares will vest if TSR performance is below median at the end of the vesting period or if threshold financial performance conditions are not met

3 An additional award was made to Andy Ransom on his appointment as Chief Executive calculated on the basis of £90,000 additional target shares being the equivalent of 120% of his salary as an Executive Director. A further supplementary award was calculated on the basis of his new salary as Chief Executive with the target being 120% of base salary. The maximum that can be achieved is 200% of applicable salary

4 In 2014 an EPS measure was introduced in addition to the existing relative TSR measure for Executive Directors and senior management. The relative TSR and EPS performance measures apply to two-thirds and to one-third of the total award, respectively. Additionally, an individual performance modifier applies to Executive Directors' PSP awards. The EPS performance period for PSP 2014 award will be measured to 31 December 2016. The vesting date of the PSP 2014 award is 31 March 2017

Part 4 – Directors' Remuneration Report – continued

Share Incentive Plan 2008

The 2008 Plan was approved by shareholders in 2008 to facilitate the appointment of John McAdam, Alan Brown and Andy Ransom and to motivate them to deliver a turnaround in corporate performance.

The key features of the Plan were that awards would vest based on absolute share price performance targets. A minimum share price of £1.20 achieved over a sustained period (60 consecutive dealing days during the performance measurement period) would allow 20% of the award to be earned, rising on a straight-line basis to full vesting at a share price of £1.80. For achieving growth in market value between £1.80 and £2.80, further shares may be earned on a straight-line basis up to a maximum of a further 50% of the original award.

During the first half of 2010 the Company's share price achieved a 60 day highest average share price of 130.82p and therefore 34.43% of the award was earned, with one-third vesting in 2011, a further one-third in 2012 and the remaining third in 2013. No further shares were earned when performance was tested in 2012 or under the final test in May 2013. Participants had 12 months from 14 June 2013 in which to call for their vested shares. No further awards may be made under the Plan and all remaining shares lapsed in 2013. Andy Ransom and John McAdam exercised their right to call for their vested shares on 22 May 2014 which is illustrated in the table below.

The 2008 Plan

The table below has been audited:

	Date of award	Plan	Market price at date of award	Vesting period	Scheme interest at 01.01.13	Shares vested during 2010	Shares released during 2011	Shares released during 2012	Dividend on earned shares in 2012	Shares released during 2013	Dividends on earned shares in 2013	Shares lapsed during 2013	Total vested shares at 31.12.13	Shares called for 23.05.14	Shares sold to meet tax liability 2014	Total number of shares over which option held at 31.12.14
John McAdam	26/06/08	2008 Plan[1]	100.50p	2011/13	7,500,000	2,618,484[2]	872,828	872,828	14,191	872,828	34,622	8,582,682	2,667,318	2,667,318	1,203,294	Nil
Andy Ransom	26/06/08	2008 Plan[1]	100.50p	2011/13	7,500,000	2,618,484[2]	872,828	872,828	14,191	872,828	34,622	8,582,682	2,667,318	2,667,318	1,256,774	Nil

1 Awards under the Plan were subject to performance conditions as set out above relating to share price performance between 1 April 2008 and three specified vesting dates in 2011, 2012 and 2013. These vesting dates were 61 dealing days after the announcement of the Company's financial results for years ending 31 December 2010 ('first vesting date'), 31 December 2011 ('second vesting date') and 31 December 2012 ('third vesting date')

2 At the first vesting date on 19 May 2011 (61 dealing days after 31 December 2010 preliminary results announcement), 34.43% of the total plan interest at 1 January 2011 vested, representing 2,585,000 shares per participant in total. Following dividend readjustment the first one-third of 872,828 was released to each participant on 19 May 2011 ('first vesting date'). A further 887,020 (including dividend equivalents) were released on 31 May 2012 ('second vesting date') and the final one-third of 907,470 (including dividend equivalents) were released on 14 June 2013 ('third vesting date'). The total of vested shares (including dividend equivalents) for each participant was 2,667,318. The remaining shares lapsed

Share plan funding

Typically, shares granted under the Executive incentive plans are satisfied by shares purchased in the market or by transfer from the Company's employee share trust. To the extent shares are newly issued to satisfy awards, the Company complies with Investment Association (formerly ABI) dilution guidelines on their issue.

Payments to past Directors

There were no payments to past Directors during 2014.

Payments for loss of office

There were no payments for loss of office to Directors during 2014.

Single total figure for the remuneration during 2014 of the Chairman and Non-executive Directors

The table below has been audited:

Chairman and Non-executive Directors	Fees 2014	Fees 2013	Benefits 2014	Benefits 2013	Total single figure 2014	Total single figure 2013
John McAdam[1]	350	350	20[1]	21[1]	370	371
Peter Bamford	55	55	0	0	55	55
Richard Burrows	55	55	0	0	55	55
Alan Giles	70	70	0	0	70	70
Angela Seymour-Jackson	55	55	0	0	55	55
Julie Southern[2]	32	–	0	–	32	–
Peter Long[3]	60	60	0	0	60	60
Duncan Tatton-Brown[4]	26	70	0	0	26	70

1 The benefit relates to the private use by the Chairman of a company driver and vehicle
2 Julie Southern was appointed a Director on 21 July 2014
3 Peter Long stepped down as a Director on 31 December 2014
4 Duncan Tatton-Brown stepped down as a Director on 14 May 2014

Directors' shareholdings and share interests

The interests of the Directors and their families in the share capital of the Company on 1 January 2014 or their date of appointment if later, and at 31 December 2014, are set out below. No Director has any beneficial interest in the shares of any of the Company's subsidiaries. Any changes in the interests of the Directors and their families in the Company and its subsidiary companies during the year and from the end of the year to 26 February 2015 are shown below.

Directors' shareholdings and share interests

The table below has been audited:

Rentokil Initial plc (ordinary shares of 1p each)	31 December 2014 Beneficial interests number or at date of cessation*	1 January 2014 Beneficial interests number or date of appointment
John McAdam[1]	1,484,824	2,688,118[1]
Andy Ransom[1]	1,462,544	2,719,318[1]
Jeremy Townsend	148,465	148,465
Peter Bamford	38,000	38,000
Richard Burrows	25,000	25,000
Alan Giles	12,000	12,000
Angela Seymour-Jackson	5,826	–
Julie Southern[2]	–	–
Duncan Tatton-Brown to 14 May 2014[3]	12,000	12,000
Peter Long to 31 December 2014[4]	2,000	2,000

1 John McAdam and Andy Ransom each held a beneficial interest in vested shares held in the 2008 Share Incentive Plan 2008 which they called for on 23 May 2014 and each sold a proportion of those shares to meet personal tax liabilities which are set out in the table on page 76
2 Julie Southern was appointed a Director on 21 July 2014
3 Duncan Tatton-Brown stepped down as a Director on 14 May 2014
4 Peter Long stepped down as a Director on 31 December 2014

Executive shareholding requirements

Recognising investors' preferences for executive shareholding requirements, the Company has shareholding guidelines under which Executive Directors will be expected to build (if necessary, over a period of up to five years from appointment) and subsequently maintain an economic interest in Company shares with a market value equivalent to 100% of their annual salary. The Committee may take into account Directors' compliance with the shareholding guidelines (acknowledging any special circumstances that might apply) when considering future long-term incentive awards. The share valuation is based on an average share price of 117.05p calculated over the last three months of 2014.

Executive	Beneficial interests in shares at 31 December 2014	Value of shareholding at 31 December 2014 (based on three month average share price to that date)	Shareholding as a percentage of salary	Shareholding guideline	Interest in PSP share awards at 31 December 2014 (nil cost options, vesting subject to performance)
Chief Executive – Andy Ransom	1,462,544	£1,711,907	244.56%	100% of salary	3,613,118
Chief Financial Officer – Jeremy Townsend	148,465	£173,778	38.62%	100% of salary	2,693,212

External appointments

Executive Directors are entitled, subject to Board approval of the specific appointment, to accept a Non-executive Directorship or similar appointment outside the Company and to retain the fees in connection with such appointment.

Andy Ransom is a Director and Trustee of the charity, Street League, for which he received no remuneration. Jeremy Townsend is a Member of the Accounting Council of the Financial Reporting Council. He was paid £5,000 during 2014 for fees for his membership of the Accounting Council since his appointment in July 2014. He is also a Director of a business run by a member of his family for which he received no remuneration. He has no executive involvement in the business and the appointment does not represent a conflict of interest.

Chief Executive remuneration over six-year period

	2009	2010	2011	2012	2013	2013	2014
Chief Executive	Alan Brown	Alan Brown	Alan Brown[1]	Alan Brown	Alan Brown[2]	Andy Ransom[2]	Andy Ransom
Total single figure of remuneration	£1,656,000	£989,000	£3,564,971	£1,115,000	£931,562	£287,949	£1,326,045
% annual bonus payout versus maximum opportunity	72%	0%	0%	13%	32.43%	34.49%	61.6%
% long-term incentive vesting rates against maximum opportunity	0%	0%	22%	0%	0%	0%	0%

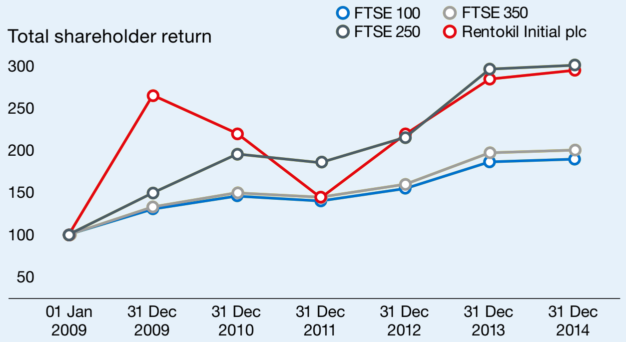
1 2011 single figure for the Chief Executive includes the value of the 2008 Share Incentive Plan of £2,573,971 which were valued on the release date of 20 May 2011. These shares were called for during 2014
2 Alan Brown was appointed as Chief Executive on 1 April 2008 and stepped down on 30 September 2013; Andy Ransom was appointed from that date. The total single figure has been apportioned to reflect payment during these periods

Part 4 – Directors' Remuneration Report – Continued

TSR performance over a six-year period relative to FTSE Index

The following graph shows total shareholder return over a six-year period reflecting the holding of the Company's shares, plotted against the movement of a broad equity market index. The following graph shows the Company's TSR performance relative to the FTSE 100 Index and the FTSE 250 Index, on a consistent basis with the graph shown last year which is compliant with the requirements. The Company has been a constituent of both these indices over the six year period that is shown. The FTSE 350 Index is also shown on the basis that the constituents for the comparator group for long-term incentive purposes are drawn from this index (the comparator group excludes financial services, property and primary resource companies). The basis of assessment of relative TSR performance in respect of awards made under the Company's PSP award differs from the basis on which this chart is prepared and is described on pages 71 and 73 of this report. This chart has been prepared by Deloitte LLP for the Company for inclusion in the Annual Report for the year ended 31 December 2014 and is based on data sourced from Thomson Reuters DataStream and uses spot Return Index data at each year end.

Rentokil Initial's total shareholder return compared against total shareholder return of the FTSE 100, the FTSE 250 and the FTSE 350



Percentage change in remuneration

The table below sets out a comparison of the change in pay for the Chief Executive for the year ended 2014 compared with 2013 and to all UK employees, excluding Initial Facilities which was sold in 2014, over the same period. The Chief Executive is based in the UK and as such is impacted by the same economic and legislative environments as other UK colleagues based in core businesses.

Average base salary for all UK employees includes overtime and premium rate pay, which is flexed to meet business requirements, as well as annual and out-of-cycle pay increases and headcount changes during the year. All bonus schemes are performance related and reflect business performance during the year. The impact of changes to the UK car scheme and private healthcare drove a reduced cost of benefits.

	Base salary	Annual bonus	Benefits	Total
Chief Executive	7.44% decrease	0.75% increase	10.3.% decrease	5.0% decrease
All UK employees[1]	9.7% decrease[2]	25% increase[3]	14% decrease[4]	1.1% increase

1 The figure for 2014 shows employee remuneration for continuing operations. It does not include discontinued operations following the sale of the Initial Facilities business in March 2014
2 Base salary includes overtime and premium rate pay
3 Annual bonus includes our Group Management Bonus Scheme (GMBS) and any other bonus commission or cash incentive
4 Benefits include private healthcare, car allowance (including trade down), cars, fully expensed fuel cards and commercial vans (private use)

Relative importance of spend on pay

The table below sets out amounts paid in total employee costs and total dividends paid for the years ended 31 December 2014 and 31 December 2013.

	2014 £m	2013 £m	% change
Remuneration paid to all employees of the group[1]	£787.8	£805.3	-2.3% decrease
Distributions to shareholders[2]	£43.1	£38.6	+10.73% increase

1 The figures for 2013 and 2014 show employee remuneration for continuing operations. They do not include discontinued operations following the sale of the City Link business in April 2013 or the sale of the Initial Facilities business in March 2014
2 The Board is recommending a final dividend in respect of 2014 of 1.82p per share. This equates to a full year dividend of 2.59p per share. In 2013 a full year dividend of 2.31p per share was paid to shareholders

Voting at the 2014 AGM

At the AGM on 14 May 2014, votes cast by proxy and at the meeting in respect of the 2013 Directors' Remuneration Policy Report and the Directors' Annual Remuneration Report were as follows:

Approval of the Remuneration Report

	Total 2013 Remuneration Policy Report	Total 2013 Annual Remuneration Report
Votes for	1,302,180,656	1,349,370,992
% for	96.061%	99.482%
Votes against	53,393,193	7,026,064
% against	3.939%	0.518%
Total votes cast	1,355,573,849	1,356,397,056
Votes withheld (abstentions)	1,044,162	220,955
% votes withheld	0.077%	0.016%

A vote 'for' include those votes giving the Chairman discretion. A vote 'withheld' is not classed as a vote in law and is not counted in the calculation of proportion of votes cast for or against a resolution.

The Committee is pleased with the level of shareholder support received for the 2013 Directors' Remuneration Report. The Company remains committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. In the event of a substantial vote against a resolution in relation to Directors' remuneration, Rentokil Initial would seek to understand the reasons for any such vote and would set out in the following Annual Report any actions in response to it. During early 2014, the Committee consulted with shareholders regarding changes to the performance measures for long-term incentive arrangements.

Alan Giles
Chairman,
Remuneration Committee
26 February 2015

Independent Auditor's Report to the Members of Rentokil Initial plc

Independent Auditor's Report to the Members of Rentokil Initial plc

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Rentokil Initial plc for the year ended 31 December 2014 set out on pages 82 to 141. In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the Parent Company's affairs as at 31 December 2014 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with UK Accounting Standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

Impairment assessment and testing of cash-generating units that include goodwill and acquired intangible assets (including customer lists and relationships and brands): carrying values of £291.0m and £100.3m respectively

Refer to page 52 (Audit Committee Report) and Note B4 (accounting policy and financial disclosures)

The risk: The group has significant carrying amounts of both goodwill and acquired intangible assets. These balances are spread across a range of cash-generating units in different countries.

A value-in-use model is used for impairment testing. The estimation of the value-in-use of the cash-generating units requires significant judgement in relation to the appropriate discount rates, growth rates, terminal values, and forecast cash flows. Changes to the assumptions applied to the model, for example a change in the discount rate, have the potential to significantly affect the impairment testing result.

Our response: In this area our audit procedures included testing of the group's underlying methodology upon which the forecasts are based and the principles and integrity of the group's discounted cash flow model. We instructed local auditors to evaluate the procedures undertaken to identify indicators of impairment in the year. Our testing of the goodwill impairment models included challenge of the long-term growth rate and discount rate assumptions by comparison to externally derived data such as projected economic growth rates, discount rate inputs and inflation rates, as well as performing break-even analysis on the assumptions. We challenged the assumptions relating to forecast revenue growth and profit margins by comparison to the historical performance of the cash-generating unit and to the forecast approved by the Board.

Provisions for tax contingencies

Refer to page 52 (Audit Committee Report) and Note A13 (accounting policy and financial disclosures)

The risk: The group holds a number of provisions for outstanding tax contingencies which arise in the normal course of business. The group operates in a number of tax jurisdictions and there are therefore complexities in transfer pricing and other international tax legislation issues for consideration. In addition tax matters usually take a significant length of time to be agreed with the tax authorities and as such the recognition of these tax provisions requires judgements and estimates to be made in respect of the outcomes of the tax authority investigations.

Our response: With regard to the tax contingencies, we have performed the following with the assistance of our tax specialists: assessed the group's tax positions, its correspondence with the relevant tax authorities and its external tax advisors and analysed and challenged the assumptions used to determine tax provisions using our knowledge and experiences of the application of the international and local legislation by the relevant authorities and courts. We also considered the adequacy of the group's disclosures in respect of tax and uncertain tax positions.

Recognition of UK deferred tax assets

Refer to page 52 (Audit Committee Report) and Note A14 (accounting policy and financial disclosures)

The risk: The group has significant recognised and unrecognised deferred tax assets in respect of losses within the UK. There is inherent uncertainty involved in both evaluating the accessibility of the tax losses and estimating the quantum of future taxable profits. This is exacerbated by the nature of the future UK income and as the losses are spread across several different tax entities.There is also judgement in determining the forecast period which also determines the extent to which deferred tax assets are or are not recognised.

Our response: In this area our audit procedures included analysing the judgements applied in assessing the likelihood of the utilisation of deferred tax assets and the appropriateness of the assumptions regarding the forecast period. We have involved our own tax specialists in testing the underlying methodology and the mathematical accuracy of the taxable profit forecast models used to estimate the future use of deferred tax assets through assessment and challenge of the key input assumptions (primarily UK taxable profit forecasts and the term covered by the model) to information derived internally by the group and taking into account our knowledge and experience of the application of relevant tax legislation.

We also assessed whether the group's disclosures about the sensitivity of the recognition of deferred tax assets to changes in key assumptions reflected the associated inherent risks.

3. Our application of materiality and an overview of the scope of our audit

The materiality for the group financial statements as a whole was set at £7.5m, determined with reference to a benchmark of profit before taxation from continuing operations (of which it represents 5%).

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £250,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Independent Auditor's Report to the Members of Rentokil Initial plc – continued

The components within the scope of our work accounted for the following percentages of the group's results:

	Group revenue	Group profit before tax (absolute) from continuing operations
Audits for group reporting purposes	54%	64%
Detailed audit procedures over all significant accounts	27%	13%
Total	**81%**	**77%**

This audit work was performed by 16 audit teams in 14 different countries covering 91 reporting units. The work on 64 of the 91 components in scope for the group audit was performed by component auditors and the rest by the group audit team.

The remaining 19% of total group revenue, 23% of group profit before tax (absolute) from continuing operations and 19% of total group assets is represented by individually insignificant reporting components, none of which individually represented more than 2% of any of total group revenue, total group profit before tax (absolute) from continuing operations or total group assets. For these components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The group audit team approved the component materialities, which ranged from £0.1m to £2.0m, having regard to the mix of size and risk profile of the group across the components.

The group audit team visited four component locations: France, Belgium, the Netherlands, and the US, to meet with the component auditors and review the findings, as well as to assess the audit risk and strategy. Telephone conference meetings were also held with those component auditors visited and all others in scope for group reporting that were not physically visited. At these visits and meetings, the findings reported to the group audit team were discussed in more detail, and any further work required by the group audit team was then performed by the component auditor.

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy; or
- the significant issues considered by the Audit Committee section of the Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited 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.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 144, in relation to going concern; and
- the part of the Corporate Governance Statement on page 44 relating to the Company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the statement of Directors' responsibilities set out on page 145, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Paul Sawdon (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
26 February 2015

Financial Statements

Consolidated Income Statement
For the year ended 31 December

	Notes	2014 £m	Restated* 2013 £m
Revenue	A1	**1,740.8**	1,791.4
Operating expenses	A7	**(1,538.7)**	(1,630.9)
Operating profit		**202.1**	160.5
Analysed as:			
Operating profit before amortisation and impairment of intangible assets[1], restructuring costs and one-off items	A1	**232.2**	236.1
Restructuring costs	A1	**(8.8)**	(47.4)
One-off items – operating	A1	**(0.1)**	(4.6)
Amortisation and impairment of intangible assets[1]		**(21.2)**	(23.6)
Operating profit		**202.1**	160.5
Interest payable and similar charges	C8	**(56.2)**	(70.5)
Interest receivable	C9	**10.9**	10.9
Net interest credit from pensions	A9	**2.5**	5.5
One-off items – financing		**–**	1.5
Share of profit from associates, net of tax of £2.8m (2013: £3.1m)	B7	**3.9**	4.3
Profit before income tax		**163.2**	112.2
Income tax expense[2]	A13	**(37.1)**	(28.9)
Profit for the year from continuing operations		**126.1**	83.3
Discontinued operations:			
Profit/(loss) for the year from discontinued operations	B2	**135.4**	(44.6)
Profit for the year (including discontinued operations)		**261.5**	38.7
Attributable to:			
Equity holders of the Company		**261.8**	37.5
Non-controlling interests		**(0.3)**	1.2
		261.5	38.7
Basic earnings per share			
Continuing operations	A2	**6.96p**	4.52p
Discontinued operations	A2	**7.45p**	(2.45p)
Continuing and discontinued operations	A2	**14.41p**	2.06p
Diluted earnings per share			
Continuing operations	A2	**6.95p**	4.50p
Discontinued operations	A2	**7.44p**	(2.45p)
Continuing and discontinued operations	A2	**14.39p**	2.06p
Basic adjusted earnings per share[3]	A2	**8.05p**	7.36p
Diluted adjusted earnings per share[3]	A2	**8.04p**	7.33p

1 excluding computer software
2 taxation includes £37.1m (2013: £30.6m as restated) in respect of overseas taxation
3 earnings per share before the tax adjusted amortisation and impairment of intangibles (excluding computer software), restructuring costs, one-off items and net interest credit from pensions
* restated as a result of discontinued operations. Please refer to the General accounting policies section of the notes to the accounts for further details

Consolidated Statement of Comprehensive Income

For the year ended 31 December

	Notes	2014 £m	2013 £m
Profit for the year		**261.5**	38.7
Other comprehensive income:			
Items that are not reclassified subsequently to the income statement:			
Remeasurement of net defined benefit asset/liability	A9	**114.3**	(75.6)
Tax related to items taken to other comprehensive income	A13	**(19.9)**	18.6
Items that may be reclassified subsequently to the income statement:			
Net exchange adjustments offset in reserves		**17.7**	(33.1)
Revaluation of available-for-sale investments		**–**	(0.5)
Available-for-sale investments reclassified to the income statement		**–**	(1.5)
Effective portion of changes in fair value of cash flow hedge		**(0.1)**	1.2
Recycling cumulative exchange on disposal of foreign operations		**0.6**	–
Net income/(loss) not recognised in income statement		**112.6**	(90.9)
Total comprehensive income/(expense) for the year		**374.1**	(52.2)
Attributable to:			
Equity holders of the Company		**374.4**	(52.7)
Non-controlling interests		**(0.3)**	0.5
		374.1	(52.2)

Consolidated Balance Sheet
At 31 December

	Notes	2014 £m	2013 £m
Assets			
Non-current assets			
Intangible assets	B4	**431.3**	425.0
Property, plant and equipment	B5	**505.5**	537.1
Investment property		**–**	4.4
Investments in associated undertakings	B7	**14.4**	13.0
Other investments	C3	**0.1**	0.2
Deferred tax assets	A14	**3.5**	9.2
Retirement benefit assets	A9	**192.2**	70.6
Other receivables	A3	**11.5**	8.2
Derivative financial instruments	C5	**1.4**	0.2
		1,159.9	1,067.9
Current assets			
Other investments	C3	**51.4**	292.0
Inventories	A4	**58.9**	63.8
Trade and other receivables	A3	**314.5**	417.4
Current tax assets		**6.0**	5.7
Derivative financial instruments	C5	**0.6**	3.4
Cash and cash equivalents	C2	**197.1**	143.8
		628.5	926.1
Liabilities			
Current liabilities			
Trade and other payables	A5	**(382.0)**	(492.8)
Current tax liabilities		**(71.8)**	(66.5)
Provisions for other liabilities and charges	A6	**(24.5)**	(30.0)
Bank and other short-term borrowings	C4	**(31.1)**	(444.2)
Derivative financial instruments	C5	**(6.7)**	(7.8)
		(516.1)	(1,041.3)
Net current assets/(liabilities)		**112.4**	(115.2)
Non-current liabilities			
Other payables	A5	**(12.9)**	(13.0)
Bank and other long-term borrowings	C4	**(976.1)**	(1,022.5)
Deferred tax liabilities	A14	**(78.3)**	(62.7)
Retirement benefit obligations	A9	**(25.8)**	(23.6)
Provisions for other liabilities and charges	A6	**(59.8)**	(62.9)
Derivative financial instruments	C5	**(19.4)**	–
		(1,172.3)	(1,184.7)
Net assets/(liabilities)		**100.0**	(232.0)
Equity			
Capital and reserves attributable to the Company's equity holders			
Called up share capital	C11	**18.2**	18.2
Share premium account		**6.8**	6.8
Other reserves		**(1,772.0)**	(1,790.2)
Retained profits		**1,847.2**	1,533.1
		100.2	(232.1)
Non-controlling interests		**(0.2)**	0.1
Total equity		**100.0**	(232.0)

The financial statements on pages 82 to 132 were approved by the Board of Directors on 26 February 2015 and were signed on its behalf by:

Andy Ransom
Chief Executive

Jeremy Townsend
Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December

	Attributable to equity holders of the Company					
	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 2013	18.1	6.8	(1,757.0)	1,598.2	6.7	(127.2)
Profit for the year	–	–	–	37.5	1.2	38.7
Other comprehensive income:						
Net exchange adjustments offset in reserves	–	–	(32.4)	–	(0.7)	(33.1)
Remeasurement of net defined benefit asset/liability	–	–	–	(75.6)	–	(75.6)
Revaluation of available-for-sale investments	–	–	(0.5)	–	–	(0.5)
Available-for-sale investments reclassified to the income statement	–	–	(1.5)	–	–	(1.5)
Effective portion of changes in fair value of cash flow hedge	–	–	1.2	–	–	1.2
Tax related to items taken directly to other comprehensive income	–	–	–	18.6	–	18.6
Total comprehensive (expense)/income for the year	–	–	(33.2)	(19.5)	0.5	(52.2)
Transactions with owners:						
Issue of ordinary shares	0.1	–	–	(0.1)	–	–
Dividends paid to equity shareholders	–	–	–	(38.6)	–	(38.6)
Cost of share options and long-term incentive plan	–	–	–	2.0	–	2.0
Transactions with non-controlling interests:						
Acquisition of non-controlling interests	–	–	–	(8.9)	(3.7)	(12.6)
Dividends paid to non-controlling interests	–	–	–	–	(3.4)	(3.4)
At 31 December 2013	18.2	6.8	(1,790.2)	1,533.1	0.1	(232.0)
At 1 January 2014	**18.2**	**6.8**	**(1,790.2)**	**1,533.1**	**0.1**	**(232.0)**
Profit for the year	**–**	**–**	**–**	**261.8**	**(0.3)**	**261.5**
Other comprehensive income:						
Net exchange adjustments offset in reserves	**–**	**–**	**17.7**	**–**	**–**	**17.7**
Remeasurement of net defined benefit asset/liability	**–**	**–**	**–**	**114.3**	**–**	**114.3**
Effective portion of changes in fair value of cash flow hedge	**–**	**–**	**(0.1)**	**–**	**–**	**(0.1)**
Cumulative foreign exchange recycled to income statement on disposal of foreign operations	**–**	**–**	**0.6**	**–**	**–**	**0.6**
Tax related to items taken directly to other comprehensive income	**–**	**–**	**–**	**(19.9)**	**–**	**(19.9)**
Total comprehensive income for the year	**–**	**–**	**18.2**	**356.2**	**(0.3)**	**374.1**
Transactions with owners:						
Dividends paid to equity shareholders	**–**	**–**	**–**	**(43.2)**	**–**	**(43.2)**
Cost of share options and long-term incentive plan	**–**	**–**	**–**	**1.1**	**–**	**1.1**
At 31 December 2014	**18.2**	**6.8**	**(1,772.0)**	**1,847.2**	**(0.2)**	**100.0**

Treasury shares of £10.9m (2013: £11.1m) have been netted against retained earnings. Treasury shares represent 5.9m (2013: 6.0m) shares held by the Rentokil Initial Employee Share Trust. The market value of these shares at 31 December 2014 was £7.1m (2013: £6.9m). Dividend income from, and voting rights on, the shares held by the Trust have been waived.

Consolidated Statement of Changes in Equity – continued

Analysis of other reserves

	Capital reduction reserve £m	Legal reserve £m	Cash flow hedge reserve £m	Translation reserve £m	Available-for-sale reserve £m	Total £m
At 1 January 2013	(1,722.7)	10.4	(1.1)	(45.6)	2.0	(1,757.0)
Net exchange adjustments offset in reserves	–	–	–	(32.4)	–	(32.4)
Revaluation of available-for-sale investments	–	–	–	–	(0.5)	(0.5)
Available-for-sale investments reclassified to the income statement	–	–	–	–	(1.5)	(1.5)
Effective portion of changes in fair value of cash flow hedge	–	–	1.2	–	–	1.2
Total comprehensive income for the year	–	–	1.2	(32.4)	(2.0)	(33.2)
At 31 December 2013	(1,722.7)	10.4	0.1	(78.0)	–	(1,790.2)
At 1 January 2014	**(1,722.7)**	**10.4**	**0.1**	**(78.0)**	**–**	**(1,790.2)**
Net exchange adjustments offset in reserves	**–**	**–**	**–**	**17.7**	**–**	**17.7**
Effective portion of changes in fair value of cash flow hedge	**–**	**–**	**(0.1)**	**–**	**–**	**(0.1)**
Cumulative exchange recycled to income statement on disposal of foreign operations	**–**	**–**	**–**	**0.6**	**–**	**0.6**
Total comprehensive income for the year	**–**	**–**	**(0.1)**	**18.3**	**–**	**18.2**
At 31 December 2014	**(1,722.7)**	**10.4**	**–**	**(59.7)**	**–**	**(1,772.0)**

The capital reduction reserve arose in 2005 as a result of the scheme of arrangement of Rentokil Initial 1927 plc, under section 425 of the Companies Act 1985, to introduce a new holding company, Rentokil Initial plc, and the subsequent reduction in capital approved by the High Court whereby the nominal value of each ordinary share was reduced from 100p to 1p.

Consolidated Cash Flow Statement

For the year ended 31 December

	Notes	2014 £m	2013 £m
Cash flows from operating activities			
Profit for the year		**261.5**	38.7
Adjustments for:			
– (Profit)/loss on sale of discontinued operations excluding costs of disposal		**(146.0)**	26.1
– Discontinued operations tax		**0.4**	(2.7)
– Tax		**37.1**	31.4
– Share of profit from associates		**(3.9)**	(4.3)
– One-off items – financing		**–**	(1.5)
– Net interest credit from pensions		**(2.5)**	(5.5)
– Interest income		**(10.9)**	(10.9)
– Interest expense		**56.2**	70.9
– Depreciation and impairment of tangible assets		**175.7**	188.3
– Impairment of investment properties		**–**	3.5
– Amortisation and impairment of intangible assets[1]		**21.2**	26.9
– Amortisation and impairment of computer software		**13.0**	17.0
– LTIP charges		**1.1**	2.0
– Other non-cash items		**0.8**	0.7
– Loss on sale of property, plant and equipment		**0.6**	3.4
– Profit on sale of investment properties		**(2.4)**	–
– Loss on disposal/retirement of intangible assets		**0.8**	1.9
– (Profit)/loss on disposal of companies and businesses		**(2.4)**	1.2
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation):			
– Inventories		**1.6**	(11.5)
– Trade and other receivables		**(19.9)**	(0.6)
– Trade and other payables and provisions		**(34.0)**	(26.0)
Cash generated from operating activities before special pension contributions		**348.0**	349.0
Special pension contributions		**(1.0)**	(13.6)
Cash generated from operating activities		**347.0**	335.4
Interest received		**10.9**	10.6
Interest paid		**(59.6)**	(60.9)
Income tax paid		**(30.1)**	(37.2)
Net cash generated from operating activities		**268.2**	247.9
Cash flows from investing activities			
Purchase of property, plant and equipment		**(173.1)**	(201.1)
Purchase of intangible fixed assets		**(12.0)**	(27.6)
Proceeds from sale of property, plant and equipment		**6.3**	6.3
Proceeds from sale of investment properties		**6.8**	–
Acquisition of companies and businesses, net of cash acquired	B1	**(68.1)**	(12.0)
Disposal of companies and businesses	B2	**256.0**	2.0
Restricted cash disposed of with companies and businesses	B2	**(16.7)**	–
Disposal of available-for-sale investments		**–**	1.2
Dividends received from associates	B7	**1.7**	1.9
Net cash flows from investing activities		**0.9**	(229.3)
Cash flows from financing activities			
Dividends paid to equity shareholders	C10	**(43.2)**	(38.6)
Dividends paid to non-controlling interests		**–**	(3.4)
Interest element of finance lease payments		**(0.8)**	(0.9)
Capital element of finance lease payments		**(8.1)**	(8.1)
Cash (outflow)/inflow on settlement of debt related foreign exchange forward contracts		**(3.1)**	5.7
Net investment in term deposits		**240.7**	(292.1)
Proceeds from issue of debt		**1.1**	290.4
Bond repayments		**(390.6)**	(50.0)
Net cash flows from financing activities		**(204.0)**	(97.0)
Net increase/(decrease) in cash and cash equivalents	C12	**65.1**	(78.4)
Cash and cash equivalents at beginning of year	C2	**143.4**	218.9
Exchange (losses)/gains on cash and cash equivalents		**(14.4)**	2.9
Cash and cash equivalents at end of the financial year	C2	**194.1**	143.4

1 excluding computer software

Notes to the Accounts

General accounting policies

Basis of preparation

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union as at 31 December 2014.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments).

After reviewing group and Company cash balances, borrowing facilities and projected cash flows, the Directors believe that the group and Company have adequate resources to continue operations for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the consolidated financial statements (see the Directors' Report on page 144).

Consolidation

(a) Subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and gains and losses on transactions between group companies are eliminated.

Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Where the group loses control of a subsidiary, the assets and liabilities are derecognised along with any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(b) Associates

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20% and 50% of the voting power of another entity.

Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the group's share of losses exceeds its interest in an equity accounted investee, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of an investee.

Gains and losses on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in sterling, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, or from the translation of monetary assets and liabilities denominated in foreign currencies at reporting period end exchange rates are recognised under the appropriate heading in the income statement, except when deferred in equity as qualifying net investment hedges or where certain intra-group loans are determined to be quasi-equity (normally not expected to be repaid).

(c) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates; and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments or deemed to be quasi-equity, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at period end exchange rates.

Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Sensitivities to the estimates and assumptions are provided, where relevant, in the relevant notes to the accounts.

(a) Estimated impairment of goodwill (Note B4)
The group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note B4. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions consistent with the most up-to-date budgets and plans that have been formally approved by management.

(b) Valuation of acquired intangible assets (Note B1)
Acquisitions may result in customer relationships, brands, patents and reacquired franchise rights being recognised. These are valued using the excess earnings and relief from royalty methods. In applying these methodologies certain key judgements and estimates are required to be made in respect of future cash flows.

(c) Income taxes and deferred tax asset (Notes A13 and A14)
The group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor the taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted (or substantively enacted) by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

(d) Provision for vacant property and environmental restoration (Note A6)
Significant judgement is required in determining the worldwide provision for vacant property and environmental restoration. Vacant property and environmental restoration tend to be long-term in nature and the required use of an appropriate market discount rate and forecast future utilisation based upon management's best estimate determines the level of provision required at the balance sheet date.

The phasing and actual cash spend may be different from the original forecast utilisation spend.

(e) Retirement benefits (Note A9)
Defined benefit schemes are reappraised annually by independent actuaries based upon actuarial assumptions. Significant judgement is required in determining these actuarial assumptions. Refer to Note A9 for the principal assumptions used for the Rentokil Initial Pension Scheme in the UK.

Standards, amendments and interpretations to published standards that are not yet effective

The group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014:

- Investment entities – amendments to IFRS 10, IFRS 12 and IAS 27
- Joint arrangements – amendments to IFRS 11
- Offsetting financial assets and financial liabilities – amendments to IAS 32
- Recoverable amount disclosures for non-financial assets – amendments to IAS 36
- Continuing hedge accounting after derivative novations – amendments to IAS 39

The nature and the effect of the material changes as a result of the adoption of the new standards are further explained below.

As a result of IFRS 10 (2011), the group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that focuses on whether the group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provisions of IFRS 10, the group reassessed the control conclusion for its investees at 1 January 2014. No modifications of previous conclusions about control regarding the group's investees were required.

As a result of IFRS 11, the group has changed its accounting policy for its interests in joint arrangements. Under IFRS 11, the group has classified its interests in joint arrangements as either joint operations (if the group has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the group has rights only to the net assets of an arrangement). When making this assessment, the group considered the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

No modifications of previous conclusions about joint arrangements were required.

Notes to the Accounts – continued

The following tables summarise the material impacts resulting from the representation of Initial Facilities as discontinued operations on the group's income statement, and earnings per share.

Consolidated income statement

For the year ended 31 December 2013	As previously reported £m	Adjustment for discontinued operations £m	As restated £m
Revenue	2,327.1	(535.7)	1,791.4
Operating expenses	(2,155.8)	524.9	(1,630.9)
Operating profit	171.3	(10.8)	160.5
Analysed as:			
Operating profit before amortisation and impairment of intangible assets[1], restructuring costs and one-off items	261.9	(25.8)	236.1
Restructuring costs	(51.7)	4.3	(47.4)
One-off items – operating	(12.0)	7.4	(4.6)
Amortisation and impairment of intangible assets[1]	(26.9)	3.3	(23.6)
Operating profit	171.3	(10.8)	160.5
Interest payable and similar charges	(70.9)	0.4	(70.5)
Interest receivable	10.9	–	10.9
Net interest credit from pensions	5.5	–	5.5
One-off items – financing	1.5	–	1.5
Share of profit from associates, net of tax	4.3	–	4.3
Profit before income tax	122.6	(10.4)	112.2
Income tax expense	(31.4)	2.5	(28.9)
Profit for the year from continuing operations	91.2	(7.9)	83.3
Discontinued operations:			
Loss for the year from discontinued operations	(52.5)	7.9	(44.6)
Profit for the year (including discontinued operations)	38.7	–	38.7

1 excluding computer software

Earnings per share

For the year ended 31 December 2013	As previously reported £m	Adjustment for discontinued operations £m	As restated £m
Profit from continuing operations attributable to equity holders of the Company	90.0	(7.9)	82.1
Restructuring costs and one-off items, amortisation and impairment of intangibles[1] before tax and net interest credit from pensions	83.6	(15.0)	68.6
Tax on restructuring costs and one-off items, amortisation and impairment of intangibles[1] and net interest credit from pensions	(20.5)	3.5	(17.0)
Adjusted profit from continuing operations attributable to equity holders of the Company	153.1	(19.4)	133.7
Profit/(loss) from discontinued operations attributable to equity holders of the Company	(52.5)	7.9	(44.6)
Weighted average number of ordinary shares in issue	1,817.1	–	1,817.1
Adjustment for share options and LTIPs	6.0	–	6.0
Weighted average number of ordinary shares for diluted earnings per share	1,823.1	–	1,823.1
Basic earnings per share			
Continuing operations	4.95p	(0.43p)	4.52p
Discontinued operations	(2.89p)	0.44p	(2.45p)
Continuing and discontinued operations	2.06p	–	2.06p
Diluted earnings per share			
Continuing operations	4.94p	(0.44p)	4.50p
Discontinued operations	(2.89p)	0.44p	(2.45p)
Continuing and discontinued operations	2.06p	–	2.06p
Basic adjusted earnings per share[2]	8.42p	(1.06p)	7.36p
Diluted adjusted earnings per share[2]	8.40p	(1.07p)	7.33p

1 excluding computer software
2 earnings per share before the after-tax effects of amortisation and impairment of intangibles (excluding computer software), restructuring costs, one-off items and net interest credit from pensions

Notes to the Accounts – continued

A. Operating

A1. Segment information

Revenue recognition

Revenue comprises the fair value of consideration received from the customer for the rendering of services, net of value-added tax (VAT) and other similar sales-based taxes, rebates and discounts and after eliminating sales within the group. For non-contract-based business, revenue represents the value of goods delivered or services performed. For contract-based business, revenue represents the sales value of work carried out for customers during the period. Contract income is recognised in accounting periods on a straight-line basis over the life of the contract. For long-term contracts involving the installation of equipment, revenue is recognised using the percentage completion method and represents the sales value of work executed during the period.

Segment reporting

Segmental information has been presented in accordance with IFRS 8, Operating Segments, which the group has implemented with effect from 1 January 2009. This statement reflects internal organisation changes made in 2014. In 2013 our core businesses were run on a day-to-day basis by one manager per country, each responsible for the core activities in his/her region, and the countries were grouped into three geographic regions: East, West and Asia. In 2014 the East and West regions ceased to exist and have been replaced by regional clusters. Prior-year comparisons have been restated.

Reporting segments reflect the internal management organisation and reporting structures. Each segment is headed by a Regional Managing Director who reports directly to the Chief Executive and is a member of the Company Executive Board responsible for the review of group performance. Operating businesses within each segment report to Segment Regional Managing Directors.

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

Revenue and operating profit relate to the following main groups of business category and activity, as described on page 3: pest control, hygiene and workwear. 'Other' represents a number of small businesses outside of the main categories, the largest being the plants business. Central and divisional overheads represent corporate expenses that are not directly attributable to any reportable segment. A reconciliation of segmental revenue and operating profit to business category and activity is shown in the Business Overview on page 18.

Revenue and profit from continuing operations

	Revenue 2014 £m	Restated Revenue 2013 £m	**Operating profit/(loss) 2014 £m**	Restated Operating profit/(loss) 2013 £m
France	**370.8**	369.8	**66.6**	64.2
Benelux	**236.2**	247.8	**39.7**	51.2
Germany	**206.9**	202.8	**47.7**	46.3
Other Europe	**87.9**	74.9	**13.8**	12.6
Europe	**901.8**	895.3	**167.8**	174.3
UK & Ireland	**196.7**	184.3	**37.6**	38.2
Rest of World	**125.1**	121.1	**29.1**	29.2
UK & Rest of World	**321.8**	305.4	**66.7**	67.4
Asia	**105.8**	103.7	**9.1**	7.7
North America	**366.9**	344.3	**42.9**	37.1
Pacific	**144.0**	142.7	**28.7**	27.1
Central and divisional costs	**–**	–	**(66.1)**	(77.5)
Total segmental at constant exchange rates	**1,840.3**	1,791.4	**249.1**	236.1
Foreign exchange	**(99.5)**	–	**(16.9)**	–
At actual exchange rates	**1,740.8**	1,791.4	**232.2**	236.1
Restructuring costs	**–**	–	**(8.8)**	(47.4)
One-off items – operating	**–**	–	**(0.1)**	(4.6)
Amortisation of intangible assets[1]	**–**	–	**(21.2)**	(20.2)
Impairment of goodwill	**–**	–	**–**	(3.4)
Operating profit at actual exchange rates	**–**	–	**202.1**	160.5
Interest payable and similar charges	**–**	–	**(56.2)**	(70.5)
Interest receivable	**–**	–	**10.9**	10.9
Net interest credit from pensions	**–**	–	**2.5**	5.5
One-off items – financing	**–**	–	**–**	1.5
Share of profit from associates (net of tax) – Asia	**–**	–	**3.9**	4.3
Profit before income tax and discontinued operations	**–**	–	**163.2**	**112.2**

1 excluding computer software

Revenue from external customers attributed to the UK amounted to £180.2m (2013: £168.5m), with overseas countries accounting for the balance of £1,560.6m (2013: £1,622.9m). The only other countries accounting for more than 10% of revenue from external customers are France, totalling £352.4m (2013: £369.8m), and USA, totalling £333.8m (2013: £329.3m). No major customer accounts for more than 10% of total revenue.

Other segment items included in the consolidated income statement are as follows:

	Amortisation and impairment of intangibles[1]	
	2014 £m	2013 £m
Europe	**5.7**	4.1
UK & Rest of World	**2.8**	3.3
Asia	**1.0**	4.5
North America	**10.0**	10.4
Pacific	**0.2**	0.3
Central and divisional	**1.5**	1.0
Total	**21.2**	23.6
Tax effect	**(6.8)**	(6.5)
After tax effect	**14.4**	17.1

1 excluding computer software

Analysis of revenue by category

	Total 2014 £m	Total 2013 £m
Contract service revenue	**1,397.9**	1,453.3
Non-contract service revenue	**230.9**	224.1
Sales of goods	**112.0**	114.0
	1,740.8	1,791.4

Notes to the Accounts – continued

	Restructuring costs 2014 £m	One-off items 2014 £m	Restructuring costs 2013 £m	One-off items 2013 £m
Europe				
Restructuring costs – France	**2.4**	**–**	9.9	–
Restructuring costs – Benelux	**0.8**	**–**	7.1	–
Restructuring costs – Germany	**–**	**–**	4.9	–
Restructuring costs – Other Europe	**0.8**	**–**	1.9	–
Gain on sale – Spain Medical	**–**	**(2.4)**	–	–
One-off items – Europe	**–**	**1.4**	–	1.1
Total – Europe	**4.0**	**(1.0)**	23.8	1.1
UK & Rest of World				
Restructuring costs – UK & Ireland	**0.8**	**–**	5.7	–
Restructuring costs – Rest of World	**–**	**–**	1.7	–
One-off items – UK	**–**	**(0.2)**	–	–
One-off items – Rest of World	**–**	**1.1**	–	–
Total – UK & Rest of World	**0.8**	**0.9**	7.4	–
Asia				
Restructuring costs – Asia	**0.2**	**–**	0.4	–
One-off items – Asia	**–**	**0.2**	–	–
Loss on disposal – South Korea	**–**	**–**	–	0.2
Total – Asia	**0.2**	**0.2**	0.4	0.2
North America				
Restructuring costs – US	**1.5**	**–**	–	–
One-off items – US	**–**	**0.2**	–	2.5
Release of unpaid contingent consideration	**–**	**(0.4)**	–	(0.4)
Total – North America	**1.5**	**(0.2)**	–	2.1
Pacific				
Restructuring costs – Australia	**1.1**	**–**	2.3	–
Restructuring costs – New Zealand	**0.2**	**–**	–	–
One-off items – Australia/New Zealand	**–**	**0.1**	–	–
Total – Pacific	**1.3**	**0.1**	2.3	–
Central and divisional overheads				
Restructuring costs – Central and divisional overheads	**1.0**	**–**	13.5	–
One-off items	**–**	**0.8**	–	–
Impairment of computer software	**–**	**2.3**	–	–
Gain on sale of investment properties	**–**	**(2.4)**		
Vacant property provisions	**–**	**(0.6)**	–	1.2
Total – Central and divisional overheads	**1.0**	**0.1**	13.5	1.2
Total	**8.8**	**0.1**	47.4	4.6
Tax effect	**(1.7)**	**0.3**	(11.9)	(0.2)
Total after tax effect	**7.1**	**0.4**	35.5	4.4

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A2. 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 year, excluding those held in the Rentokil Initial Employee Share Trust for UK employees (see note at the bottom of the consolidated statement of changes in equity) which are treated as cancelled, and including share options for which all conditions have been met.

	2014 £m	Restated 2013 £m
Profit from continuing operations attributable to equity holders of the Company	**126.4**	82.1
Profit/(loss) from discontinued operations attributable to equity holders of the Company	**135.4**	(44.6)
Weighted average number of ordinary shares in issue	**1,817.1**	1,817.1
Basic earnings per share from continuing operations	**6.96p**	4.52p
Basic earnings per share from discontinued operations	**7.45p**	(2.45p)
Basic earnings per share from continuing and discontinued operations	**14.41p**	2.06p

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.

	2014 £m	Restated 2013 £m
Profit from continuing operations attributable to equity holders of the Company	**126.4**	82.1
Profit/(loss) from discontinued operations attributable to equity holders of the Company	**135.4**	(44.6)
Weighted average number of ordinary shares in issue	**1,817.1**	1,817.1
Adjustment for share options and LTIPs	**2.5**	6.0
Weighted average number of ordinary shares for diluted earnings per share	**1,819.6**	1,823.1
Diluted earnings per share from continuing operations	**6.95p**	4.50p
Diluted earnings per share from discontinued operations	**7.44p**	(2.45p)
Diluted earnings per share from continuing and discontinued operations	**14.39p**	2.06p

Basic adjusted

Adjusted earnings per share is the basic earnings per share adjusted for the after-tax effects of restructuring costs and one-off items, amortisation and impairment of intangibles[1], and net interest credit from pensions. Prior year comparatives have been restated to adjust for discontinued operations – please see General Accounting Policies section for further details.

	2014 £m	Restated 2013 £m
Profit from continuing operations attributable to equity holders of the Company	**126.4**	82.1
Restructuring costs and one-off items, amortisation and impairment of intangibles[1] before tax, and net interest credit from pensions	**27.6**	68.6
Tax on restructuring costs and one-off items, amortisation and impairment of intangibles,[1] and net interest credit from pensions[2]	**(7.7)**	(17.0)
Adjusted profit from continuing operations attributable to equity holders of the Company	**146.3**	133.7
Weighted average number of ordinary shares in issue	**1,817.1**	1,817.1
Adjusted earnings per share from continuing operations	**8.05p**	7.36p

1 excluding computer software
2 includes tax on restructuring costs and one-off items – operating of £1.4m (2013: £12.1m) (Note A1), one-off items – financing of £nil (2013: £(0.3)m), amortisation and impairment of intangibles of £6.8m (2013: £6.5m) and net interest credit from pensions £(0.5)m (2013: £(1.3)m)

Notes to the Accounts – continued

Diluted adjusted

	2014 £m	Restated 2013 £m
Adjusted profit from continuing operations attributable to equity holders of the Company	**146.3**	133.7
Weighted average number of ordinary shares in issue	**1,817.1**	1,817.1
Adjustment for share options and LTIPs	**2.5**	6.0
Weighted average number of ordinary shares for diluted earnings per share	**1,819.6**	1,823.1
Diluted adjusted earnings per share from continuing operations	**8.04p**	7.33p

A3. Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognised in the income statement.

Book value approximates fair value because of the short-term nature of the receivables and the low interest environment in which they are held.

There is limited concentration of credit risk with respect to trade receivables due to the group's customer base being large and diverse. The maximum amount of credit risk with respect to customers is represented by the carrying amount on the balance sheet. Customer credit facilities for new customers are approved by designated managers at business level. Credit limits are set with reference to trading history and reports from credit rating agencies. Overdue accounts are regularly reviewed and impairment provisions are created where necessary with due regard to the historical risk profile of the customer. There were no new customers in 2014 where the group considered there was a risk of significant credit default. There are no trade receivables that would otherwise be past due or impaired whose terms have been renegotiated.

	2014 £m	2013 £m
Trade receivables	**280.2**	358.0
Less: provision for impairment of receivables	**(16.1)**	(19.8)
Trade receivables – net	**264.1**	338.2
Other receivables	**36.4**	32.7
Prepayments	**25.5**	54.7
Total	**326.0**	425.6
Less non-current portion:		
Other receivables	**11.5**	8.2
Current portion	**314.5**	417.4

The creation and release of provisions for impaired receivables have been included within operating expenses in the income statement. Amounts charged to the allowance for doubtful debts are generally written off when there is no expectation of recovering additional cash.

During the year the group entered into a non-recourse factoring arrangement in France. Under the terms of the facility the group sells invoices for services performed and receives payment early. At year end the value of debtors sold under the facility was £15.4m (2013: £nil).

On 24 December 2014 the City Link business, which was sold by the group to Better Capital LLP in 2013, was placed into administration. Under the terms of the sale of the City Link business, the group has the benefit of a first ranking fixed charge over the first £5.0m of City Link's receivables. This fixed charge can be used to reimburse the group against expenditure incurred under guarantees against certain leasehold properties previously occupied by City Link. A provision has been recognised in the year for these liabilities (Note A6).

Analysis of the group's provision for impairment of trade receivables is as follows:

	2014 £m	2013 £m
At 1 January	**19.8**	21.2
Acquisition of companies and businesses	**0.6**	1.1
Disposal of companies and businesses	**(2.8)**	(1.0)
Additional provision	**6.9**	7.3
Receivables written off as uncollectable	**(5.2)**	(5.3)
Unused amounts reversed	**(2.5)**	(3.4)
Exchange differences	**(0.7)**	(0.1)
At 31 December	**16.1**	19.8

The ageing of trade receivables is as follows:

	2014 £m	2013 £m
Neither impaired nor past due	**103.7**	159.6
Not impaired but overdue by less than 1 month	**94.2**	85.8
Not impaired but overdue by between 1 and 3 months	**43.4**	63.8
Not impaired but overdue by between 3 and 6 months	**9.3**	15.6
Not impaired but overdue by between 6 and 12 months	**7.2**	6.9
Not impaired but overdue by more than 12 months	**2.2**	4.3
Impaired	**20.2**	22.0
Allowance for doubtful debts	**(16.1)**	(19.8)
	264.1	338.2

The carrying amounts of the group's trade receivables are denominated in the following currencies:

	2014 £m	2013 £m
Pounds sterling	**38.6**	91.2
Euro	**143.9**	179.8
US dollar	**37.0**	32.1
Other currencies	**60.7**	54.9
	280.2	358.0

A4. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price less applicable variable selling expenses.

	2014 £m	2013 £m
Raw materials	**8.7**	12.4
Work in progress	**1.5**	2.4
Finished goods	**48.7**	49.0
	58.9	63.8

There were no material inventory impairment charges in 2014 and 2013.

Notes to the Accounts – continued

A5. Trade and other payables

	2014 £m	2013 £m
Trade payables	**96.5**	136.7
Social security and other taxes	**59.4**	76.3
Other payables	**32.5**	57.8
Accruals and deferred income	**191.2**	224.0
Deferred and contingent consideration on acquisitions	**15.3**	11.0
Total	**394.9**	505.8
Less non-current portion:		
Other payables	**12.6**	12.0
Deferred and contingent consideration on acquisitions	**0.3**	1.0
Total non-current portion	**12.9**	13.0
Current portion	**382.0**	492.8

A6. Provisions for other liabilities and charges

Vacant property, environmental, self-insurance and other provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and if the amount is capable of being reliably estimated. If such an obligation is not capable of being reliably estimated, it is classified as a contingent liability.

When the effect of the time value of money is material provision amounts are calculated on the present value of the expenditure expected to be required to settle the obligation. The present value is calculated using forward market interest rates, as measured at the balance sheet reporting date, which have been adjusted for risks already reflected in future cash flow estimates.

	Vacant properties £m	Environmental £m	Self-insurance £m	Other £m	Total £m
At 1 January 2013	46.3	17.4	18.9	15.8	98.4
Exchange differences	–	0.2	(0.2)	0.2	0.2
Additional provisions	14.0	1.0	7.0	25.5	47.5
Disposal of companies and businesses	–	–	–	(1.2)	(1.2)
Unused amounts reversed	(7.3)	(1.5)	(2.1)	(1.4)	(12.3)
Unwinding of discount on provisions	0.5	0.2	–	–	0.7
Used during the year	(9.9)	(1.2)	(3.6)	(25.7)	(40.4)
At 31 December 2013	43.6	16.1	20.0	13.2	92.9
At 1 January 2014	**43.6**	**16.1**	**20.0**	**13.2**	**92.9**
Exchange differences	**–**	**(0.5)**	**0.8**	**(0.4)**	**(0.1)**
Additional provisions	**9.0**	**0.6**	**6.2**	**11.7**	**27.5**
Acquisition of companies and businesses	**–**	**–**	**–**	**0.6**	**0.6**
Unused amounts reversed	**(5.0)**	**–**	**(1.7)**	**(2.2)**	**(8.9)**
Unwinding of discount on provisions	**0.9**	**0.2**	**–**	**–**	**1.1**
Used during the year	**(9.8)**	**(1.2)**	**(5.3)**	**(12.5)**	**(28.8)**
At 31 December 2014	**38.7**	**15.2**	**20.0**	**10.4**	**84.3**

Provisions analysed as follows:

	2014 £m	2013 £m
Non-current portion	**59.8**	62.9
Current portion	**24.5**	30.0
	84.3	92.9

Vacant properties

The group has a number of vacant and 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.

The total future minimum sub-lease payments expected to be received under non-cancellable sub-leases at 31 December 2014 is £4.0m (2013: £4.9m).

On 24 December 2014 the City Link business, which was sold by the group to Better Capital LLP in 2013, was placed into administration. Under the terms of the sale of the City Link business, the group retained certain guarantees against five leasehold properties occupied by City Link. The estimated cost of settling this obligation is £5.0m and a provision has been made for this amount. The group also has the benefit of a first ranking fixed charge over the first £5.0m of City Link's receivables. This asset has been recognised in other receivables (Note A3).

Environmental

The group owns a number of properties in the UK, Europe and the US 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. Historically the group self-insured its risks. During the latter part of 2008, other than for third party motor liability (UK & US), workers compensation (US) and the global property damage/business interruption, this practice was stopped and these became fully covered in the insurance market. Provision is still held for self-insured past cover, primarily in relation to workers compensation (US). 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 is based on an actuarial assessment of claims incurred at the balance sheet date and is accumulated as claims provisions.

Other

Other provisions principally comprise amounts required to cover obligations arising, warranties given 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.

The above provisions have been discounted where appropriate using discount rates of between 0.7% and 1.3% (2013: 2.4%) for the UK, 0.6% (2013: 1.9%) for Europe and 2.2% (2013: 2.6%) for the US.

A7. Operating expenses by nature

Operating expenses from continuing operations include the following items:

	2014 £m	Restated 2013 £m
Employee costs (Note A8)	**786.8**	805.3
Subcontract labour costs	**59.6**	43.7
Depreciation – owned assets	**151.2**	165.0
– under finance leases	**24.5**	23.3
Amortisation – intangible assets[1]	**21.2**	23.5
– computer software	**10.7**	11.8
Impairment – intangible assets[1]	**–**	3.4
– computer software	**2.3**	5.2
Impairment of investment properties	**–**	3.5
Cost of inventories expensed	**94.7**	87.3
Loss on disposal of property, plant and equipment	**0.6**	2.0
Loss on disposal/retirement of intangible assets	**0.8**	1.9
Audit and non-audit services (Note A11)	**2.8**	3.3
Hire of machinery and equipment	**2.1**	2.7
Other operating lease rentals	**41.2**	44.6
Net foreign exchange losses	**–**	0.1
Research and development costs (external)	**1.6**	1.8
Restructuring costs (Note A1)	**8.8**	47.4
One-off items – operating (Note A1)	**0.1**	4.6
Other operating expenses	**329.7**	350.5
Total operating expenses	**1,538.7**	1,630.9

1 excluding computer software

Notes to the Accounts – continued

A8. Employee benefit expense

Profit-sharing and bonus plans

The group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the probability of certain performance criteria being achieved. A provision is recognised where a contractual obligation exists or where past practice indicates that there is a constructive obligation to make such payments in the future.

Holiday pay

Paid holidays are regarded as an employee benefit and as such are charged to the income statement as the benefits are earned. An accrual is made at the balance sheet date to reflect the fair value of holidays earned but not yet taken.

Termination benefits

Termination benefits are payable when an employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value where the effect of discounting is material.

	Total 2014 £m	Restated Total 2013 £m
Wages and salaries	**648.8**	664.8
Social security costs	**117.5**	120.2
Share-based payments	**1.1**	2.0
Pension costs:		
– defined contribution plans	**19.0**	16.9
– defined benefit plans	**0.4**	1.4
	786.8	805.3

Average number of people employed by the group during the year:

	2014 Number	Restated 2013 Number
Processing and service delivery	**20,760**	19,843
Sales and marketing	**3,299**	3,243
Administration and overheads	**4,002**	3,907
	28,061	26,993

Emoluments of the Directors of Rentokil Initial plc are detailed below. Further details are also given in the Directors' Remuneration Report on pages 60 to 78.

	Highest paid Director 2014 £000	Other Directors 2014 £000	Highest paid Director 2013 £000	Other Directors 2013 £000
Aggregate emoluments excluding share options	**896.5**	**1,008.3**	994.4	2,226.7
Aggregate value of Company contributions to defined contribution pension schemes	**175.0**	**67.5**	–	49.0
	1,071.5	**1,075.8**	994.4	2,275.7

	2014 Number	2013 Number
Number of Directors accruing retirement benefits		
– defined contribution schemes	**2**	3
– defined benefit schemes	**–**	–
Number of Directors exercising share options	**2**	–
Number of Directors receiving shares as part of long-term incentive schemes	**–**	–

A9. Retirement benefit obligations

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

The principal pension scheme in the group is the Rentokil Initial Pension Scheme (RIPS) in the UK which has a number of defined benefit sections, which are now closed to new entrants, and a defined contribution section. The defined benefit scheme is funded through payments to a trustee-administered fund, determined by periodic actuarial calculations.

A number of much smaller defined benefit and defined contribution schemes operate elsewhere which are also funded through payments to trustee-administered funds or insurance companies.

Defined benefit pension plans

A defined benefit pension plan is a plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset or liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. The group will recognise a pension surplus as an asset where there is an unconditional right to a refund or where the group has a right to reduce future pension contributions.

Current and past service costs, to the extent they have vested, and curtailments are recognised as charges or credits against operating profit in the income statement. Interest costs on the net defined benefit/obligation are recognised in finance costs. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the consolidated statement of comprehensive income.

Defined contribution pension plans

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity.

The group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-employment obligations

Some group companies provide post-employment healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to the consolidated statement of comprehensive income.

Rentokil Initial Pension Scheme (RIPS)

The assets of the RIPS are legally separated from the group. The Trustee of the pension fund is Rentokil Initial Pension Trustee Limited. The board comprises six company nominated directors and three member nominated directors. The Trustee is required by law to act in the best interests of the plan participants and is responsible for setting certain policies (e.g. investment, contribution and indexation policies) of the scheme.

Actuarial valuations of the UK scheme are usually carried out every three years. At 31 December 2014 RIPS was valued at an accounting surplus of £192.2m on the group's balance sheet. The Trustee values the scheme on a different basis and in the valuation at 31 March 2013 a deficit of £17.8m was agreed. It is expected that this deficit will be made good by excess returns above the discount rate over the period to 31 January 2019, however the group will make contributions of £3.2m each year into escrow over this period, subject to a review as part of the actuarial valuation as at 31 March 2016. In the event that the deficit is not cleared by the time of the 31 March 2019 valuation it will be funded from the escrow account.

The group has recognised the pension surplus as an asset because the group has an unconditional right to a refund of the surplus at the end of the Scheme's life.

The group has put in place a guarantee in favour of the Trustee of the RIPS which provides that the group will make payments to the Scheme up to a maximum amount equal to the lowest non-negative amount which, when added to the assets of the Scheme, would result in the Scheme being at least 105% funded on the date on which any liability arises, calculated on the basis set out in section 179 of the Pensions Act 2004. This amount will vary and is in any event capped at £219m, the amount assessed at 31 March 2009. The provision of the guarantee is reviewed on an annual basis.

Notes to the Accounts – continued

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

	2014	2013
Weighted average %		
Discount rate	**3.4%**	4.4%
Future salary increases	**N/A**	4.3%
Future pension increases	**3.2%**	3.4%
RPI inflation	**3.3%**	3.6%
CPI inflation	**2.2%**	2.6%

Risks

The scheme exposes the Company to a number of risks, the most significant of which are:

Asset volatility
The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The Scheme holds a significant proportion of growth assets (global equities and diversified growth funds) which, though expected to outperform corporate bonds in the long term, create volatility and risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long-term objectives.

Changes in bond yields
A decrease in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the Scheme's bond holdings.

Inflation risk
A significant proportion of the Scheme's benefit obligations are linked to inflation and higher inflation will give rise to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also reduce the surplus.

Life expectancy
The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

Profile of the Scheme

The defined benefit obligation includes benefits for current employees, former employees and current pensioners. Approximately 43% of the liabilities are attributable to current and former employees and 57% to current pensioners. The Scheme duration is an indicator of the weighted-average time until benefit payments are made. For the Scheme as a whole, the duration is around 16 years.

There have been no significant changes to the membership of the scheme over the year.

Mortality assumptions

The mortality assumptions are based on the recent actual mortality experience of scheme members, and allow for expected future improvements in mortality rates.

The mortality tables used are:

- 94% of the SAPS All base tables for male pensioners and male and female dependents;
- 106% of the SAPS All base tables for female pensioners;
- 104% of the SAPS All base tables for male non-pensioners; and
- 107% of the SAPS All base tables for female non-pensioners.

Further improvements are made in line with CMI_2013 Core Projections with a long-term rate of future improvement of 1.25% p.a.

Sensitivity of significant assumptions

		Impact on pension obligations (£m)	
	Sensitivity	Increase	Decrease
Discount rate	1.0%	183.1	(229.4)
Inflation	1.0%	(116.9)	105.8
Mortality	1 year	(56.9)	56.7

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Pension benefits

The amounts recognised in the balance sheet are determined as follows:

	UK RIPS 2014 £m	Other[1] 2014 £m	Total 2014 £m	UK RIPS 2013 £m	Other[1] 2013 £m	Total 2013 £m
Present value of funded obligations	**(1,318.9)**	**(33.3)**	**(1,352.2)**	(1,185.0)	(31.6)	(1,216.6)
Fair value of plan assets	**1,511.1**	**21.5**	**1,532.6**	1,255.6	21.7	1,277.3
	192.2	**(11.8)**	**180.4**	70.6	(9.9)	60.7
Present value of unfunded obligations	**–**	**(14.0)**	**(14.0)**	–	(13.7)	(13.7)
Asset/(liability) in the balance sheet	**192.2**	**(25.8)**	**166.4**	70.6	(23.6)	47.0
Presented on the balance sheet as:						
Retirement benefit assets	**192.2**	**–**	**192.2**	70.6	–	70.6
Retirement benefit obligations	**–**	**(25.8)**	**(25.8)**	–	(23.6)	(23.6)
	192.2	**(25.8)**	**166.4**	70.6	(23.6)	47.0

The amounts recognised in the income statement are as follows:

	UK RIPS 2014 £m	Other[1] 2014 £m	Total 2014 £m	UK RIPS 2013 £m	Other[1] 2013 £m	Total 2013 £m
Current service cost[2]	**0.6**	**0.8**	**1.4**	0.7	1.1	1.8
Past service cost[2]	**(0.6)**	**(0.3)**	**(0.9)**	–	(0.4)	(0.4)
Settlement cost	**(0.1)**	**–**	**(0.1)**	–	–	–
Administration expenses[2]	**1.7**	**–**	**1.7**	1.8	–	1.8
Total operating costs	**1.6**	**0.5**	**2.1**	2.5	0.7	3.2
Interest on net defined benefit (asset)/liability	**(3.1)**	**0.6**	**(2.5)**	(6.1)	0.6	(5.5)
Total pension (income)/cost	**(1.5)**	**1.1**	**(0.4)**	(3.6)	1.3	(2.3)

The movement in the fair value of pension plan assets recognised in the balance sheet is as follows:

	UK RIPS 2014 £m	Other[1] 2014 £m	Total 2014 £m	UK RIPS 2013 £m	Other[1] 2013 £m	Total 2013 £m
At 1 January	**1,255.6**	**21.7**	**1,277.3**	1,276.0	22.2	1,298.2
Exchange differences	**–**	**(1.6)**	**(1.6)**	–	–	–
Interest income on scheme assets	**54.1**	**0.3**	**54.4**	55.5	0.4	55.9
Remeasurement gain/(loss) on scheme assets	**252.6**	**0.3**	**252.9**	(35.6)	0.1	(35.5)
Contributions received from employees	**0.1**	**0.2**	**0.3**	0.1	0.1	0.2
Contributions received from employer	**0.8**	**1.2**	**2.0**	13.4	1.7	15.1
Benefits paid	**(52.1)**	**(0.6)**	**(52.7)**	(53.8)	(2.8)	(56.6)
At 31 December	**1,511.1**	**21.5**	**1,532.6**	1,255.6	21.7	1,277.3

Total contributions payable to defined benefit pension schemes in 2015 are expected to be £3.2m.

The fair value of plan assets at the balance sheet date is analysed as follows:

	UK RIPS 2014 £m	Other[1] 2014 £m	Total 2014 £m	UK RIPS 2013 £m	Other[1] 2013 £m	Total 2013 £m
Equity instruments	**352.2**	**2.1**	**354.3**	365.8	3.3	369.1
Debt instruments – quoted	**930.3**	**–**	**930.3**	608.0	–	608.0
Debt instruments – unquoted	**–**	**11.0**	**11.0**	0.1	4.4	4.5
Interest and inflation rate hedging instruments	**122.5**	**–**	**122.5**	141.2	–	141.2
Property	**–**	**0.4**	**0.4**	–	0.5	0.5
Other	**106.1**	**8.0**	**114.1**	140.5	13.5	154.0
Total plan assets	**1,511.1**	**21.5**	**1,532.6**	1,255.6	21.7	1,277.3

1 other retirement benefit plans are predominantly made up of defined benefit plans situated in Australia, Belgium, France, Germany, Ireland and Norway
2 service costs, settlement and administration expenses are charged to operating expenses, and interest cost and return on plan assets to net interest credit from pensions

Notes to the Accounts – continued

Where available, the bid value of assets has been used. In other cases the market value as provided by the investment managers has been used.

The Scheme's liability hedge is made up of interest rate and inflation swaps, corporate bonds, fixed gilts and LPI swaps. The overall objective of the hedge is to match 85% of the interest rate and inflation sensitivity of the Scheme's liabilities (c.100% of assets).

The current portfolio's return seeking assets consist of equities (9%) and diversified growth funds (14%). Diversified growth funds invest in a range of asset classes including developed equities, emerging market equities, hedge funds, infrastructure, commodities, private equity, property, high yield credit, emerging market debt, investment grade credit, reinsurance and leveraged loans.

Matching assets consist of 48% gilts, 14% credit and 15% cash & swaps.

The actual holdings in return seeking assets are currently higher than the target portfolio. This is monitored on a regular basis, and there are no plans to rebalance at present.

The movement in the present value of the defined benefit obligation recognised in the balance sheet is as follows:

	UK RIPS 2014 £m	Other 2014 £m	Total 2014 £m	UK RIPS 2013 £m	Other 2013 £m	Total 2013 £m
At 1 January	1,185.0	45.3	1,230.3	1,149.9	46.5	1,196.4
Exchange differences	–	(3.1)	(3.1)	–	(0.3)	(0.3)
Interest expense	51.0	0.9	51.9	49.4	1.6	51.0
Current and past service costs	–	0.5	0.5	0.7	0.7	1.4
Actuarial loss during the year[1]	134.9	3.7	138.6	38.7	1.4	40.1
Pensions transferred on disposal of business	–	–	–	–	(0.7)	(0.7)
Other transfers	–	0.9	0.9	–	–	–
Contributions received from employees	0.1	–	0.1	0.1	0.1	0.2
Contributions received from employers	–	0.9	0.9	–	–	–
Benefits paid	(52.1)	(1.8)	(53.9)	(53.8)	(4.0)	(57.8)
At 31 December	1,318.9	47.3	1,366.2	1,185.0	45.3	1,230.3

1 the actuarial movement on the UK RIPS scheme comprises actuarial gain arising from changes in demographic assumptions of £4.9m (2013: £23.5m loss), actuarial losses arising from changes in financial assumptions of £152.9m (2013: £23.2m), actuarial gains arising from experience of £10.4m (2013: £8.0m gain) and settlement of £2.7m (2013: £nil)

The history for the current and prior periods is as follows:

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Present value of defined benefit plan liabilities	(1,366.2)	(1,230.3)	(1,196.4)	(1,149.0)	(1,082.1)
Fair value of plan assets	1,532.6	1,277.3	1,298.2	1,274.4	1,070.2
Net surplus/(deficit)	166.4	47.0	101.8	125.4	(11.9)
Experience adjustments on plan liabilities	(10.4)	(8.0)	16.1	(5.3)	2.8
Experience adjustments on plan assets	(252.9)	35.5	(1.3)	191.7	56.9

The cumulative actuarial loss recognised in the consolidated statement of comprehensive income was £85.4m (2013: £199.7m).

An actuarial gain of £114.3m (2013: £75.6m loss) was recognised during the year.

A10. Share-based payments

Share-based compensation

The group operates a number of equity-settled, share-based compensation plans. The economic cost of awarding shares and share options to employees is recognised as an expense in the income statement equivalent to the fair value of the benefit awarded. The fair value is determined by reference to option pricing models, principally Monte Carlo and adjusted Black-Scholes models. The charge is recognised in the income statement over the vesting period of the award. At each balance sheet date, the group revises its estimate of the number of options that are expected to become exercisable. Any revision to the original estimates is reflected in the income statement with a corresponding adjustment to equity immediately to the extent it relates to past service and the remainder over the rest of the vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The Company has share option schemes for approximately 300 senior executives worldwide. The exercise price for share options is the mid-market closing price on the day immediately preceding the date of grant. Share options are equity-settled. The total net charge for the year relating to equity-settled share-based payment plans was £1.1m (2013: £2.0m).

Executive Share Option schemes

No awards have been made under the Executive Share Option schemes since 2004. The last Executive Share Options granted under the Discretionary Approved and Discretionary Schemes (the 'Discretionary Schemes') was in August 2004, which lapsed on the tenth year anniversary of grant on 31 August 2014. No further grants of share options will be made under the Discretionary Schemes in the future.

Executive share options were calculated by reference to base salaries and management grade in the Company. There were two levels of qualification under these Discretionary Schemes. Level 1 applied to senior executives (including Executive Directors). All Level 1 awards have lapsed. Level 2 awards applied to Executive Directors and Sector Managing Directors. The Level 2 exercise condition was by reference to total shareholder return (TSR), i.e. the appreciation of the share price (including reinvested dividends) versus the performance of the FTSE 100 Index and a defined comparator group of support services companies, over three consecutive calendar years commencing in the year in which the option was granted. If the Company achieved a median performance in relation to the FTSE 100 Index, then 25% of the Level 2 share options would vest, rising pro rata to 50% if the Company achieved a performance in the upper quartile of the FTSE 100 and, in addition, if the Company achieved a median performance in the group of support services companies, then 25% of the Level 2 share options would vest, rising pro rata to 50% if the Company achieved a performance in the upper quartile in the comparator group of support services companies.

Movements in the number of executive share options outstanding and their related weighted average exercise prices are as follows:

	Weighted average exercise price p per share	Number of share options 000
Outstanding at 1 January 2013	171.863	2,158
Expired	199.36	905
Outstanding at 31 December 2013	152.00	1,253
Expired	152.00	1,253
Outstanding at 31 December 2014[1]	–	–

1 no options were exercised during the period. All remaining 1,252,635 executive share options outstanding lapsed on 31 August 2014, the tenth anniversary of the share options granted in 2004. There are no further options capable of vesting under the Discretionary Schemes

Notes to the Accounts – continued

Performance Share Plan

The Company introduced a new share-based Performance Plan in 2006 and granted 7,987,718 shares at various dates throughout 2014.

Year of grant	Vesting year	Scheme interest at 1 January 2014	Shares awarded during 2014	Shares vested during 2014	Shares lapsed during 2014	Outstanding at 31 December 2014	Shares exercisable at 1 January 2014	Shares exercised during 2014	Shares exercisable at 31 December 2014
2008	2011	–	–	–	–	184,181	248,059	63,878	184,181
2011	2014	11,704,221	–	–	11,704,221	–	–	–	–
2012	2015	13,296,489	–	–	2,587,934	10,708,555	–	–	–
2013	2016	12,815,868	–	–	4,397,685	8,418,183	–	–	–
2014	2017	–	7,987,718	–	1,108,635	6,879,083	–	–	–

The performance conditions for the 2008 awards were share price and the financial performance ('bonus multiplier') of the group, division or business, whichever is applicable to the award holder. The share price condition was based on the highest average share price of Rentokil Initial plc over any 60 consecutive dealing days during the initial three-year period. The performance period for the share price element of the award began on 1 April 2008 and ended 61 dealing days following the announcement of the Company's results for the financial year ended 31 December 2010. The annual bonus multiplier measured the extent to which the annual bonus targets had been achieved in respect of each financial year during the performance period. The 2008 awards in the above table reflect that during the first half of 2010 the Company's share price achieved a 60-day highest average price of 130.82p. Participants were entitled to the value of dividends that were paid during the vesting period on the number of shares that ultimately vested, in the form of additional shares transferred at the end of the vesting period.

The performance conditions for the 2011, 2012 and 2013 awards are total shareholder return (TSR) and the financial performance ('bonus multiplier') of the group, division or business, whichever is applicable to the award holder. For the 2011, 2012 and 2013 awards the bonus multiplier measures the extent to which the annual bonus targets have been achieved in respect of each financial year during the performance period. The 2011, 2012 and 2013 awards in the above table assume a TSR performance in the upper quartile or above is reached at the end of the vesting period and that participants achieve their target bonus in each of the three years over the vesting period. For the 2011, 2012 and 2013 awards no shares will vest if the share price does not reach median TSR performance at the end of the vesting period and 150% (200% for Executive Directors) will vest if the TSR performance is above the upper quartile and all participants attain maximum bonus targets. Participants are entitled to the value of dividends that are paid during the vesting period on the number of shares that ultimately vest, in the form of additional shares transferred at the end of the vesting period.

In 2014, following consultation with major shareholders, the Company introduced earnings per share (EPS) as an additional performance measure to TSR for approximately 100 participants at senior manager level, including Executive Directors, to further strengthen the link between performance and reward. The individual annual bonus multiplier was also retained for Executive Directors. The performance condition for the 2014 award for participants below the Board and Executive Leadership Team level is solely relative TSR performance. The TSR condition is measured relative to the TSR achieved by constituents of a comparator group, made up of the FTSE 350 companies at the date of grant but excluding financial services, primary resource and property sector companies. The performance period for the share price element of the 2014 award began on 31 March 2014, running to 30 March 2017. The TSR performance is measured using a three-month average with the start period average being 31 December 2013 to 30 March 2014 and the end period average being 31 December 2016 to 30 March 2017. For the 2014 award, no shares will vest if the share price does not reach median TSR performance at the end of the vesting period and 150% (200% for Executive Directors) will vest if the TSR performance is above the upper quartile and all participants attain maximum bonus targets. Participants are entitled to the value of dividends that are paid during the vesting period on the number of shares that ultimately vest, in the form of additional shares transferred at the end of the vesting period.

The fair value of the 2014 awards made under the 2006 Performance Share Plan is charged to the income statement over the vesting period based on values derived from a model developed by Deloitte LLP. This is a closed-form solution (similar to a Monte Carlo simulation) which takes account of the correlation between share price performance and the likelihood of a TSR performance condition being met. For the shares awarded on 31 March 2014, the significant inputs into the model were a share price of 123.4p (2013: 83.15p), an expected share price volatility of 26%, a share price correlation of the companies in the comparator group of 24% and an expected life commensurate with the performance/vesting period. The share price volatility assumption is based on analysis of historical daily share prices. As the awards are nil-cost (i.e. there is no exercise price), the assumed risk-free rate of return has minimal impact on the fair value of the awards. Similarly, as dividend equivalents are paid on the vesting portion of awards, the fair value of these awards is not reduced to reflect dividends paid during the vesting period.

The fair value of shares granted during 2014 was £7.2m.

2008 Share Incentive Plan

In 2008 the Company introduced a long-term incentive plan for the Chairman, Chief Executive and one other Executive Director and granted 22,500,000 shares during the year. No further awards will be made under this 2008 Share Incentive Plan in the future.

Year of grant	Vesting period	Scheme interest at 1 January 2014	Shares outstanding at 31 December 2014 and still subject to performance criteria	Shares exercisable at 1 January 2014	Shares exercised during 2014	Shares exercisable at 31 December 2014	Shares vested but not yet exercisable at 31 December 2014
2008	2011–2013	–	–	5,334,634	5,334,634	–	–

The performance condition for the award was share price and was only satisfied if the share price target was achieved over a sustained period, demonstrating realisable value creation for shareholders. This was measured on the basis of an average share price over any 60 consecutive trading days during the performance measurement period. Until a minimum share price of 120p per share was met over a sustained period, no shares were earned. At 120p per share, 20% of the award was earned, rising on a straight-line basis to full vesting at a share price of 180p per share. For achieving growth in market value between a share price of 180p per share and 280p per share further shares could be earned up to a maximum of a further 50% of the original award. The 2008 awards assumed an on target share price of 180p per share is reached at the end of the vesting period. Up to one-third of the award could vest at the end of the third year, another one-third at the end of the fourth year and a further one-third following at the end of the fifth year, based on the extent to which performance targets were achieved. The unvested portion of the award following the end of the fifth year lapsed in June 2013. Participants were entitled to the value of dividends that are paid during the vesting period on the number of shares that ultimately vested, in the form of additional shares transferred at the end of the vesting period. See the Directors' Remuneration Report on pages 60 to 78 for further details.

The fair value of the 2008 awards made under the Rentokil Initial 2008 Share Incentive Plan was charged to the income statement over the vesting period based on values derived from a bespoke Monte Carlo simulation model. The significant inputs into the model were a share price of 102.0p, an expected share price volatility of 21%, an expected dividend yield of 5% per annum and an expected life commensurate with the performance/vesting period. The share price volatility assumption is based on analysis of historical daily share prices measured until October 2007 (therefore excluding the significant volatility during the last months of 2007, which the Company would not expect going forward). As the awards were nil-cost (i.e. there is no exercise price), the assumed risk-free rate of return had minimal impact on the fair value of the awards.

During the first half of 2010 the Company's share price achieved a 60-day highest average price of 130.82p and therefore under the terms of the plan, 34.43% of the award vested with participants receiving one-third of the award in May 2013. Participants were entitled to a second one-third a year later and the balance in June 2014. Additional amounts could be earned based on share price appreciation beyond the 130.82p level during the remaining life of the scheme. The final one-third of 907,470 (including dividend equivalents) per participant were released on 14 June 2013 ('third vesting date'). The total vested shares (including dividend equivalents) for each participant was 2,667,318. The remaining shares lapsed in June 2013. Participants had 12 months from 14 June 2013 in which to call for their vested shares. All participants called for their vested shares during that 12 month period. See the Directors' Remuneration Report on page 76 for further details. All shares have now been exercised and no further shares will be awarded under this Share Incentive Plan.

A11. Audit and non-audit services

	2014 £m	2013 £m
Fees payable to the Company's auditor for the audit of the Parent Company and group accounts	**0.5**	0.5
Fees payable to the Company's auditor and its associates for other services:		
Audit of accounts of certain associates of the Company	**1.7**	2.0
Audit-related assurance services	**0.2**	0.3
Total audit and audit-related assurance services	**2.4**	2.8
Fees payable to the Company's auditor and its associates for other services:		
Taxation compliance services	**0.1**	0.1
Taxation advisory services	**0.2**	–
All other non-audit services	**0.1**	0.4
Total non-audit services	**0.4**	0.5
Total audit and non-audit services	**2.8**	3.3

The amounts included in the above table relate to fees payable to KPMG LLP and its associates.

Notes to the Accounts – continued

A12. Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The group leases properties, vehicles, plant and equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The lease expenditure charged to the income statement during the year is disclosed in Note A7.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2014 £m	Restated 2013 £m
Not later than one year	**40.2**	29.8
Later than one year and not later than five years	**81.2**	62.4
Later than five years	**15.7**	14.3
	137.1	106.5

A13. Income tax expense

The tax expense for the period comprises current and deferred tax.

Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

	2014 £m	Restated 2013 £m
Analysis of charge in the year		
UK corporation tax at 21.5% (2013: 23.25%)	**1.7**	1.9
Overseas taxation	**32.6**	28.8
Adjustment in respect of previous periods	**5.1**	3.6
Total current tax	**39.4**	34.3
Deferred tax credit	**(4.6)**	(8.0)
Deferred tax adjustment in respect of previous periods	**2.3**	2.6
Total deferred tax*	**(2.3)**	(5.4)
Total income tax expense	**37.1**	28.9
*The deferred tax credit comprises movements on the following major components of deferred tax assets and liabilities (Note A14):		
Accelerated tax depreciation	**(0.2)**	(1.0)
Deferred tax on retirement benefit obligations	**3.9**	5.7
Unremitted overseas profits	**0.5**	0.2
Customer lists and other intangibles amortisation and impairment	**(0.8)**	1.4
Tax losses	**(8.2)**	(12.2)
Share-based payments	**1.6**	0.4
Other temporary differences	**0.9**	0.1
Deferred tax credit	**(2.3)**	(5.4)
Tax on items charged to equity		
Deferred tax debit/(credit) in respect of items taken directly to reserves	**19.9**	(18.6)
Total tax debited/(credited) to equity	**19.9**	(18.6)

The tax on the group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2014 £m	Restated 2013 £m
Profit before income tax	**163.2**	112.2
Tax calculated at domestic tax rates applicable to profits in the respective countries	**41.6**	29.4
Adjustment in respect of previous periods	**7.4**	6.2
Deferred tax recognised on losses	**(8.7)**	(16.0)
Expenses not deductible for tax purposes – restructuring costs and one-off items	**1.4**	2.7
Expenses not deductible for tax purposes – interest payable	**2.5**	2.3
Expenses not deductible for tax purposes – other	**2.9**	2.2
Income not subject to tax	**(1.8)**	(1.5)
Utilisation of previously unrecognised tax losses	**(13.8)**	(2.7)
Deferred tax on unremitted overseas profits	**0.6**	0.2
Goodwill impairment	**–**	0.6
Overseas withholding tax suffered	**2.1**	2.3
Losses not relieved	**1.3**	2.1
Provisions utilised for which no deferred tax assets were recognised	**(0.5)**	(1.4)
Local business taxes	**2.1**	2.7
Other	**–**	(0.2)
Total tax expense	**37.1**	28.9

A deferred tax asset of £24.7m (2013: £16.0m) has been recognised in respect of UK tax losses carried forward as at 31 December 2014. This amount has been calculated by estimating the future UK taxable profits for 2015 to 2017, against which the UK tax losses will be utilised, and applying the tax rates (substantively enacted as at the balance sheet date) applicable for each year. Remaining UK tax losses of £199.1m have not been recognised as at 31 December 2014.

As a substantial proportion of profits are generated outside the UK, the standard rate of tax has been determined as the weighted average of the standard rates of tax in each of the different countries where profits are generated. The relevant rates were approximately 26% (2013: 27%).

The group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

Notes to the Accounts – continued

A14. Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor the taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted (or substantively enacted) by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

The movement on the deferred income tax account is as follows:

	2014 £m	2013 £m
At 1 January	**(53.5)**	(74.4)
Exchange differences	**3.8**	(1.4)
Acquisition of companies and businesses	**(7.9)**	(0.8)
Disposal of companies and businesses	**0.6**	(2.1)
Transfers to current taxation	**(0.2)**	0.1
Credited to the income statement	**2.3**	6.5
(Charged)/credited to equity	**(19.9)**	18.6
At 31 December	**(74.8)**	(53.5)
Deferred taxation has been presented on the balance sheet as follows:		
Deferred tax asset within non-current assets	**3.5**	9.2
Deferred tax liability within non-current liabilities	**(78.3)**	(62.7)
	(74.8)	(53.5)

The major components of deferred tax assets and liabilities at the year end (without taking into consideration the offsetting of balances within the same tax jurisdiction) are as follows:

	Customer lists/ intangibles £m	Accelerated tax depreciation £m	Retirement benefits £m	Unremitted earnings from subsidiaries £m	Tax losses £m	Share-based payments £m	Other £m	Total £m
At 31 December 2013	**18.7**	**57.7**	**4.7**	**5.0**	**(16.6)**	**(2.7)**	**(13.3)**	**53.5**
Recognised in income statement	**(0.8)**	**(0.2)**	**3.9**	**0.5**	**(8.2)**	**1.6**	**0.9**	**(2.3)**
Recognised directly in equity	**–**	**–**	**23.0**	**–**	**–**	**–**	**(3.1)**	**19.9**
Exchange differences recognised in other comprehensive income	**0.1**	**(3.9)**	**–**	**–**	**–**	**–**	**–**	**(3.8)**
Transferred to current taxation	**0.2**	**–**	**–**	**–**	**–**	**–**	**–**	**0.2**
Acquired in business combinations	**7.9**	**–**	**–**	**–**	**–**	**–**	**–**	**7.9**
Released on business disposal	**(1.9)**	**0.9**	**0.1**	**–**	**–**	**–**	**0.3**	**(0.6)**
At 31 December 2014	**24.2**	**54.5**	**31.7**	**5.5**	**(24.8)**	**(1.1)**	**(15.2)**	**74.8**

At the balance sheet date the group has tax losses of £279.4m (2013: £389.2m) on which no deferred tax asset is recognised. Of the losses, £12.4m will expire at various dates between 2015 and 2033. In addition, there are capital losses carried forward of £285.2m (2013: £288.1m) on which no deferred tax asset is recognised. Other deferred tax assets relating to gross temporary timing differences of £10.4m (2013: £9.8m) have not been recognised due to the uncertainty regarding their utilisation.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

B. Investing

B1. Business combinations

Under the requirements of IFRS 3, all business combinations are accounted for using the purchase method ('acquisition accounting'). The cost of a business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer. The cost of a business combination is allocated at the acquisition date by recognising the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria, at their fair values at that date. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree. An intangible asset is recognised if it meets the definition of an intangible asset in IAS 38, Intangible Assets. The intangible assets identified in all acquisitions made since 1 January 1998 are goodwill, customer lists and relationships, brands, and contract portfolios. Consideration in excess of net identifiable assets acquired in respect of non-controlling interests in existing subsidiary undertakings is taken directly to reserves. Deferred and contingent consideration are accounted for at fair value at the acquisition date with subsequent changes to the fair value of contingent consideration being recognised in the consolidated income statement.

Costs directly attributable to business combinations made after 1 January 2010 are charged to the income statement as incurred and presented as one-off items. Costs directly attributable to business combinations prior to this date were included as part of the purchase price of the business combination.

During the year the group purchased 100% of the share capital or the trade and assets of 30 smaller companies and businesses. The total consideration in respect of all acquisitions was £76.8m and the cash outflow from current and past period acquisitions, net of cash acquired, was £68.1m.

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

	2014 £m	2013 £m
Purchase consideration:		
– Cash paid	**63.9**	7.4
– Deferred and contingent consideration	**12.9**	2.4
– Business exchanged	**–**	3.5
Total purchase consideration	**76.8**	13.3
Fair value of net assets acquired	**(44.4)**	(10.1)
Goodwill from current year acquisitions	**32.4**	3.2

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 from current year acquisitions up to a maximum of £8.3m is payable over the next four years based on earn out conditions on revenue, profit and customer retention. Deferred consideration from current year acquisitions of £5.0m is payable over the next four years. The group incurred acquisition related costs of £1.5m in respect of the above acquisitions.

The provisional fair value[1] of assets and liabilities arising from acquisitions in the year are as follows:

	2014 £m	2013 £m
Non-current assets		
– Intangible assets	**39.9**	7.7
– Property, plant and equipment	**4.8**	3.0
Current assets[2]	**17.7**	3.0
Current liabilities	**(8.7)**	(2.5)
Non-current liabilities[3]	**(9.3)**	(1.1)
Net assets acquired	**44.4**	10.1

1 the provisional fair values will be finalised in the 2015 financial statements. The fair values are provisional since the acquisition accounting has not yet been finalised as a result of the proximity of many acquisitions to the year end
2 includes trade and other receivables of £10.4m which represents the gross and fair value of the assets acquired
3 includes (£7.6)m of deferred tax relating to acquired intangibles

The £39.9m of intangible assets acquired include £38.4m of customer lists and relationships and £1.5m of other intangibles.

Notes to the Accounts – continued

Changes in fair values of acquired assets and liabilities and consideration in respect of provisional assets and liabilities recorded as at 31 December 2013 have been adjusted in the current year, as follows:

	2013 Adjustment £m
Purchase consideration:	
– Consideration	–
– Contingent consideration	0.1
Total purchase consideration	0.1
Reduction in fair value of net assets acquired	0.5
Goodwill on prior-period acquisitions	0.6

These adjustments have been reflected in the disclosures in this note.

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

	2013 Adjustment £m
Non-current assets	
– Intangible assets	1.1
Current assets	(0.3)
Current liabilities	(0.9)
Non-current liabilities (deferred tax)	(0.4)
Net assets acquired	(0.5)

The cash outflow from current and past acquisitions are as follows:

	2014 £m	2013 £m
Total purchase consideration	**76.8**	13.3
Businesses exchanged	**–**	(3.5)
Consideration payable in future periods	**(12.9)**	(2.4)
Purchase consideration paid in cash	**63.9**	7.4
Cash and cash equivalents in acquired companies and businesses	**(3.7)**	–
Cash outflow on current period acquisitions	**60.2**	7.4
Deferred consideration paid	**7.9**	4.6
Cash outflow on current and past acquisitions	**68.1**	12.0

From the dates of acquisition to 31 December 2014, these acquisitions contributed £31.7m to revenue and £5.4m to operating profit.

If the acquisitions had occurred on 1 January 2014, the revenue and operating profit of the group would have amounted to £1,773.2m and £237.5m respectively.

B2. Discontinued operations and disposals

A discontinued operation is a component of an entity which has either been disposed of or is classified as held for sale, which represents a separate major line of business or geographical area of operations, and is part of a single coordinated plan to dispose of a separate line of business or geographical area of operations.

On 18 March 2014 the group sold the Initial Facilities division. The division was not previously classified as held for sale or as a discontinued operation. Management committed to a plan to sell this division early in 2014, following a decision to concentrate on the group's core international businesses in pest control, hygiene and workwear. The comparative consolidated income statement has been re-presented to show the discontinued operation separately from continuing operations.

On 26 April 2013 the group sold the City Link division. The comparative consolidated income statement shows the discontinued operation separately from continuing operations.

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

The results of the discontinued operations are as follows:

	2014 £m	2013 £m
Revenue	**85.3**	630.5
Operating expenses	**(84.9)**	(633.9)
Operating profit/(loss)	**0.4**	(3.4)
Interest payable	**–**	(0.4)
Income tax (charge)/benefit	**(0.4)**	0.2
Operating profit/(loss) net of tax	**–**	(3.6)
Profit/(loss) on sale of discontinued operation	**135.4**	(41.0)
Profit/(loss) for the year	**135.4**	(44.6)
Basic earnings per share (Note A2)	**7.45p**	(2.45p)
Diluted earnings per share (Note A2)	**7.44p**	(2.45p)

The profit from discontinued operations of £135.4m (2013: £44.6m loss) is attributable entirely to the owners of the Company.

Details of cash flows from discontinued operations are as follows:

	2014 £m	2013 £m
Net cash used in operating activities	**(31.2)**	(14.2)
Net cash used in investing activities	**224.5**	(8.1)
Effect on cash flows	**193.3**	(22.3)

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

	Initial Facilities £m	Other disposals £m	Total £m
Non-current assets			
– Intangible assets	**39.8**	**2.5**	**42.3**
– Property, plant and equipment	**7.6**	**0.1**	**7.7**
Current assets	**138.0**	**–**	**138.0**
Current liabilities	**(81.4)**	**–**	**(81.4)**
Non-current liabilities	**–**	**–**	**–**
Net assets and liabilities	**104.0**	**2.6**	**106.6**
Cumulative foreign exchange recycled	**0.6**	**–**	**0.6**
Pension curtailment	**(0.6)**	**–**	**(0.6)**
Costs of disposal	**10.6**	**1.5**	**12.1**
Consideration	**(250.0)**	**(6.0)**	**(256.0)**
Deferred consideration	**–**	**(0.5)**	**(0.5)**
Profit on disposal	**(135.4)**	**(2.4)**	**(137.8)**
Consideration	**250.0**	**6.0**	**256.0**
Cash and cash equivalents disposed of	**(16.7)**	**–**	**(16.7)**
Net cash inflow from discontinued operations	**233.3**	**6.0**	**239.3**

Notes to the Accounts – continued

B3. Disposal group held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that the carrying value will be recovered primarily through sale rather than through continuing use.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the group's other accounting policies. Thereafter generally, the assets or disposal group are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill and then to the remaining assets and liabilities on a pro rata basis. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

At 31 December 2014 there were no disposal groups held for sale.

B4. Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, where applicable. The main categories of intangible assets are as follows:

Intangible assets – indefinite useful lives

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill in respect of business combinations made since 1 January 1998 is included in intangible assets. Goodwill on the acquisition of associates is included in investments in associates. Goodwill in respect of the acquisition of subsidiaries made prior to 1 January 1998 remains eliminated against reserves.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses previously recognised are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Intangible 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 fair value attributable to intangible assets acquired through a business combination is determined by discounting the expected future cash flows to be generated from that asset at the risk adjusted weighted average cost of capital for the group. The residual values of intangible assets are assumed to be nil.

The estimated useful economic lives of intangible assets are as follows:

Customer lists and relationships	5 to 16 years
Brands and patents	2 to 15 years
Computer software	3 to 5 years
Product development	up to 5 years

The following are the main categories of intangible assets:

Customer lists and relationships
Customer lists and portfolios acquired are initially measured at fair value and amortised on a straight-line basis over their useful economic lives. Separate values are not attributed to internally generated customer lists or relationships.

Brands
Brands 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. Expenditure incurred to develop, maintain and renew brands internally is recognised as an expense in the period incurred. Separate values are not attributed to internally generated brands.

Product development
Research expenditure is recognised as an expense as incurred. 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.

Other development 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. Development costs that have been capitalised are amortised from the date the product is available for use on a straight-line basis over the period of its expected benefit.

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Computer software

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring into use the specific software, and is amortised over its estimated useful life. Costs that are directly associated with the production of identifiable and unique software products controlled by the group, and that are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development and employee costs.

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Computer software development costs recognised as assets are amortised over their estimated useful lives.

	Goodwill £m	Customer lists and relationships £m	Brands £m	Reacquired franchise rights £m	Product development £m	Computer software £m	Total £m
Cost							
At 1 January 2013	531.7	517.2	36.0	25.4	4.0	78.3	1,192.6
Exchange differences	(13.6)	(11.7)	(0.8)	–	–	(1.0)	(27.1)
Additions	–	–	–	–	5.9	21.7	27.6
Disposals/retirements	–	(0.8)	–	–	–	(5.7)	(6.5)
Acquisition of companies and businesses	2.8	7.3	–	–	–	–	10.1
Disposal of companies and businesses	(203.3)	(60.6)	–	(25.4)	–	(8.9)	(298.2)
At 31 December 2013	317.6	451.4	35.2	–	9.9	84.4	898.5
At 1 January 2014	**317.6**	**451.4**	**35.2**	**–**	**9.9**	**84.4**	**898.5**
Exchange differences	**(2.7)**	**(7.5)**	**0.8**	**–**	**–**	**(1.7)**	**(11.1)**
Additions	**–**	**–**	**–**	**–**	**–**	**11.8**	**11.8**
Disposals/retirements	**–**	**–**	**–**	**–**	**(0.4)**	**(2.6)**	**(3.0)**
Acquisition of companies and businesses	**33.0**	**39.5**	**1.7**	**–**	**–**	**0.2**	**74.4**
Disposal of companies and businesses	**(30.9)**	**(26.8)**	**(3.3)**	**–**	**–**	**(7.4)**	**(68.4)**
At 31 December 2014	**317.0**	**456.6**	**34.4**	**–**	**9.5**	**84.7**	**902.2**
Accumulated amortisation and impairment							
At 1 January 2013	(226.7)	(432.9)	(17.0)	(25.4)	–	(38.5)	(740.5)
Exchange differences	0.8	11.2	0.6	–	–	0.8	13.4
Disposals	–	–	–	–	–	3.8	3.8
Disposal of companies and businesses	203.0	61.3	–	25.4	–	4.0	293.7
Impairment charge	(3.4)	–	–	–	–	(5.2)	(8.6)
Amortisation charge	–	(19.7)	(3.2)	–	(0.6)	(11.8)	(35.3)
At 31 December 2013	(26.3)	(380.1)	(19.6)	–	(0.6)	(46.9)	(473.5)
At 1 January 2014	**(26.3)**	**(380.1)**	**(19.6)**	**–**	**(0.6)**	**(46.9)**	**(473.5)**
Exchange differences	**0.3**	**8.0**	**(0.4)**	**–**	**–**	**1.3**	**9.2**
Disposals	**–**	**–**	**–**	**–**	**–**	**2.2**	**2.2**
Acquisition of companies and businesses	**–**	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Disposal of companies and businesses	**–**	**19.6**	**2.4**	**–**	**–**	**4.0**	**26.0**
Impairment charge	**–**	**–**	**–**	**–**	**–**	**(2.3)**	**(2.3)**
Amortisation charge	**–**	**(17.9)**	**(2.7)**	**–**	**(1.1)**	**(10.7)**	**(32.4)**
At 31 December 2014	**(26.0)**	**(370.4)**	**(20.3)**	**–**	**(1.7)**	**(52.5)**	**(470.9)**
Net book value							
At 1 January 2013	305.0	84.3	19.0	–	4.0	39.8	452.1
At 31 December 2013	291.3	71.3	15.6	–	9.3	37.5	425.0
At 31 December 2014	**291.0**	**86.2**	**14.1**	**–**	**7.8**	**32.2**	**431.3**

Amortisation of £31.9m (2013: £35.3m) has been charged to operating expenses.

Notes to the Accounts – continued

Impairment tests for goodwill

Goodwill is allocated to the group's cash-generating units (CGUs) identified according to country of operation and reportable business unit. A summary of the 2014 goodwill allocation by reportable segment is shown below:

	2014 £m	2013 £m
France	**4.3**	10.3
Benelux	**14.7**	14.6
Germany	**17.5**	32.2
Other Europe	**41.6**	15.7
Europe	**78.1**	72.8
UK & Ireland	**14.8**	8.9
Rest of World	**17.6**	19.1
UK & Rest of World	**32.4**	28.0
Asia	**24.5**	23.2
North America[1]	**110.6**	92.4
Pacific	**45.4**	46.5
Initial Facilities	**–**	28.4
Total	**291.0**	291.3

1 includes £104.4m (2013: £82.7m) relating to the US Pest Control CGU

Key assumptions

The recoverable amount of a CGU is determined based on the higher of value-in-use calculations using cash flow projections and fair value less costs to sell if appropriate. The cash flow projections are based on financial budgets and long-range plans approved by management and the board covering a three-year period which are prepared as part of the group's normal planning process. Cash flows for years four and five use management's expectation of sales growth, operating costs and margin, based on past experience and expectations regarding future performance and profitability for each CGU. Cash flows beyond the five-year period are extrapolated using estimated long-term growth rates. It can be demonstrated that there is material headroom in the recoverable amount of the CGU goodwill balances based on the assumptions made.

The key assumptions used by individual CGUs for value-in-use calculations were long-term growth rates of between 2% and 5% (2013: 2% and 4%) and pre-tax discount rates of between 10% and 14% (2013: 10% and 14%). The key assumptions used by the US Pest Control CGU were a long-term growth rate of 3% (2013: 3%) and a pre-tax discount rate of 14% (2013: 14%). The growth rates used by individual CGUs are based on the long-term growth rates predicted for the relevant sector and country in which a business operates. They do not exceed the long-term average growth rate for that industry or country. The pre-tax discount rates are based on the group's weighted average cost of capital adjusted for specific risks relating to the relevant sector and country.

Impairment charges

	2014 £m	2013 £m
Asia	**–**	3.4
	–	3.4

All impairment charges have been recorded in the income statement within operating expenses.

B5. Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation, with the exception of freehold land and assets under construction which are not depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation of 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:

Freehold buildings	50 to 100 years
Leasehold buildings	shorter of the lease term or estimated useful life
Vehicles	4 to 5 years
Plant and equipment (including service contract equipment)	3 to 10 years
Office equipment, furniture and fittings	3 to 10 years

Assets' residual values and useful lives are reviewed annually and amended as necessary. Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the fixed asset may exceed its recoverable amount. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount exceeds the higher of its fair value less cost to sell or value-in-use.

For the purposes of assessing value-in-use, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) and cash flow forecasts are made using assumptions consistent with the most up-to-date budgets and plans that have been formally approved by management. These cash flows are discounted using a pre-tax discount rate based on the weighted average cost of capital for the group, adjusted for the particular risks of the cash-generating unit being reviewed for impairment.

When assets are sold, the difference between sale proceeds and net book value is recognised in the income statement.

The category of service contract equipment represents the pool of assets used by the group in delivering contracted services to customers. Land and buildings comprise mainly factories and offices.

	Land and buildings £m	Service contract equipment £m	Other plant and equipment £m	Vehicles and office equipment £m	Total £m
Cost					
At 1 January 2013	172.5	685.0	266.6	245.4	1,369.5
Exchange differences	1.5	(3.4)	3.2	(8.2)	(6.9)
Additions	7.5	134.1	25.5	39.4	206.5
Disposals	(5.8)	(101.4)	(10.6)	(37.2)	(155.0)
Acquisition of companies and businesses	–	2.7	0.2	0.1	3.0
Disposal of companies and businesses	(12.1)	(5.6)	(7.7)	(17.1)	(42.5)
Reclassification	(8.7)	–	–	–	(8.7)
At 31 December 2013	154.9	711.4	277.2	222.4	1,365.9
At 1 January 2014	**154.9**	**711.4**	**277.2**	**222.4**	**1,365.9**
Exchange differences	**(8.5)**	**(39.2)**	**(15.2)**	**(3.6)**	**(66.5)**
Additions	**3.8**	**135.5**	**14.0**	**25.6**	**178.9**
Disposals	**(6.2)**	**(169.3)**	**(20.1)**	**(33.5)**	**(229.1)**
Acquisition of companies and businesses	**1.3**	**2.8**	**1.2**	**2.7**	**8.0**
Disposal of companies and businesses	**(0.7)**	**(1.5)**	**(23.4)**	**(10.8)**	**(36.4)**
At 31 December 2014	**144.6**	**639.7**	**233.7**	**202.8**	**1,220.8**
Accumulated depreciation and impairment					
At 1 January 2013	(49.6)	(439.9)	(182.6)	(147.1)	(819.2)
Exchange differences	(0.1)	3.4	(2.2)	4.5	5.6
Disposals	3.4	99.1	9.9	32.9	145.3
Disposal of companies and businesses	6.4	3.1	5.5	12.0	27.0
Depreciation charge	(5.2)	(126.4)	(20.3)	(36.4)	(188.3)
Reclassification to investment property	0.8	–	–	–	0.8
At 31 December 2013	(44.3)	(460.7)	(189.7)	(134.1)	(828.8)
At 1 January 2014	**(44.3)**	**(460.7)**	**(189.7)**	**(134.1)**	**(828.8)**
Exchange differences	**2.8**	**25.7**	**10.5**	**2.8**	**41.8**
Disposals	**5.5**	**167.1**	**19.6**	**30.0**	**222.2**
Acquisition of companies and businesses	**–**	**(2.1)**	**(0.6)**	**(0.4)**	**(3.1)**
Disposal of companies and businesses	**0.1**	**1.5**	**17.9**	**8.8**	**28.3**
Depreciation charge	**(5.1)**	**(125.8)**	**(16.6)**	**(28.2)**	**(175.7)**
At 31 December 2014	**(41.0)**	**(394.3)**	**(158.9)**	**(121.1)**	**(715.3)**
Net book value					
At 1 January 2013	122.9	245.1	84.0	98.3	550.3
At 31 December 2013	110.6	250.7	87.5	88.3	537.1
At 31 December 2014	**103.6**	**245.4**	**74.8**	**81.7**	**505.5**

Notes to the Accounts – continued

Leases

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

The corresponding rental obligations, net of finance charges, are included in other payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

The net carrying amounts of assets held under finance leases are as follows:

	2014 £m	2013 £m
Other plant and equipment	**0.4**	0.5
Vehicles and office equipment	**23.0**	20.4
Total	**23.4**	20.9

B6. Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2014 £m	2013 £m
Property, plant and equipment	**13.0**	26.3
Intangible assets	**1.3**	1.4
	14.3	27.7

B7. Investments in associated undertakings

	2014 £m	2013 £m
At 1 January	**13.0**	13.9
Exchange differences	**(0.8)**	(3.4)
Share of profit[1]	**3.9**	4.3
Dividends	**(1.7)**	(1.8)
At 31 December	**14.4**	13.0

1 share of profit is net of tax of £2.8m (2013: £3.1m)

Investments in associates at 31 December 2014 include goodwill of £nil (2013: £nil).

The group's interest in its principal associate, which is unlisted, was as follows:

Name	Country of incorporation	Assets £m	Liabilities £m	Revenue £m	Profit £m	Interest held
2014						
Nippon Calmic Ltd	**Japan**	**24.4**	**(9.1)**	**33.5**	**3.9**	**49%**
2013						
Nippon Calmic Ltd	Japan	22.8	(8.5)	35.6	4.3	49%

C. Financing

Financial instruments

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

Financial assets

The group classifies its financial assets in the following categories: financial assets at fair value through the income statement, loans and receivables, available-for-sale financial assets and other investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date. The group assesses at each balance sheet date whether there is objective evidence that financial assets are impaired.

All financial assets are held at amortised cost except for derivatives, which are classified as held for trading unless in a hedging relationship and certain assets classified as available-for-sale, which are held at fair value.

(a) Financial assets at fair value through the income statement
Assets are included in current assets, except if they are expected to be realised after 12 months of the balance sheet date in which case they are classified as non-current assets.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months from the balance sheet date which are classified as non-current assets. Loans and receivables include trade and other receivables and cash and other equivalents. Loans and receivables are measured at amortised cost using the effective interest rate method, subject to impairment.

(c) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Available-for-sale investments are fair valued and changes to market values are recognised in equity. On subsequent disposal or impairment the accumulated gains and losses, previously recognised in equity, are recognised in the income statement as 'gains and losses from investment securities'. The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(d) Other investments
Other investments comprise financial investments with a maturity date of greater than three months on the date the investment was made. The group commonly invests in money market instruments for periods of greater than three months where funds are expected not to be needed, for example, if funds are reserved for a maturity or for a dividend payment. Investments with a maturity date more than one year from the balance sheet date are recorded as non-current.

Financial liabilities

All financial liabilities are stated at amortised cost using the effective interest rate method except for derivatives, which are classified as held for trading (except where they qualify for hedge accounting) and are held at fair value.

Financial liabilities held at amortised cost include trade payables, vacant property provisions, deferred consideration and borrowings.

Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The group designates certain derivatives as either:

(a) hedges of the fair value of recognised assets or liabilities

(b) hedges of net investments in foreign operations

(c) cash flow hedges.

At the inception of the transaction the group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

Notes to the Accounts – continued

Certain derivative instruments are not designated or do not qualify for hedge accounting. Typically the group will not designate financial instruments for hedge accounting where a perfect or near perfect offset is expected between the change in value of assets and liabilities. Changes in the fair value of any derivative instruments in this category are immediately recognised in the income statement.

(a) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(b) Net investment hedge
Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

(c) Cash flow hedge
The portion of the gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. Any ineffective portion is immediately recognised in the income statement. The gains or losses that are recognised in equity are transferred to the consolidated income statement in the same period in which the hedged cash flows affect the consolidated income statement. In the event the hedged item occurs or is no longer expected to occur, accumulated gains or losses held in the cash flow hedge reserve are immediately recognised in the income statement. In the event the hedged item is expected to occur but no longer meets the requirements of hedge accounting, accumulated gains or losses remain in equity and are only recognised in the income statement when the forecast transaction occurs or is no longer expected to occur.

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 group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate and currency swaps is calculated as the present value of the estimated future cash flows.

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 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 group for similar financial instruments.

C1. Financial risk factors

The group operates a central treasury function which manages cash and borrows on behalf of the group, and provides finance to group companies in their home currencies.

The main financial risks faced by the group relate to the availability of funds to meet business needs, fluctuations in interest and foreign exchange rates, and credit risks relating to the risk of default by counterparties to financial transactions. The management of these risks is set out below.

Capital risk

The group is committed to maintaining a debt/equity structure which allows continued access to a broad range of financing sources and sufficient flexibility to pursue commercial opportunities in a timely manner as they present themselves, without onerous financing terms and conditions.

The group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, retained earnings and non-controlling interests in the group. Management monitor the return on capital as well as the level of dividends to ordinary shareholders.

Debt credit rating
The group's debt is rated by Standard & Poor's as BBB with a stable outlook. The group targets a rating of BBB or above for debt issuance over the medium term. A rating of BBB- or above is an 'investment grade' rating. Financial markets which have been closed to new debt issues from certain borrowers at times since 2008 have been receptive to debt issuance for investment grade borrowers throughout this period.

Both the group's €500m 3.375% bond, maturing 24 September 2019, and €350m 3.25% bond, maturing 7 October 2021, contain a 'coupon step-up' increasing the coupon payable by 1.25% in the event that the group is downgraded to BB+ or below (sub-investment grade).

Financial covenants
The group has bonds in issue under its Medium-Term Note Programme and Revolving Credit Facility (see Note C4 for details). The group's Revolving Credit Facility contains covenants requiring that EBITDA : Interest should be at least 4.0:1.0 and that Net Debt:Adjusted EBITDA should be no greater than 3.5:1.0 at each semi-annual reporting date. The group remains compliant.

Change of control

The group's Medium-Term Notes may be recalled by their investors at par in the event of a change of control of the group, or within 120 days if:

(a) the group's debt is downgraded below investment grade or the rating is withdrawn; and

(b) the rating agency confirms in writing, either publicly or to the issuer or the Trustee, that the rating action occurred either wholly or in part due to the change of control.

Liquidity risk

The group is committed to ensuring it has sufficient liquidity to meet its payables as they fall due. To achieve this, and in accordance with the liquidity ratio requirements of the credit rating agency Standard & Poor's, significant maturities are financed at least 12 months in advance, either through existing cash balances, forecast cash flows or new debt issuance. Management models financing requirements at least 12 months ahead and aims to maintain average headroom of at least £150m and minimum headroom of at least £100m. At 31 December 2014, the group's earliest maturity was the £300m bond due March 2016. The group had available funds held centrally to meet this of £190m, and £270m of undrawn available committed headroom under its Revolving Credit Facility giving combined headroom of £460m (2013: £690m combined available funds and headroom).

Market risk

Interest rate risk

At the year end sensitivity to interest rate changes was limited as all of the group's bond debt is fixed to maturity, with the earliest maturity in March 2016.

Within net debt the group held interest bearing sterling cash on deposit with counterparty banks amounting to £190m earning an average interest rate of approximately 0.5%. A 1.0% increase in sterling deposit rates to 1.5% would result in an improvement in interest receivable of £1.9m and a 1.0% decrease to -0.5% would result in a decrease in interest receivable of £1.9m. (2013: £0.3m increase/decrease).

The group entered into opposing interest rate swaps on €800m of its bonds (the €500m bond due in 2019 and €300m of the €350m bond due in 2021), which resulted in the group receiving a fixed interest payment of approximately €9m in 2014 and making fixed repayments annually to 2021. In order to minimise the cost of this structure, a break clause has been included requiring the group to repay the present value of all outstanding payments in September 2015 and October 2017. The instruments are held at fair value on the balance sheet and a 1.0% rise/fall in euro interest rates would result in an interest benefit/cost of £0.3m shown in mark to market movements within interest.

Assuming both euro and sterling interest rates moved by the same amount, the overall impact on interest in the income statement of a rise/fall in interest rates of 1.0% is therefore an increase/decrease of £2.2m (2013: £0.1m).

As disclosed in Note C4 the group had outstanding debt issues at 31 December 2014 with a fair value of £1,081.0m. This exceeds the book value of £984.2m as a result of reductions in interest rates in the UK and Europe and improved investor credit appetite.

The market value is disclosed in the financial statements but there are no circumstances where the group would be forced to pay the market value. The group could however decide to redeem some or all of its bonds early and the market price is indicative of the price that would be required to do so.

A hypothetical 1.0% increase in euro and sterling interest rates would reduce the market value of the group's bond liabilities by £43m at 31 December 2014. The income statement impact is nil as changes in interest rates do not change the expected cash flows on the bonds. However, in the event it is decided to redeem bonds early, it will be necessary to pay the fair value.

Foreign exchange risk

The group's worldwide operations generate profits and cash flows in foreign currencies. Sales and purchases are typically denominated in the same currency, but some cross-border procurement takes place (the most significant is in US dollars, amounting to approximately $15m per year). Sterling procurement and central costs mean that foreign currencies constitute more than 100% of group APBITA at approximately 115%.

The group's primary exposure is the £/€ exchange rate, with euro APBITA approximately 70% of group APBITA. The next most significant currency group is US dollars forming approximately 15% of group APBITA. Australian dollars, emerging market currencies and other currencies including Nordic currencies each contribute approximately 10% of group APBITA.

At 31 December 2014 the group's net debt was approximately 80% euro (2013: 70%) (reflecting that it is the group's principal cash flow exposure and the low cost of euro funding), and 20% US dollars (2013: 5%) (reflecting the size of the US market and the group's strong growth in this region). The increase in the proportion of net debt held in foreign currencies is largely as a result of sterling cash being received from the sale of the Initial Facilities division reducing net debt. The retranslation of the interest element of euro and dollar debt provides a partial income statement offset to the retranslation of earnings.

The group calculates the impact on the income statement and equity of a 10% shift in foreign exchange rates. The group's principal foreign currency exposure is to euro, and a 10% shift in £/€ would result in a £17.6m increase/decrease (2013: £15.5m) in adjusted operating profit, offset by a £2.4m decrease/increase (2013: £2.8m) in interest payable.

For US dollars, a 10% shift in £/$ would result in a £3.8m increase/decrease (2013: £3.8m) in adjusted operating profit, offset by a £0.8m decrease/increase (2013: £nil) in interest payable.

Where possible, currency cash flows are used to settle liabilities in the same currency in preference to selling currency in the market.

Notes to the Accounts – continued

Foreign currency balances, including cash, debt and intra-group balances are hedged on a net basis. To the extent that balances naturally offset, retranslation gains and losses are recognised in the income statement. At 31 December 2014 a 10% shift in the £/€ rate would result in a net impact of nil, made up of a gain of £275.5m offset by an equal loss (2013: net impact of nil made up of a £205.4m gain offset by an equal loss).

Foreign currency debt is designated for hedge accounting by the group as a hedge of its currency net assets, thereby reducing its net currency assets. Retranslation gains and losses are recognised in reserves rather than in the income statement. The impact of a 10% strengthening of sterling versus the euro would be a decrease in equity reserves due to retranslation of euro denominated assets offset by gains in equity from the net investment hedge of £20.2m (2013: £20.8m).

Credit risk

The group has no significant concentration of credit risk. Sales are typically low value, high volume, spreading the risk across a number of customers. Policies are in place to ensure that sales are only made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions and there is no significant concentration of exposure to any single counterparty. The group monitors the creditworthiness of its derivative counterparties using a combination of credit ratings and other market indicators. The group's core bank group of nine counterparties were all rated A- or above by Standard & Poor's. However, in some territories, particularly in emerging markets, the group has exposure to some lower rated banks who conduct limited local cash management. At 31 December 2014 the group had a total of £3.2m deposited with banks rated below A- by Standard & Poor's. The highest concentration with any single bank was £0.7m.

The group operates in some territories where there is increased exposure to trade credit risks and in those cases the group puts in place appropriate additional measures where possible to manage its credit exposure.

Treasury risk

The Company utilises financial instruments to manage known financial exposures in line with policies agreed by the Board and outlined above.

The Company does not enter into any speculative derivative contracts.

C2. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less (and subject to insignificant changes in value). In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

	2014 £m	2013 £m
Cash at bank and in hand	**136.9**	138.2
Short-term bank deposits	**60.2**	5.6
	197.1	143.8
Cash and cash equivalents includes the following for the purposes of the cash flow statement:		
Cash and cash equivalents	**197.1**	143.8
Bank overdrafts (Note C4)	**(3.0)**	(0.4)
	194.1	143.4

Included within cash at bank and in hand is £9.1m (2013: £16.5m) of restricted cash. This cash is held in respect of specific contracts and can only be utilised in line with terms under the contractual arrangements. Available funds also include £51.4m (2013: £292.1m) of fixed rate cash deposits recognised within other investments (Note C3).

Offsetting financial assets and liabilities

	Gross amounts before offsetting £m	Gross amounts set off £m	Net amounts presented £m
At 31 December 2014			
Cash at bank and in hand	**1,107.8**	**(970.9)**	**136.9**
Bank overdraft	**(973.9)**	**970.9**	**(3.0)**
	133.9	**–**	**133.9**
At 31 December 2013			
Cash at bank and in hand	1,778.2	(1,640.0)	138.2
Bank overdraft	(1,640.4)	1,640.0	(0.4)
	137.8	–	137.8

Credit interest rates on bank balances range between 0.0% and 5.65% and debit interest rates range between 0.0% and 0.3%. As far as practical cash balances are held centrally and are used first to repay borrowings under the group's Revolving Credit Facility before being placed on deposit.

Cash

Floating rate cash earns interest at commercial rates in line with local market practice. Central treasury companies invest all significant cash surpluses in major currencies (£, US$ and €) at money market rates. Short-term deposits are placed with banks, usually for maturities of up to three months, and earn interest at market rates related to the currency and the sums invested.

C3. Other investments

	2014 £m	2013 £m
At 1 January	**292.2**	57.5
Additions	**51.4**	292.1
Disposals	**(292.1)**	(57.4)
At 31 December	**51.5**	292.2
Less: non-current portion	**0.1**	0.2
Current portion	**51.4**	292.0
Financial assets include the following:		
Available-for-sale		
– Unlisted equity securities – Continental Europe	**0.1**	0.1
	0.1	0.1
Loans and receivables		
– Fixed rate cash deposits	**51.4**	292.1
	51.5	292.2

Other investments classified as available-for-sale financial assets are valued based on public price quotations as appropriate (fair value hierarchy Level 1). Changes in fair values of available-for-sale financial assets are recorded directly in equity. Other investments classified as loans and receivables are held at amortised cost. Loans and receivables financial assets are deposits placed with counterparty banks receiving interest at a rate of 1.0% (2013: 0.8%) per annum. Other investments were not impaired in 2014 or 2013.

Fixed rate cash deposits include short-term deposits of £48.7m held centrally (2013: £289.9m). Fixed rate cash deposits also include £1.4m (2013: £1.2m) invested with counterparty banks, which are held by the group's insurance operations in accordance with local insurance regulations. These deposits are used to meet insurance liabilities as they fall due. The weighted average effective interest rate earned is 1.0% (2013: 0.8%) and the weighted average rate was fixed for 1.0 years (2013: 1.0 years).

	2014 £m	2013 £m
Financial assets are denominated in the following currencies:		
– Pounds sterling	**50.1**	291.1
– US dollar	**–**	–
– Euro	**0.1**	0.1
– Other	**1.3**	1.0
	51.5	292.2

None of the financial assets are either past due or impaired.

Notes to the Accounts – continued

C4. Bank and other borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the fair value (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the group has a continuing right to defer settlement of the liability for at least 12 months after the balance sheet date.

	2014 £m	2013 £m
Non-current		
RCF and other bank borrowings	**0.2**	0.2
Bond debt	**960.6**	1,008.6
Finance lease liabilities	**15.3**	13.7
	976.1	1,022.5
Current		
Bank overdrafts (Note C2)	**3.0**	0.4
Bank borrowings	**1.3**	0.5
Bond debt	**–**	402.7
Bond accruals	**18.7**	33.4
Finance lease liabilities	**8.1**	7.2
	31.1	444.2
Total bank and other borrowings	**1,007.2**	1,466.7

Medium-term notes and bond debt comprises:

	Bond interest coupon	Effective hedged interest rate
Non-current		
£300m bond due March 2016	Fixed 5.75%	Fixed 4.48%
€500m bond due September 2019	Fixed 3.375%	Fixed 3.62%
€350m bond due October 2021	Fixed 3.25%	Fixed 3.55%
£1.3m perpetual debentures	Fixed 5.00%	Fixed 5.00%
£0.3m perpetual debentures	Fixed 4.50%	Fixed 4.50%
Current		
€500m bond paid March 2014	Fixed 4.625%	Fixed 4.93%
Average cost of bond debt at year end rates		3.97%

Borrowings under the group's committed Revolving Credit Facility (RCF) of £270m accrue interest when drawn at LIBOR plus a margin. The cost of borrowing under the group's RCF at the year end was 1.5%; however the facility was undrawn during the year. The group's committed borrowing also includes a £40m Letter of Credit facility maturing December 2016.

At 31 December 2014 the RCF was undrawn (2013: undrawn) and £30.5m (2013: £36.2m) of letters of credit were in issue.

The committed borrowing facilities are subject to guarantees by Rentokil Initial 1927 plc.

On 27 January 2015, a new combined £315m facility of which £270m can be used for cash drawings was signed, maturing in January 2020.

The group's RCF, bank borrowings and bonds are held at amortised cost.

The carrying values and the fair values of the group's borrowings are shown below. Fair values are based on cash flows discounted at the current market rates:

	Carrying amount 2014 £m	Carrying amount 2013 £m	Fair value 2014 £m	Fair value 2013 £m
Non-current				
Bank borrowings	**0.2**	0.2	**0.2**	0.2
£300m bond due March 2016[1]	**304.8**	308.6	**315.8**	323.7
€500m bond due September 2019	**386.2**	412.4	**431.9**	430.2
€350m bond due October 2021	**268.6**	286.6	**308.0**	288.7
£1.6m perpetual debentures	**1.0**	1.0	**1.7**	1.7
Finance lease liabilities	**15.3**	13.7	**15.3**	13.7
	976.1	1,022.5	**1,072.9**	1,058.2
Current				
€500m bond paid March 2014	**–**	402.7	**–**	406.2
Finance lease liabilities	**8.1**	7.2	**8.1**	7.2
Total	**984.2**	1,432.4	**1,081.0**	1,471.6

1 the £300m bond was revalued for changes in interest rates during the period March 2006 to April 2009, during which the group paid floating interest rates. At the end of this period, the group reverted to paying fixed interest rates and revaluation of the bond ceased as the hedge relationship ended. The bond is recorded in the financial statements at amortised cost and revaluation differences are amortised to the consolidated income statement over the life of the bond, thus producing the effective rate indicated above

The bonds are Level 1 and the debentures, finance lease and bank borrowings are Level 2 of the fair value hierarchy.

The group considers the fair value of other current liabilities to be equal to the carrying value.

Finance leases

Finance lease payments fall due as follows:

	2014 £m	2013 £m
Not later than one year	**8.1**	7.2
Between:		
– one and two years	**7.0**	5.9
– two and three years	**5.5**	4.5
– three and four years	**2.7**	3.1
– four and five years	**0.6**	0.8
– over five years	**–**	–
	23.9	21.5
Future finance charges on finance leases	**(0.5)**	(0.6)
Finance lease liabilities	**23.4**	20.9

Notes to the Accounts – continued

C5. Derivative financial instruments

	Fair value assets 2014 £m	Fair value assets 2013 £m	Fair value liabilities 2014 £m	Fair value liabilities 2013 £m
Interest rate swaps:				
– non-hedge	**–**	2.4	**(7.9)**	(0.3)
– cash flow hedge	**0.4**	–	**(3.1)**	–
– net investment hedge	**1.0**	0.8	**(12.8)**	–
Foreign exchange swaps:				
– non-hedge	**0.6**	0.4	**(2.3)**	(7.5)
	2.0	3.6	**(26.1)**	(7.8)
Analysed as follows:				
Current portion	**0.6**	3.4	**(6.7)**	(7.8)
Non-current portion	**1.4**	0.2	**(19.4)**	–
	2.0	3.6	**(26.1)**	(7.8)

Cash flow hedge accounting has been applied to derivatives (marked as 'cash flow hedge') in accordance with IAS 39. Where no hedge accounting has been applied, related derivatives have been marked as 'non-hedge'. Any ineffectiveness on the cash flow hedge is taken directly to finance costs. There was no ineffectiveness to be recorded from net investment in foreign entity hedges or those derivatives in a cash flow hedge relationship.

Cash flow hedge accounting has been applied to €54.4m of the €500m 2019 bond using a cross-currency interest rate swaps which match the terms of the bond. The group has also applied hedge accounting to NOK 105m of intercompany loans using cross-currency interest rate swaps matching the terms of the loans. The purpose of both hedges is to eliminate the risk to the cash flow due to changes in the £/€ and £/NOK exchange rate. The balance in reserves in regards to cash flow hedge accounting was £0.1m loss (2013: £nil).

The effective nominal value of foreign exchange swaps is £56.7m (2013: £263.6m) and foreign exchange forwards is £16.8m (2013: £0.1m).

The group had no outstanding commodity contracts at year end.

Fair value hierarchy of derivative financial instruments

For all financial instruments held by the group, those that are held at fair value are to be classified by reference to the source of inputs used to derive the fair value. The following hierarchy is used:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly as prices or indirectly through modelling based on prices;

Level 3 – inputs for the asset or liability that are not based on observable market data.

The group holds all derivatives at fair value using discounted cash flow models based on market rates which are observable; therefore all derivative financial instruments and available-for-sale assets held by the group fall into Level 2. Deferred and contingent consideration payable by the group falls into Level 3. It is valued based on the group's best estimate of the amount payable based on the future forecasts of the acquired businesses; discounted where the impact is considered material. No financial instruments have moved between levels in the year.

The table below analyses the group's derivative financial instruments, which will be settled on a gross basis, into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and so may not reconcile to the balance sheet.

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
At 31 December 2014					
Cross-currency swaps:					
– outflow	**(10.1)**	**(149.2)**	**(65.5)**	**–**	**(224.8)**
– inflow	**9.6**	**139.1**	**57.6**	**–**	**206.3**
Foreign exchange swaps:					
– outflow	**(70.6)**	**–**	**–**	**–**	**(70.6)**
– inflow	**68.9**	**–**	**–**	**–**	**68.9**
Foreign exchange forwards:					
– outflow	**(11.2)**	**–**	**–**	**–**	**(11.2)**
– inflow	**11.1**	**–**	**–**	**–**	**11.1**
Net outflow	**(2.3)**	**(10.1)**	**(7.9)**	**–**	**(20.3)**
At 31 December 2013					
Cross-currency swaps:					
– outflow	(83.9)	–	–	–	(83.9)
– inflow	86.9	–	–	–	86.9
Foreign exchange swaps:					
– outflow	(373.4)	–	–	–	(373.4)
– inflow	366.1	–	–	–	366.1
Foreign exchange forwards:					
– outflow	(2.0)	–	–	–	(2.0)
– inflow	2.0	–	–	–	2.0
Net outflow	(4.3)	–	–	–	(4.3)

C6. Financial liabilities

The table below analyses the undiscounted contractual cash flows of the group's financial liabilities, including interest payments.

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
At 31 December 2014					
Borrowings	**39.4**	**340.5**	**454.2**	**290.5**	**1,124.6**
Derivative financial instruments	**7.3**	**11.8**	**11.8**	**–**	**30.9**
Trade and other payables	**222.4**	**12.5**	**–**	**–**	**234.9**
Finance leases	**8.1**	**7.0**	**8.3**	**–**	**23.4**
Other	**26.5**	**7.2**	**15.2**	**5.1**	**54.0**
	303.7	**379.0**	**489.5**	**295.6**	**1,467.8**
At 31 December 2013					
Borrowings	462.8	40.7	387.6	749.0	1,640.1
Derivative financial instruments	(7.7)	9.4	–	–	1.7
Trade and other payables	313.1	12.1	–	–	325.2
Finance leases	7.2	5.9	8.4	–	21.5
Other	21.4	9.5	16.0	8.1	55.0
	796.8	77.6	412.0	757.1	2,043.5

Other includes £38.6m (2013: £46.6m) in respect of provisions related to onerous lease contracts and £15.3m (2013: £11.1m) in respect of deferred consideration.

Notes to the Accounts – continued

The carrying amounts of the group's financial liabilities are denominated in the following currencies (before the effect of any derivatives used to transform the currency of the cash flows):

	Borrowings 2014 £m	Borrowings 2013 £m	Trade payables and other 2014 £m	Trade payables and other 2013 £m	Total 2014 £m	Total 2013 £m
Pounds sterling	**318.8**	322.6	**84.0**	152.1	**402.8**	474.7
Euro	**670.3**	1,129.1	**109.7**	136.5	**780.0**	1,265.6
US dollar	**15.9**	13.9	**46.2**	44.8	**62.1**	58.7
Other currencies	**2.2**	1.1	**49.0**	46.5	**51.2**	47.6
	1,007.2	1,466.7	**288.9**	379.9	**1,296.1**	1,846.6

Further information on the currency of the group's debt and foreign currency management policies is shown in Note C1.

C7. Reconciliation of total financial instruments

The table below reconciles the group's accounting categorisation of financial assets and liabilities (based on initial recognition) to the classes of assets and liabilities as shown on the face of the balance sheet.

	Fair value through income statement £m	Loans and receivables £m	Available-for-sale £m	Financial liabilities held at amortised cost £m	Not categorised as a financial instrument £m	Total £m	Non-current £m	Current £m
At 31 December 2014								
Assets								
Other investments	**–**	**51.4**	**0.1**	**–**	**–**	**51.5**	**0.1**	**51.4**
Trade and other receivables	**–**	**300.5**	**–**	**–**	**25.5**	**326.0**	**11.5**	**314.5**
Derivative financial instruments	**2.0**	**–**	**–**	**–**	**–**	**2.0**	**1.4**	**0.6**
Cash and cash equivalents	**–**	**197.1**	**–**	**–**	**–**	**197.1**	**–**	**197.1**
Liabilities								
Derivative financial instruments	**(26.1)**	**–**	**–**	**–**	**–**	**(26.1)**	**(19.4)**	**(6.7)**
Trade and other payables	**–**	**–**	**–**	**(250.3)**	**(144.6)**	**(394.9)**	**(12.9)**	**(382.0)**
Bank and other borrowings	**–**	**–**	**–**	**(1,007.2)**	**–**	**(1,007.2)**	**(976.1)**	**(31.1)**
At 31 December 2013								
Assets								
Other investments	–	292.1	0.1	–	–	292.2	0.8	291.4
Trade and other receivables	–	370.9	–	–	54.7	425.6	8.2	417.4
Derivative financial instruments	3.6	–	–	–	–	3.6	0.2	3.4
Cash and cash equivalents	–	143.8	–	–	–	143.8	–	143.8
Liabilities								
Derivative financial instruments	(7.8)	–	–	–	–	(7.8)	–	(7.8)
Trade and other payables	–	–	–	(336.2)	(169.6)	(505.8)	(13.0)	(492.8)
Bank and other borrowings	–	–	–	(1,466.7)	–	(1,466.7)	(1,022.5)	(444.2)

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C8. Interest payable and similar charges

	2014 £m	Restated 2013 £m
Hedged interest payable on medium-term notes issued[1]	**40.7**	54.0
Interest payable on bank loans and overdrafts[1]	**1.2**	0.9
Interest payable on revolving credit facility[1]	**1.4**	4.1
Interest payable on foreign exchange swaps	**9.9**	10.1
Interest payable on finance leases	**0.8**	0.9
Amortisation of discount on provisions	**1.1**	0.3
Foreign exchange loss on translation of foreign denominated loan[2]	**0.2**	–
Fair value loss on other derivatives[3,4]	**0.9**	0.2
Total interest payable and similar charges	**56.2**	70.5

1 interest expense on financial liabilities held at amortised cost
2 comprises retranslation loss on financing instruments of £195.1m offset by gains of £194.9m (2013: gains of £59.7m offset by losses of £59.4m)
3 loss on financial assets/liabilities at fair value through the income statement
4 the fair value loss on other derivatives includes fair value losses relating to interest rate swaps of £0.9m (2013: £0.2m) and fixed price commodity contracts of £nil (2013: £nil)

C9. Interest receivable

Interest income is recognised on a time-apportioned basis using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

	2014 £m	2013 £m
Bank interest[1]	**2.0**	1.5
Interest receivable on foreign exchange swaps	**8.3**	8.7
Foreign exchange gain on translation of foreign denominated assets and liabilities	**–**	0.3
Fair value gain on other derivatives[2,3]	**0.6**	0.4
Total interest receivable	**10.9**	10.9

1 interest income on loans and receivables
2 gain on financial assets/liabilities at fair value through the income statement
3 the fair value gain on other derivatives includes fair value gains relating to interest rate swaps of £0.6m (2013: £0.4m)

C10. Dividends

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

	2014 £m	2013 £m
2012 final dividend paid – 1.43p per share	**–**	25.9
2013 interim dividend paid – 0.70p per share	**–**	12.7
2013 final dividend paid – 1.61p per share	**29.2**	–
2014 interim dividend paid – 0.77p per share	**14.0**	–
	43.2	38.6

An interim dividend of 0.77p per share was paid on 16 September 2014 amounting to £14.0m. A dividend in respect of 2014 of 1.82p (2013: 1.61p) per 1p share amounting to £33.1m (2013: £29.2m) is to be proposed at the annual general meeting on 13 May 2015. These financial statements do not reflect this recommended dividend.

Notes to the Accounts – continued

C11. 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.

Where any group company purchases the Company's equity share capital (Treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

	2014 £m	2013 £m
Authorised		
4,100,000,000 ordinary shares of 1p each	**41.0**	41.0
Issued and fully paid		
At 31 December – 1,822,832,965 shares (2013: 1,817,498,329)	**18.2**	18.2

C12. Reconciliation of net change in cash and cash equivalents to net debt

	2014 £m	2013 £m
Net increase/(decrease) in cash and cash equivalents	**65.1**	(78.4)
Movement on finance leases	**(1.2)**	(2.3)
Movement on other investments	**(240.7)**	292.1
Movement on loans	**389.5**	(240.4)
Increase in debt resulting from cash flows	**212.7**	(29.0)
Foreign exchange translation and other items	**47.1**	(17.0)
Other non-cash movements	**–**	0.7
Movement on net debt in the year	**259.8**	(45.3)
Opening net debt	**(1,034.8)**	(989.5)
Closing net debt	**(775.0)**	(1,034.8)
Closing net debt comprises:		
Cash and cash equivalents	**197.1**	143.8
Other investments – loans and receivables	**51.4**	292.1
Fair value of debt related derivatives	**(16.3)**	(4.0)
Bank and other short-term borrowings	**(31.1)**	(444.2)
Bank and other long-term borrowings	**(976.1)**	(1,022.5)
Total net debt	**(775.0)**	(1,034.8)

Included within net increase in cash and cash equivalents is £3.1m paid in cash settlement on debt related foreign exchange forward contracts (2013: £5.7m). Foreign exchange gains on debt amounted to £38.7m for 2014, with the gain primarily resulting from a weakening of the euro by 8 cents but partially offset by losses due to strengthening of the US dollar by 9 cents (2013: loss of £11.3m).

The group's interest rate swaps and foreign currency derivatives, with a fair value of £16.3m (2013: £4.0m), were included within net debt for the first time in 2013 as this better reflects the underlying nature of these contracts.

Foreign exchange contracts are used to convert the group's bond debt to debt in different currencies, or where cash has been generated overseas, to convert it to sterling to either deposit or repay short-term debt. During the life of these contracts, which are typically short-term, they will be revalued and the gains or losses will be substantially the same as if the group held debt or cash in the foreign currency.

The group also includes fair value hedge accounted interest rate swaps and non-hedge accounted interest rate swaps in net debt. Interest rate swaps are used to transform the group's bonds from fixed to floating rate, or floating rate to fixed rate.

C13. Operating and free cash flow

	2014 £m	2013 £m
Cash generated from operating activities	**347.0**	335.4
Add back: special pension contributions	**1.0**	13.6
	348.0	349.0
Purchase of property, plant and equipment	**(173.1)**	(201.1)
Purchase of intangible fixed assets	**(12.0)**	(27.6)
Leased property, plant and equipment	**(9.3)**	(10.3)
Proceeds from sale of property, plant and equipment	**6.3**	6.3
Proceeds from sale of investment properties	**6.8**	–
Dividends received from associates	**1.7**	1.9
Operating cash flow	**168.4**	118.2
Interest received	**10.9**	10.6
Interest paid	**(59.6)**	(60.9)
Interest element of finance lease payments	**(0.8)**	(0.9)
Income tax paid	**(30.1)**	(37.2)
Special pensions contributions	**(1.0)**	(13.6)
Disposal of available-for-sale investments	**–**	1.2
Free cash flow	**87.8**	17.4

Notes to the Accounts – continued

D. Other

D1. Contingent liabilities

The group has contingent liabilities relating to guarantees in respect of leasehold properties, pensions, third parties, environmental issues, tax and litigation. The possibility of any significant loss in respect of these items is considered to be remote.

D2. Related party transactions

The group's strategy and policy are managed by the Executive Board (Executive Directors and senior management as shown on pages 40 to 42). Their compensation and the compensation payable to the Non-executive Directors is shown below:

	2014 £m	2013 £m
Salaries and other short-term employee benefits	**3.8**	5.6
Post-employment benefits	**0.4**	0.6
Share-based payments	**0.4**	0.9
	4.6	7.1

Rentokil Initial (B) Sdn Bhd (90%) and Rentokil Delta Libya for Environmental Protection JSCO (65%) are non-wholly owned subsidiaries of Rentokil Initial plc. All transactions between these entities and the group were transacted at arm's length during the ordinary course of business and have been eliminated on consolidation.

Nippon Calmic Ltd (49%) was an associate during 2014 and 2013 and its balances are disclosed in Note B7. There are no significant transactions between Nippon Calmic Ltd and other group companies.

The group bears the costs of administration and independent pension advice of the Rentokil Initial Pension Scheme. The total amount of costs in the year ended 31 December 2014 was £2.1m (2013: £2.2m) of which £0.4m (2013: £0.4m) was recharged to the scheme.

D3. Post balance sheet events

There were no significant post balance sheet events affecting the group since 31 December 2014.

Principal Operating Subsidiary and Associated Undertakings

At 31 December 2014

Subsidiary undertakings

UK
Dudley Industries Ltd
Initial Medical Services Ltd
Peter Cox Ltd
Rentokil Initial 1927 plc
Rentokil Initial Holdings Ltd
Rentokil Initial Services Ltd
Rentokil Initial UK Ltd
Rentokil Insurance Ltd

Australia
Rentokil Initial Pty Ltd

Austria
Initial Austria GmbH
Initial Hygiene (Austria) GmbH
Rentokil Initial GmbH

Bahamas
Rentokil Initial (Bahamas) Ltd
Tropical Exterminators Ltd

Barbados
Rentokil Initial (Barbados) Ltd

Belgium
Ambius NV
Initial NV
Rentokil NV

Brazil
Asseio Saneamento Ambiental Ltda

Brunei
Rentokil Initial (B) Sdn Bhd (90%)

Canada
Rentokil Pest Control Canada Ltd

Chile
Bestway S.A.

Colombia
Bestway Colombia S.A.S.

Czech Republic
Initial Ecotex sro

Denmark
Rentokil Initial A/S

Estonia
Rentokil Oü

Fiji
Rentokil Initial Ltd

Finland
Rentokil Initial Oy

France
Ambius SAS
CAFI SAS
Initial SAS
Rentokil Initial SAS
Technivap SAS

French Guiana
Rentokil Initial Guyane Sarl

Germany
Initial Hygieneservice GmbH
Initial Textil Service GmbH & Co. KG
Medentex GmbH
Rentokil Initial GmbH

Greece
Rentokil Initial Hellas EPE

Guadeloupe
Rentokil Initial Guadeloupe Sarl

Guyana
Rentokil Initial Guyana Ltd

Hong Kong
Rentokil Initial Hong Kong Ltd

India
Rentokil India Private Ltd

Indonesia
PT Calmic Indonesia
PT Rentokil Indonesia

Italy
Rentokil Initial Italia SpA

Jamaica
Rentokil Initial (Jamaica) Ltd

Kenya
Rentokil Initial Kenya Ltd

Lithuania
UAB Dezinfa

Luxembourg
Initial Sàrl
R-Control Désinfections SA
Rentokil Luxembourg Sàrl

Malaysia
Rentokil Initial (M) Sdn Bhd

Martinique
Rentokil Initial Martinique Sarl

Mexico
Balance Urbano Control de Plagas S.A. de C.V.

Mozambique
Rentokil Initial Mozambique Limitada

Netherlands
Ambius BV
Holland Herstel Groep/Ureco BV
Initial BV
Rentokil Initial BV

New Zealand
Rentokil Initial Ltd

Norway
Rentokil Initial Norge AS

People's Republic of China
Rentokil Initial China Ltd

Philippines
Rentokil Initial (Philippines) Inc

Poland
Rentokil Initial Sp. z.o.o.

Portugal
Rentokil Initial Portugal – Serviços de Protecção Ambiental Lda

Republic of Ireland
Initial Medical Services (Ireland) Ltd
Rentokil Initial Ltd

Singapore
Rentokil Initial Singapore Private Ltd

Slovakia
Initial Textile Services Sro

South Africa
Rentokil Initial (Pty) Ltd (75%)

South Korea
Rentokil Initial Korea Ltd

Spain
Rentokil Initial España SA

Sweden
Ambius AB
Initial Sverige AB
Rentokil AB
Sweden Recycling AB

Switzerland
Initial Schweiz AG
Rentokil Schweiz AG

Taiwan
Initial Hygiene Co Ltd
Rentokil Ding Sharn Co. Ltd

Thailand
Rentokil Initial (Thailand) Ltd

Trinidad
Rentokil Initial (Trinidad) Ltd

Tunisia
CAP Tunis

Turkey
Rentokil Initial Çevre Sağlığı Sistemleri Ticaret ve Sanayi A.Ş

UAE – Dubai
Rentokil Initial Pest Control LLC

Uganda
Rentokil Initial Uganda Limited

USA
J.C. Ehrlich & Co Inc

Vietnam
Rentokil Initial (Vietnam) Company Ltd

Associated undertakings

Japan
Nippon Calmic Ltd (49%)

The activities of the major subsidiaries are referred to in the Business Review on pages 26 to 32.

Notes:

1 Rentokil Initial plc owns directly 100% of the shares of Rentokil Initial Holdings Ltd and indirectly 100% of the shares in all subsidiaries except where a lower percentage is shown
2 undertakings operate and are incorporated in the country underneath which each is shown
3 a full list of subsidiaries will be attached to the Company's annual return

Five-Year Summary

	2010 £m	2011 £m	2012 £m	Restated 2013 £m	**2014 £m**
Revenue from continuing operations	2,496.5	2,544.3	2,226.7	1,791.4	**1,740.8**
Operating profit/(loss) from continuing operations	61.5	(10.2)	174.1	160.5	**202.1**
Adjusted operating profit[1] from continuing operations	239.3	224.7	247.3	236.1	**232.2**
Profit/(loss) before income tax from continuing operations	14.5	(50.5)	107.7	112.2	**163.2**
Profit/(loss) for the year from continuing operations	(20.3)	(67.1)	73.6	83.3	**126.1**
Profit/(loss) for the year from discontinued operations	–	–	(23.7)	(44.6)	**135.4**
Profit/(loss) for the year (including discontinued)	(20.3)	(67.1)	49.9	38.7	**261.5**
Profit/(loss) attributable to equity holders of the Company	(23.4)	(69.7)	47.6	37.5	**261.8**
Profit attributable to non-controlling interests	3.1	2.6	2.3	1.2	**(0.3)**
	(20.3)	(67.1)	49.9	38.7	**261.5**
Basic earnings per share:					
Continuing operations	(1.29p)	(3.84p)	3.92p	4.52p	**6.96p**
Continuing and discontinued operations	(1.29p)	(3.84p)	2.62p	2.06p	**14.41p**
Adjusted earnings per share[2] – continuing operations	7.81p	7.48p	8.24p	7.36p	**8.05p**
Dividends for the period per 1p share	–	1.33p	2.10p	2.31p	**2.59p**
Gross assets	1,801.5	1,798.9	1,976.2	1,994.0	**1,788.4**
Gross liabilities	(1,926.7)	(1,903.1)	(2,103.4)	(2,226.0)	**(1,688.4)**
Net assets/(liabilities)	(125.2)	(104.2)	(127.2)	(232.0)	**100.0**
Share capital	18.1	18.1	18.1	18.2	**18.2**
Reserves	(153.8)	(127.8)	(152.0)	(250.3)	**82.0**
Non-controlling interests	10.5	5.5	6.7	0.1	**(0.2)**
Capital employed	(125.2)	(104.2)	(127.2)	(232.0)	**100.0**

1 before amortisation and impairment of intangibles (excluding computer software), restructuring costs and one-off items
2 earnings per share before the tax adjusted amortisation and impairment of intangibles (excluding computer software), restructuring costs, one-off items and net interest credit on pensions

Parent Company Balance Sheet

	Notes	2014 £m	2013 £m
Non-current assets			
Investments	4	**264.6**	263.7
Debtors – amounts falling due after more than one year	6	**2,457.9**	–
Derivative financial instruments (due after more than one year)	7	**1.0**	0.2
		2,723.5	263.9
Current assets			
Other investments	5	**48.7**	254.9
Debtors – amounts falling due within one year	6	**362.1**	2,829.2
Derivative financial instruments (due within one year)	7	**–**	3.0
Short-term deposits and cash		**120.8**	382.3
		531.6	3,469.4
Current liabilities			
Creditors – amounts falling due within one year	8	**(1,227.1)**	(934.2)
Bank and other borrowings	9	**(18.6)**	(813.2)
Derivative financial instruments	7	**(4.4)**	(0.3)
		(1,250.1)	(1,747.7)
Net current (liabilities)/assets		**(718.5)**	1,721.7
Non-current liabilities			
Creditors – amounts falling due after more than one year			
Bank and other borrowings	9	**(959.6)**	(1,007.6)
Derivative financial instruments	7	**(19.4)**	–
		(979.0)	(1,007.6)
Net assets		**1,026.0**	978.0
Equity capital and reserves			
Share capital	10	**18.2**	18.2
Share premium	11	**6.8**	6.8
Profit and loss account	12	**1,001.0**	953.0
Capital employed		**1,026.0**	978.0

The financial statements on pages 135 to 141 were approved by the Board of Directors on 26 February 2015 and were signed on its behalf by:

Andy Ransom
Chief Executive

Jeremy Townsend
Chief Financial Officer

Notes to the Parent Company Accounts

1. Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities (including derivatives) and are in accordance with generally accepted accounting principles and standards in the UK (UK GAAP) and comply with the Companies Act 2006.

2. Principal accounting policies

Investments

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.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost (where hedge accounting is not applied); any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Where fair value hedge accounting is applied, the borrowings are subsequently revalued at each balance sheet date and the difference is offset against the fair value movement of the derivative (the hedging instrument) in the profit and loss account.

Borrowings are classified as current liabilities unless the Company has a continuing right to defer settlement of the liability for at least 12 months after the balance sheet date under both its committed bank credit facility and Euro Medium-Term Note Programme.

Deferred tax

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 against 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. Neither is deferred tax recognised on overseas profits where there is no commitment to remit those profits to the UK.

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 and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Pension commitments

Rentokil Initial plc is the sponsoring company of a multi-employer defined benefit pension scheme, Rentokil Initial Pension Scheme (RIPS).

An actuarial valuation of the defined benefit scheme is carried out every three years. The most recent actuarial valuation was at 31 March 2013. It was carried out using the projected unit credit method and the principal assumptions made by the independent professional actuary are disclosed in the consolidated financial statements of Rentokil Initial plc.

As the Company is unable to identify its share of the underlying assets and liabilities in RIPS, it treats the scheme on a defined contribution basis, in accordance with FRS 17, Retirement Benefits.

Financial instruments and risk management

The Company and group's policy in respect of financial instruments and risk management are disclosed in the Financing section of the notes to the consolidated financial statements. Disclosures have been made on financial instruments as required by the Companies Act 2006.

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.

Where the Company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Share-based compensation

The Company operates a number of equity-settled, share-based compensation plans. The economic cost of awarding shares and share options to employees is recognised as an expense in the profit and loss account equivalent to the fair value of the benefit awarded. The fair value of options over the Company's shares awarded to employees of subsidiary companies is treated as a capital contribution, resulting in an increase in investments. The fair value is determined by reference to option pricing models, principally Monte Carlo and adjusted Black-Scholes models. The charge is recognised in the profit and loss account over the vesting period of the award. At each balance sheet date, the Company revises its estimate of the number of options that are expected to become exercisable. Any revision to the original estimates is reflected in the profit and loss account with a corresponding adjustment to equity immediately to the extent it relates to past service and the remainder over the rest of the vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

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. See Note C10 of the consolidated financial statements for details of dividends paid in the year.

3. Company profit and loss account

Under section 408 of the Companies Act 2006, a profit and loss account for the Company alone is not presented. The profit attributable to shareholders in the year was £89.4m (2013: £89.2m) which includes a special pension contribution of £nil (2013: £12.5m), a charge of £6.6m (2013: £3.1m charge) in respect of exchange adjustments and £0.4m (2013: £0.4m) in respect of audit fees.

4. Investments

	2014 £m	2013 £m
At 1 January	**263.7**	262.5
Share-based payments to employees of subsidiaries	**0.9**	1.2
At 31 December	**264.6**	263.7

The Company's sole subsidiary undertaking is Rentokil Initial Holdings Ltd. It has no other direct subsidiary undertakings.

5. Other investments

	2014 £m	2013 £m
At 1 January	**254.9**	56.1
Additions	**48.7**	254.9
Disposals	**(254.9)**	(56.1)
At 31 December	**48.7**	254.9
Loans and receivables financial assets include the following:		
– Fixed rate cash deposits	**48.7**	254.9

Other investments classified as loans and receivables are held at amortised cost. Loans and receivables financial assets are deposits placed with counterparty banks receiving interest at a rate of 1.0% per annum (2013: 0.8%). Other investments were not impaired in 2014 or 2013. All loans and receivables financial assets are denominated in pounds sterling. None of the financial assets are either past due or impaired.

Notes to the Parent Company Accounts – continued

6. Debtors

	2014 £m	2013 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	**334.3**	2,807.3
Deferred tax	**26.4**	20.0
Other debtors	**1.4**	1.9
	362.1	2,829.2
Amounts falling due after more than one year:		
Amounts owed by subsidiary undertakings	**2,457.9**	–

Amounts owed by subsidiary undertakings due after more than one year are made up of an interest bearing loan of £2,457.9m with an effective interest rate of 5.0%. Amounts owed by subsidiary undertakings due within one year are made up of non-interest bearing loans repayable on demand.

7. Derivative financial instruments

	Fair value assets 2014 £m	Fair value assets 2013 £m	Fair value liabilities 2014 £m	Fair value liabilities 2013 £m
Interest rate swaps:				
– non-hedge	**–**	2.4	**(7.9)**	(0.3)
– cash flow hedge	**–**	–	**(3.1)**	–
– net investment hedge	**1.0**	0.8	**(12.8)**	–
	1.0	3.2	**(23.8)**	(0.3)
Analysed as follows:				
Current portion	**–**	3.0	**(4.4)**	(0.3)
Non-current portion	**1.0**	0.2	**(19.4)**	–
	1.0	3.2	**(23.8)**	(0.3)

Cash flow hedge accounting has been applied to derivatives (marked as 'cash flow hedge') in accordance with FRS 26, Financial Instruments: Measurement. Where no hedge accounting has been applied, related derivatives have been marked as 'non-hedge'. Any ineffectiveness on the cash flow hedges is taken directly to finance costs. There was no ineffectiveness to be recorded from net investment in foreign entity hedges or those derivatives in a cash flow hedge relationship.

Cash flow hedge accounting has been applied to €54.4m of the €500m 2019 bond using a cross-currency interest rate swaps which match the terms of the bond. The group has also applied hedge accounting to NOK 105m of intercompany loans using cross-currency interest rate swaps matching the terms of the loans. The purpose of both hedges is to eliminate the risk to the cash flow due to changes in the £/€ and £/NOK exchange rate. The balance in reserves in regards to cash flow hedge accounting was £0.1m loss (2013: £nil).

The effective nominal value of foreign exchange swaps is £127.4m (2013: £83.0m).

The Company had no outstanding commodity contracts at year end.

8. Creditors

	2014 £m	2013 £m
Amounts due to subsidiary undertakings	**1,226.2**	933.2
Other creditors	**0.9**	1.0
	1,227.1	934.2

9. Bank and other borrowings

	2014 £m	2013 £m
Amounts falling due within one year	**18.6**	813.2
Amounts falling due after one year	**959.6**	1,007.6

Current and non-current loans include £18.7m (2013: £436.1m) and £960.6m (2013: £1,007.6m) respectively of notes issued under the Company's €2.5bn Medium-Term Note Programme.

Medium-term notes and bond debt comprises:

	Bond interest coupon	Effective hedged interest rate
Non-current		
£300m bond due March 2016	Fixed 5.75%	Fixed 4.48%
€500m bond due September 2019	Fixed 3.375%	Fixed 3.62%
€350m bond due October 2021	Fixed 3.25%	Fixed 3.55%
Current		
€500m bond paid March 2014	Fixed 4.625%	Fixed 4.93%
Average cost of bond debt at year end rates		3.97%

The group has one committed Revolving Credit Facility (RCF) of £270m expiring in December 2016 which accrued interest at LIBOR for the period drawn plus a margin. The cost of borrowing under the group's RCF at the year end was 1.5%.

The group's RCF, bank borrowings and bonds are held at amortised cost.

10. Share capital

	2014 £m	2013 £m
Authorised		
4,100,000,000 ordinary shares of 1p each	**41.0**	41.0
Issued and fully paid:		
At 31 December – 1,822,832,965 shares of 1p each (2013: 1,817,498,329)	**18.2**	18.2

Notes to the Parent Company Accounts – continued

Performance Share Plan

The Company introduced a new share-based Performance Plan in 2006 and granted 7,987,718 shares at various dates throughout 2014.

Year of grant	Vesting year	Scheme interest at 1 January 2014	Shares awarded during 2014	Shares vested during 2014	Shares lapsed during 2014	Outstanding at 31 December 2014	Shares exercisable at 1 January 2014	Shares exercised during 2014	Shares exercisable at 31 December 2014
2008	2011	–	–	–	–	184,181	248,059	63,878	184,181
2011	2014	11,704,221	–	–	11,704,221	–	–	–	–
2012	2015	13,296,489	–	–	2,587,934	10,708,555	–	–	–
2013	2016	12,815,868	–	–	4,397,685	8,418,183	–	–	–
2014	2017	–	7,987,718	–	1,108,635	6,879,083	–	–	–

2008 Share Incentive Plan

In 2008 the Company also introduced a long-term incentive plan for the Chairman, Chief Executive and one other Executive Director and granted 22,500,000 shares during the year. No further awards will be made under this 2008 Share Incentive Plan in the future.

Year of grant	Vesting period	Scheme interest at 1 January 2014	Shares vested during 2014	Shares outstanding at 31 December 2014 and still subject to performance criteria	Shares exercisable at 1 January 2014	Shares exercised during 2014	Shares exercisable at 31 December 2014	Shares vested but not yet exercisable at 31 December 2014
2008	2011–2013	–	–	–	5,334,634	5,334,634	–	–

For more information regarding the Company's share option schemes, Performance Share Plan and 2008 Share Incentive Plan see Note A10 of the consolidated financial statements.

11. Share premium

	2014 £m	2013 £m
At 1 January and 31 December	**6.8**	6.8

12. Profit and loss account

	2014 £m	2013 £m
At 1 January	**953.0**	899.4
Profit for the financial period (Note 3)	**89.4**	89.2
Share-based payments charged to profit and loss	**0.2**	0.8
Share-based payments debited to investments	**0.9**	1.2
Movement on cash flow hedge	**(0.2)**	1.2
Net exchange adjustments offset in reserves	**0.9**	(0.2)
Dividends paid to equity shareholders	**(43.2)**	(38.6)
At 31 December	**1,001.0**	953.0

Treasury shares of £10.9m (2013: £11.1m) have been netted against retained earnings. Treasury shares represent £5.9m (2013: 6.0m) shares held by the Rentokil Initial Employee Share Trust. The market value of these shares at 31 December 2014 was £7.1m (2013: £6.9m). Dividend income from, and voting rights on, the shares held by the Trust have been waived.

13. Contingent liabilities

The Company has provided guarantees in respect of bank and other borrowings held by its subsidiary undertakings. In addition, there are contingent liabilities in respect of litigation, none of which are expected to give rise to any material loss.

14. Employees

The Company has three employees (2013: six employees). For information on employee costs, see Note D2 of the consolidated financial statements. Services for finance, taxation, treasury, legal, HR and IT are provided by Rentokil Initial 1927 plc and recharged to the Company.

15. Pension commitments

At 31 December 2014 the RIPS pension asset under IAS 19R, Employee Benefits, amounted to £192.2m (2013: £70.6m). The Directors are of the opinion that there is no material difference between an FRS 17, Retirement Benefits, and an IAS 19R valuation. For more information on pension commitments, see Note A9 of the consolidated financial statements.

16. Share-based payments

Share-based payments for the financial period were £1.1m (2013: £2.0m) of which £0.2m (2013: £0.8m) was charged to the profit and loss account and £0.9m (2013: £1.2m) debited to investments. Share options relating to the board are disclosed in the Directors' Remuneration Report and detailed share-based payment disclosures are shown in Note A10 of the consolidated financial statements.

17. Related party transactions

The Company has not undertaken any transactions with related parties during the year, other than transactions with wholly owned fellow members of Rentokil Initial plc. Such transactions are exempt from disclosure under FRS 8. There were no transactions with non-wholly owned fellow members of Rentokil Initial plc.

18. Post balance sheet events

There were no significant post balance sheet events affecting the Company since 31 December 2014.

Additional Information

Directors' Report

This Corporate Governance Report for the year on pages 39 to 78 forms part of the Directors' Report. Disclosures elsewhere in the 2014 Annual Report are cross-referenced where appropriate and taken together fulfil the requirements of the Companies Act, the DTRs and the LRs. The Directors' Report and Other Statutory Disclosures can be found on pages 143 to 145.

Other information

Information relevant to the Directors' Report can be found elsewhere in this Annual Report on the following pages:

Statutory information	Location in this Annual Report
Accountability and audit	Page 144
Acquisitions and disposals	Page 44 and Notes B1 and B2 Financial Statements
Appointment of Directors	Page 6
Board of Directors and Committee membership	Page 49
Directors' conflicts of interest	Pages 40 and 41
Directors' interests in shares	Page 77
Directors' liabilities and protections	Page 49
Employees and gender diversity	Page 33
Going concern	Page 144
Greenhouse gas emissions	Pages 34 and 35
Key performance indicators	Pages 19 and 20
Operating model	Page 9
Pension schemes	Note A9 Financial Statements
Post balance sheet events	Note D3 Financial Statements
Risks and uncertainties	Pages 36 to 38
Share capital	Note C11 Financial Statements and Note 2 Parent Company Accounts
Substantial interests in shares	Page 50

Directors' Report and Other Statutory Disclosures

The Directors' Report is a requirement of the Companies Act 2006. The UKLA's Disclosure and Transparency Rules (DTRs) and Listing Rules (LRs) also require the Company to make other disclosures. The Corporate Governance Report for the year on pages 39 to 76 forms part of the Directors' Report. Disclosures elsewhere in the 2014 Annual Report are cross-referenced where appropriate and taken together fulfil the requirements of the Companies Act, the DTRs and the LRs.

The Directors submit their report and audited financial statements of the Company and the group to the members of Rentokil Initial plc (the Company) for the year ended 31 December 2014.

The Company

Constitution

Rentokil Initial plc is a company incorporated in England and Wales, with company number 5393279. The Company is a holding company with limited trading in its own right and with subsidiary undertakings in over 60 countries. The material subsidiary undertakings are listed on page 133.

Articles of association and Directors' powers

The articles of association set up the internal regulations of the Company and cover such matters as the rights of shareholders, the conduct of the Board and general meetings.

Under the articles, the Directors are responsible for the management of the business of the Company and may exercise all the powers of the Company subject to the provisions of relevant statutes and the Company's articles of association. For example, the articles contain specific provisions and restrictions regarding the Company's power to borrow money.

Powers relating to the issuing of shares are also included in the articles of association and such authorities are renewed by shareholders each year at the AGM. The articles do not contain special control rights or restrictions on transfer or limitations on the holding of ordinary shares and no requirements for the prior approval of any transfers. No person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

The articles of association also give power to the Board to appoint and replace Directors, but also require Directors to retire and submit themselves for re-election at the first AGM following the appointment and for re-election by rotation, although Directors now submit themselves for re-election annually. The articles themselves may be amended by special resolution of the shareholders.

In accordance with the articles of association, Directors can be appointed or removed by the Board or shareholders in general meeting. Amendments to the articles of association have to be approved by at least 75% of the votes cast by those voting in person or by proxy are in favour of the resolution. Subject to company law and the articles of association the Directors may exercise all the powers of the Company and may delegate authority to committees and day-to-day management and decision-making to individual Executive Directors. The articles of association are available upon request and are displayed on the Company's website at www.rentokil-initial.com

Directors and re-election of Directors

Information on our Board of Directors and changes during 2014 can be found in the Corporate Governance Report on page 40. The UK Corporate Governance Code 2012 ('the Code') provides for all Directors to stand for election or re-election each year and accordingly all Board members will seek re-appointment or re-election at the 2015 AGM. Full biographical details of all current Directors are set out on pages 40 to 41.

Directors' interests in shares

The beneficial interests of the Directors' in the share capital of the Company are shown on page 77. During the year no Director had any material interest in any contract of significance to the group's business.

Dividend

Information on the final dividend payment for 2014 can be found in the Strategic Report on page 6.

Outlook for 2015

Information on the Company outlook for 2015 can be found in the Strategic Report on page 7.

Share capital

The Company's share capital during the year consisted of ordinary shares of 1p each. There were 1,822,832,965 shares on issue at 31 December 2014 (2013: 1,817,498,329). Each ordinary share (other than treasury shares, which have no voting rights) carries the right to vote at a general meeting of the Company. At any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is duly demanded. On a show of hands, every member who is present in person or by proxy at a general meeting of the Company shall have one vote. On a poll, every member who is present in person or by proxy shall have one vote for every share of which they are a holder.

The Company is not directly or indirectly owned or controlled by another corporation or by an individual and there are no arrangements which may at a subsequent date result in a change in control of the Company. As at 26 February 2015 the shareholders shown in the 'Accountability to shareholders' section of the Corporate Governance Report on page 50 had indicated that they had an interest in 3% or more of the Company's issued share capital and were not subject to the 5% disclosure exemption under the Disclosure and Transparency Directive. No other interests have been disclosed to the Company in accordance with Disclosure and LR 5 either during the year or as at 26 February 2015.

Authority for the Company to make purchases of its own shares of up to 181,154,313 shares was obtained at the AGM on 14 May 2014. No purchases of its shares were made by the Company during 2014. The authority is normally renewable annually and approval will be sought from shareholders at the 2015 AGM to renew the authority for a further year.

Authority for the Company to allot shares or grant rights to subscribe for shares was obtained at the AGM on 14 May 2014. The authority remains in force and approval will be sought from shareholders at the 2015 AGM to renew the authority for a further year. During the year 5,344,634 shares were issued to satisfy the exercise of the vested rights under the share incentive plan approved by shareholders in 2008.

Directors' Report and Other Statutory Disclosures – continued

Change of control provisions
There are a number of agreements that take effect, alter or terminate upon a change of control of the Company, such as some financial and commercial agreements and employee share plans. None of these are deemed to be significant in terms of their potential impact on the group as a whole. A description of the group's debt funding arrangements is set out in Note C1 to the financial statements which also describe the change of control provisions relating to the group's Euro Medium-Term Note Programme.

Reporting, accountability and audit
The Directors are responsible for preparing the Annual Report and accounts in accordance with applicable law and regulations. UK company law requires that the Directors must not approve financial statements unless they are satisfied that they give the true and fair view of the state of affairs of the group. In preparing the financial statements the Directors are required to: apply them consistently, make judgements and estimates that are reasonable and prudent, state the basis on which they are prepared and prepare the financial statements on a going concern basis.

The Directors must keep adequate accounting records for the Parent Company to enable them to ensure that its financial statements comply with the Companies Act 2006. The Directors have a general responsibility for taking such steps as are reasonable to safeguard the assets of the group and to prevent and detect fraud and other irregularities. The Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Report that comply with law and regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

The Strategic Report (which includes the Chairman's and Chief Executive's letter) provides an overview of the development and performance of the Company's business in the year ended 31 December 2014 and its position at the end of the year and covers the likely future developments in the business of the Company and the group. For the purposes of compliance with DTR 4.1.5R (2) and 4.1.8R, the required content can be found in the Strategic Report and the Directors' Report, including material incorporated by reference.

The independent auditor's report on pages 79 to 80 includes a statement by the auditor about their reporting responsibilities. The Directors recognise that their responsibility to present a fair, balanced and understandable assessment extends to interim and other price-sensitive public reports, reports to regulators and information required to be presented by law.

Statement of the Directors as to the disclosure of information to the auditor
The Directors confirm that, insofar as each of them is aware, there is no relevant audit information (as defined by s.418 (2) of the Companies Act 2006) of which the Company's auditor is unaware; and each Director has taken all of the steps that should have been taken to ensure that they are each aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

Financial risk management
Details of financial risk management and the relevant policies are disclosed in Note C1 on pages 120 to 122 of the Financial Statements.

Going concern
The Directors, having made enquiries, consider that the Company and the group have adequate resources to continue in operation for the foreseeable future. For this reason, they consider it appropriate to adopt the going concern basis in preparing the financial statements. Further details on the group's net debt, borrowing facilities and financial risk management policies is provided in the C. Financing section of Notes to the Accounts on pages 119 to 131.

Key contracts
The group does not have any dominant customer or supplier relationships.

Post balance sheet events
There are no post balance sheet events.

Political donations
It is the Company's policy not to make payments to political organisations. The Company does however maintain a shareholder authority to make payments of a political nature but does so only in order to ensure that the Company has authority from shareholders for the limited number of activities associated with the operation of the business which might be caught by the broad definition of payments of a political nature contained within current legislation. There were no payments to political organisations during 2014 (2013: £nil).

Directors' indemnity and insurance
Information on the Directors' indemnities can be found in the Corporate Governance Report on page 49.

Social, community, employment policies, gender diversity issues
Information on our colleagues, employment policies and community can be found in the Corporate Responsibility section of the Strategic Report on page 33.

Human rights
The Company supports the rights of all people as set out in the Universal Declaration of Human Rights (UDHR). We acknowledge the responsibility of businesses to respect human rights, by acting with due diligence to avoid infringing on the rights of others and to address any adverse impacts in which they are involved, in line with the UN Guiding Principles on Business and Human Rights. These Human Rights Principles reinforce the behaviours expected of our colleagues as set out in the Company's Code of Conduct.

Environment and Greenhouse Gas (GHG) emissions reporting
Information on our Environment and GHG reporting can be found in the Corporate responsibility section of the Strategic Report on page 34.

Research and development
Information on Innovations can be found in the Strategic Report on page 24.

Related party transactions
Other than in respect of arrangements relating to the employment of directors, details of which are provided in the Directors' Remuneration Report or as set out in Note D2 on page 132, there is no indebtedness owed to or by the Company to any colleague or any other person considered to be a related party.

Statement of Directors' responsibilities (in respect of the Annual Report and the financial statements)

The Directors are responsible for preparing the Annual Report and the group and Parent Company financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare group and Parent Company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards.

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 group and Parent Company and of their profit or loss for that period. In preparing each of the group and Parent Company 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;
- for the group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose name and functions are set out on pages 40 to 41, confirms that, to the best of their knowledge:

a. the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the undertakings included in the consolidation taken as a whole; and

b. the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors' Report on pages 40 to 78 and pages 143 to 145 and the Strategic Report on pages 1 to 38 were approved by a duly authorised committee of the Board of Directors on 26 February 2015 and signed on its behalf by Daragh Fagan, the Company Secretary.

Daragh Fagan
Company Secretary
26 February 2015

Registered office:
Riverbank, Meadows Business Park, Blackwater, Camberley, Surrey GU17 9AB
Registered in England and Wales No: 5393279

Additional Shareholder Information

2015 key dates

Preliminary results	27 February 2015
Q1 trading update	1 May 2015
Annual General Meeting	13 May 2015
Interim results	30 July 2015
Q3 trading update	5 November 2015

Registrars

All enquiries relating to the administration of shareholdings should be directed to:

Capita Asset Services ('Capita')
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Telephone (from the UK): 0871 664 0300
(Calls cost 10p per minute plus network extras, lines are open 9.00 a.m. to 5.30 p.m. Mon-Fri.)

Telephone (from overseas): +44 20 8639 3399
(Call charges depend on local network rates, lines are open 9.00 a.m. to 5.30 p.m. Mon-Fri.)

Email: shareholderenquiries@capita.co.uk

Capita share portal

An online service at www.capitashareportal.com gives shareholders access to detailed information including:

- Cast your proxy vote online
- View your holding balance, any movements on your holding and get an indicative valuation
- View the dividend payments you have received and register/change bank mandate instructions
- Update your address and contact details
- Elect to receive shareholder communications electronically

The Capita share portal has a dedicated helpline and email address for enquiries:

Telephone (from the UK): 0871 664 0391
(Calls cost 10p per minute plus network extras, lines are open 9.00 a.m. to 5.30 p.m. Mon-Fri.)

Telephone (from overseas): +44 20 8639 3367
(Call charges depend on local network rates, lines are open 9.00 a.m. to 5.30 p.m. Mon-Fri.)

Email: shareportal@capita.co.uk

Capita share dealing services

This service allows you to trade at 'real time' at a known price. You will need your full name, investor code, full postcode and date of birth. Please have the appropriate information to hand when you log on or call, so that Capita can verify your identity.

Capita provide the following two services for buying and selling shares:

- Telephone share dealing: 0871 664 0454 (Calls cost 10p per minute plus network extras, lines are open 8.00 a.m. to 4.30 p.m. Mon-Fri.)
- Online share dealing: www.capitadeal.com

ShareGift

Shareholders with small holdings in shares, whose value makes them uneconomical to sell, may wish to donate them to ShareGift (registered charity no. 1052686). Further information about ShareGift and the charities it supports may be obtained from their website www.sharegift.org or by calling +44 (0) 20 7930 3737 or emailing help@sharegift.org

Share price information and history

The primary listing is on the London Stock Exchange and the current price of the Company's shares is available on the Company's website at www.rentokil-initial.com

Mid-market price 31 March 1982 – 7.5375p*

* Adjusted for the 1983 bonus issue and the 1990, 1992, and 1997 share splits

Mid-market price 31 December 2014 – 121.3p

2014 high/low – 111p/133.1p

Results and dividends

The adjusted operating profit before amortisation and impairment of intangibles, (excluding computer software), restructuring costs and one-off items for the financial year ended 31 December 2014 was £232.2m (2013: £236.1m).

The Directors' recommend payment of a final dividend in respect of the year to 31 December 2014 of 1.82p per ordinary share which, subject to approval at the AGM on 13 May 2015, will be paid on 20 May 2015 to shareholders on the register on 17 April 2015. When taken with the interim dividend of 0.77p per share paid on 16 September 2014 (2013: 0.70p) this gives a total dividend of 2.59p per share (2013: 2.31p).

Dividend reinvestment plan (DRIP)

This is a convenient way to build up your shareholding by using your cash dividends to buy more shares in the Company. If you would prefer to receive shares for your next dividend instead of cash, please complete an application online at www.capitashareportal.com or call Capita IRG Trustees Limited on 0871 664 0381 from the UK. (Calls cost 10p per minute plus network extras, lines are open 9.00 a.m. to 5.30 p.m. Mon-Fri.) or +44 20 8639 3402 from overseas.

Dividend history

	Payment date	Payment rate	Record date	Year end date
2014 Interim Dividend	16 Sept 2014	0.77p	15 August 2014	31 Dec 2014
2013 Final Dividend	21 May 2014	1.61p	11 April 2014	31 Dec 2013
2013 Interim Dividend	24 Sept 2013	0.70p	23 Aug 2013	31 Dec 2013
2012 Final Dividend	21 May 2013	1.43p	19 Apr 2013	31 Dec 2012
2012 Interim Dividend	26 Oct 2012	0.67p	14 Sep 2012	31 Dec 2012
2011 Final Dividend	15 May 2012	1.33p	10 Apr 2012	31 Dec 2011
2010 Final Dividend	No Final Dividend	–	–	–
2009 Final Dividend	No Final Dividend	–	–	–
2008 Final Dividend	No Final Dividend	–	–	–
2008 Interim Dividend	17 Oct 2008	0.65p	12 Sep 2008	31 Dec 2008
2007 Final Dividend	23 May 2008	5.25p	18 Apr 2008	31 Dec 2007
2007 Interim Dividend	19 Oct 2007	2.13p	14 Sep 2007	31 Dec 2007
2006 Final Dividend	18 May 2007	5.25p	13 Apr 2007	31 Dec 2006
2006 Interim Dividend	27 Oct 2006	2.13p	29 Sep 2006	31 Dec 2006
2005 Final Dividend	02 Jun 2006	5.25p	05 May 2006	31 Dec 2005
2005 Interim Dividend	28 Oct 2005	2.13p	30 Sep 2005	31 Dec 2005

American depository receipts (ADR)

The Company has an ADR programme that trades on the over-the-counter market in the United States. This is a sponsored Level 1 ADR programme for which the Bank of New York Mellon acts as depositary. Each ADR is equivalent to five Rentokil Initial plc ordinary shares. For shareholder enquiries, please contact:

BNY Mellon Shareowner Services
PO. Box 30170
College Station, TX 77842-3170
United States

Exchange: OTC (Over the counter)
Symbol: RTOKY
CUSIP: 760125104
Ratio (ADR: Ord) 1:5
Email: shrrelations@cpushareownerservices.com
www.mybnymdr.com
Freephone from the US: 1 888 269 2377
International Calls +1 201 680 6825

Indirect owners of shares with 'information rights'

Please note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under s.146 Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to Capita Asset Services.

Share fraud warning (boiler room scams)

The Company is aware that its shareholders have received unsolicited telephone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers'. They target UK shareholders out of the blue and offer to buy existing shares at an inflated price or offer to sell your shares that often turn out to be worthless or non-existent. While high profits are promised, those who buy or sell shares in this way usually lose their money. These operations (mostly based abroad) are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive. If these calls persist, hang up.

Tips on protecting your shares:

- Get the correct name of the person and organisation contacting you
- Check that they are properly authorised by the Financial Conduct Authority (FCA) before getting involved by visiting the Financial Services register: www.fca.org.uk/consumers/scams
- Report the matter to the FCA helpline by calling 0800 111 6768 or complete the unauthorised firms reporting form at: www.fca.org.uk/consumers/scams/report-scam

Unsolicited mail

The Company is legally obliged to make its register of members available to the public, subject to a proper purpose test. As a consequence of this, some shareholders may receive unsolicited mail. Shareholders wishing to limit the amount of such mail should write to the Mailing Preference Service (MPS) at:

MPS FREEPOST LON20771
London W1E 0ZT
or call on 0845 703 4599
or online at www.mpsonline.org.uk

Annual General Meeting

The AGM will be held at The Hilton, London Gatwick Airport (Ascot Suite), South Terminal, Gatwick Airport, Crawley, West Sussex RH6 0LL on Wednesday 13 May 2015 at 12 noon. The notice of meeting is available on the Company's website: www.rentokil-initial.com

Published information

If you would like to receive a hard copy of this Annual Report or a copy in large print please contact the Company Secretariat at the Company's registered office below. A PDF copy of this report can also be downloaded from our website.

Registered office and headquarters

Rentokil Initial plc – Registered in England and Wales: No. 5393279
Riverbank, Meadows Business Park, Blackwater, Camberley,
Surrey GU17 9AB
Telephone: +44 (0) 1276 607444
Contact: investor@rentokil-initial.com
Company website: www.rentokil-initial.com

Cover image
Marcos Edson Magalhães
Pest Control Specialist, São Paulo, Brazil

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