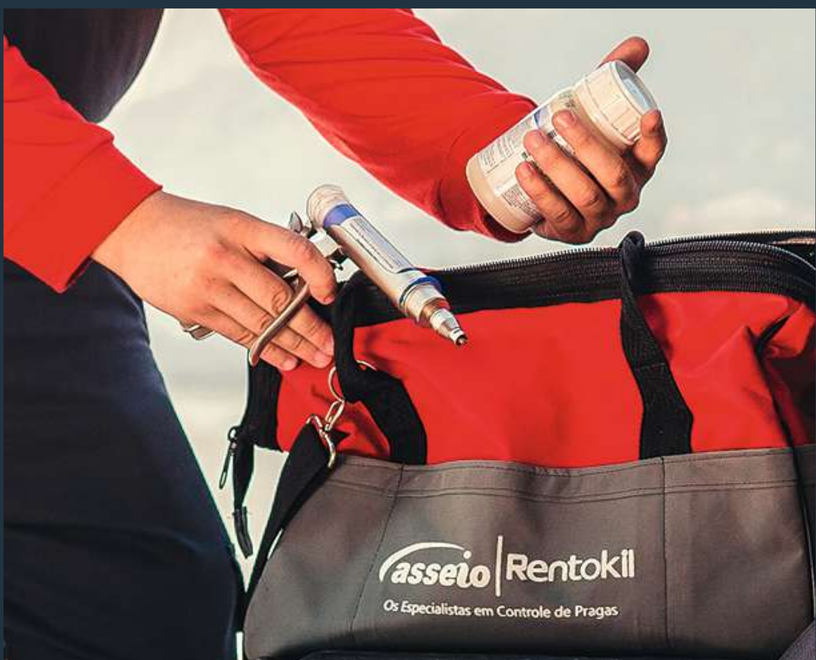
Rentokil Initial

Annual Report 2016



Strategic Report

Corporate Governance

Financial Statements

Additional Information

The Financial Review on pages 91 to 93 forms part of the Strategic Report.

This Annual Report contains references to Alternative Performance Measures (APMs) which are not GAAP measures as defined under International Financial Reporting Standards (IFRS). An explanation of the APMs used along with reconciliation to the nearest equivalent IFRS measure can be found in Section E of the Notes to the Financial Statements on page 134.

2016 has been a very good year with a strong financial performance.

We have continued to evolve our business through a combination of organic and acquisitive growth. The composition of our revenues is also changing shape, with approximately 70% of Group Ongoing Revenue now within our Emerging and Growth markets.

On behalf of the Board, I would like to thank our shareholders and customers for giving their continued support to Rentokil Initial and for their ongoing trust and loyalty.

Our commitment is to protect people and enhance lives and we do this by harnessing the latest technology to deliver an unrivalled customer experience and innovative products and services. Our investment in our colleagues sustains the industry-leading performance and innovation found across all our operations.

In 2016 we have welcomed new colleagues through the many good businesses we have acquired and through the ongoing process of improving the capability of the Group. The Board would like to thank all our colleagues who have put in a huge effort to meet the needs of our customers, as well as helping to deliver our strategy at pace.

Over the next several pages we show a number of examples of initiatives and investment that will ensure we continue to grow and increase our market share. We hope you will enjoy reading our 2016 Annual Report.

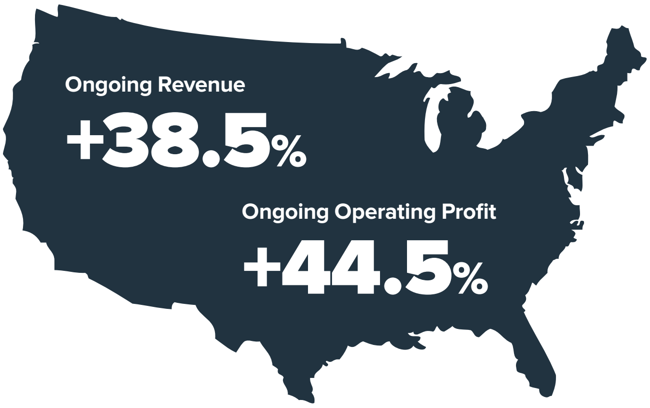
John McAdam
Chairman
22 February 2017

A Snapshot of Our Year

Expansion in North America

Our business in North America now accounts for over 30% of the Group. We have a clear plan for growth focused on delivering higher revenues and improved margins through scale and density.

Read more on pages 19 to 21



Strong financial performance

Ongoing Revenue growth
+12.6%

Organic Revenue growth
+3.0%

Revenue growth
+11.7%
(+23.2% at AER)

Ongoing Operating Profit growth
+11.5%

2016 Dividend
+15.0%

Profit before income tax
+15.0%
(+31.0% at AER)

Read more on pages 91 to 93

Emerging and Growth markets

During 2016 we achieved strong Ongoing Revenue growth in these markets fuelled by acquisitions in our growth markets as well as organic growth in Asia, UK, Germany and North America.

Read more on pages 16 to 17

Emerging markets Ongoing Revenue
+18.7%

Growth markets Ongoing Revenue
+19.7%

Accelerating growth in Pest Control

Ongoing Revenue growth
+25.9%

Ongoing Operating Profit growth
+25.1%

Organic Revenue growth
+5.7%

Read more on pages 18 to 21

Delivering shareholder value

In December we announced a joint venture with Haniel to create a leading provider of Workwear and Hygiene services in Europe, to be created through the transfer of our Workwear and Hygiene businesses in Benelux, Sweden and Central and Eastern Europe regions into CWS-boco, a company owned by Haniel.

Read more on page 7

c.18% stake in joint venture

Cash proceeds of **c.£420m**

€19m annual dividend for five years

M&A

Businesses acquired
41
(35 in Pest Control)

Combined annualised revenues of
£124m

Read more on pages 91 to 92

Growth Drivers

Drive organic growth through larger accounts

First global pest control contract

In 2016 we signed our first global pest control contract with a global food production and agricultural products organisation with a geographic footprint closely matching our own.

Global customers

Through participation in the Global Food Safety Initiative and our acquisition of Steritech, we are making good progress in targeting global customers.

$700m

Our acquisition of Steritech has significantly enhanced our capability in the US national accounts market, currently estimated to be worth over $700m.

55%

We increased our US national account sales by 55% in 2016 and our new business pipeline is strong.

As the world's most international pest control business, we have the scale and expertise to drive organic revenue growth through larger accounts.

International sales organisation

We have established an international sales organisation across our five regions focused on our most attractive sectors such as food processing, hospitality and healthcare.

£50m

Our pipeline of international accounts is currently worth over £50m.

Key driver of revenue

Multi-sensory marketing enhances the customer experience, strengthens brand loyalty and is a key driver of revenue.

Premium scenting services

In 2016 we were awarded a three-year dual mandate to supply premium scenting services for Starwood Hotels and Resorts, one of the world's largest hotel chains.

Growth Drivers

Value-enhancing M&A

Our M&A model

Our model for value-creating M&A is structured around disciplined evaluation of targets, detailed integration programmes and careful governance of new businesses under our ownership.

93

Over the last three years we have acquired 93 companies, delivering combined annualised revenues of c. £350m.

200

Our M&A team is in contact with at least 200 potential acquisition targets in any given year.

Our pipeline

Our pipeline of bolt-on M&A opportunities going into 2017 is particularly strong.

Acquisitions are a core part of our DNA – we have the in-house capability to identify, evaluate and execute acquisitions at pace.

Large-scale M&A

Through the transactions of Steritech and our proposed Workwear JV, we have demonstrated our capability to execute large-scale M&A and will leverage this capability going forward.

c. £12m

Five hygiene deals in 2016 (Australia, Chile, Ireland, Malaysia & New Zealand) with combined annualised revenues of c. £12m.

City-focused acquisitions

With 3.1% Organic Revenue growth in Hygiene in 2016, we are now seeking carefully targeted, city-focused acquisitions to build scale and grow margins.

Hygiene acquisitions

While pest control acquisitions are our priority, we expect an increasing number of hygiene acquisitions reflecting our growing confidence and the improving growth performance of this business.

Innovating for future success

Lumnia

is the first commercial range of electronic fly killers using LED lighting rather than traditional blue-light fluorescent tubes.

50% to 60%

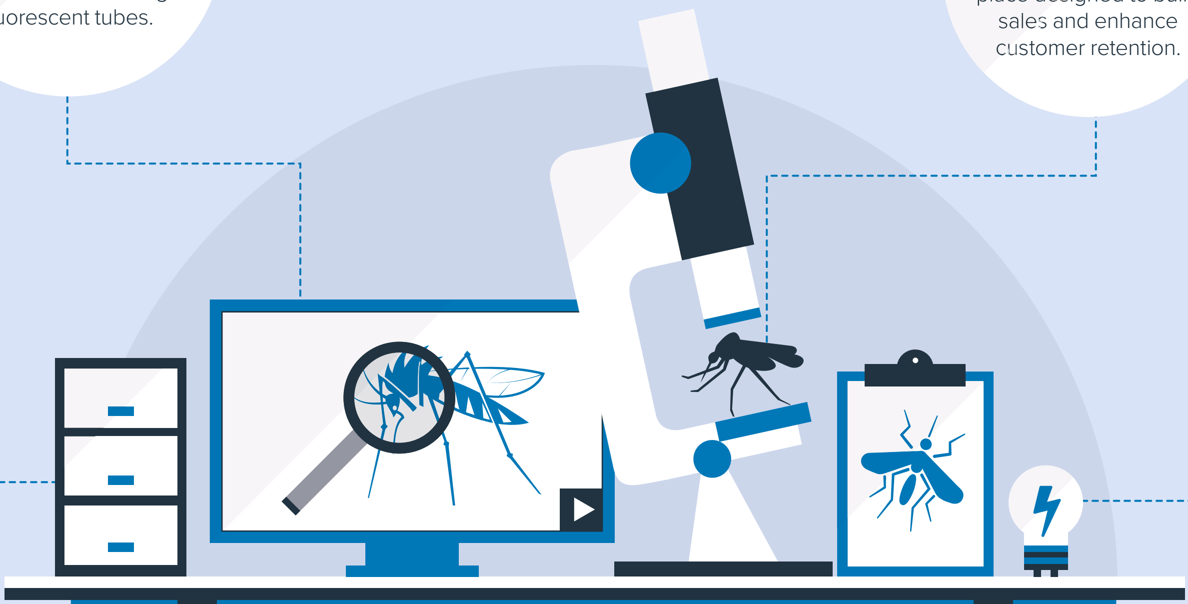
A highly effective product, Lumnia reduces waste burden and delivers a power use reduction of 50% to 60%.

5% to 8%

In the UK, innovations launched in the last two years as a percentage of Ongoing Revenue have risen from 5% to 8% in 2016.

Innovation

We have a strong innovation pipeline in place designed to build sales and enhance customer retention.



The innovation and development of differentiated products is at the heart of what we do.

Key themes

Our key themes are Innovative Products (e.g. Signature Colour), Insight through Information (e.g. myRentokil and myInitial customer extranets) and Remote Sensing (e.g. PestConnect and HygieneConnect).

100+

Over the last 18 months our research scientists have worked on over 100 different innovation projects.

<1 day

Taking less than one day to work versus three to four days for traditional baits.

RapidPro

Our new RapidPro product is the world's fastest acting rodenticide for rapid reduction of mouse infestations, including those mice resistant to traditional rodenticides.

Growth Drivers

Maximising our digital capabilities

Deploying new digital products

We continue to enhance and deploy new digital products to improve services and sell more effectively, particularly in Pest Control.

+25,000

PestConnect devices in 1,200 customer locations across 12 countries.

+70,000

customer registrations on MyRentokil portal in 2016 across 25 countries.

Improving customer experience

through roll-out completion of our customer portals e.g. myRentokil and myInitial.

Over the next three years we see significant opportunities to drive revenues, reduce costs and help better serve and retain our customers through the deployment of digital technologies.

Broadening digital applications

through low cost smartphone devices to help us improve productivity and customer service.

+10,000

colleagues were smartphone or tablet enabled by the end of 2016.

+10m

visits to our Pest Control website over last 12 months.

Maximising digital marketing

through the web to drive traffic and sales enquiries.

Strategic Report

Section features

Chief Executive's Q&A

This year we have delivered Ongoing Revenue growth of 12.6% (of which 3.0% was Organic Revenue growth and 9.6% was from acquisitions), Ongoing Operating Profit growth of 11.5% and Free Cash Flow of £156.4m.

We have also benefited from the recent weakness in sterling with total revenue and profit before income tax at actual rates of exchange rising by 23.2% and 31.0% respectively.

Our core Pest Control business has again performed strongly, Ongoing Revenue growing by 25.9% (of which 5.7% was Organic Revenue growth), and we are increasingly encouraged by the ongoing traction in our Hygiene business which grew by 4.8% (of which 3.1% was Organic Revenue growth). In December we signed a joint venture (JV) agreement with Franz Haniel & Cie. GmbH (Haniel) to establish a leading provider of workwear and hygiene services in Europe, to be created by transferring our Workwear and Hygiene businesses in Benelux, Sweden and Central and Eastern Europe (CEE) into CWS-boco (owned by Haniel). Completion is expected in mid-2017, subject to competition clearance.

Q. What are the key takeaways for investors from the Company's performance in 2016?

A. During the year we continued to implement an effective and consistent strategy – called our **RIGHT WAY** plan – at pace, and it is this strategy which is beginning to deliver consistent progress against our medium-term targets. The plan is based upon a clear, business model with five geographic regions and three core business lines, all operating on a low-cost, single-country operating structure. Our three core competencies are: our colleagues as experts; our business leadership; and our lean multi-business operations. We use a quadrant analysis tool for capital allocation and operational management and group our businesses into a four-box growth potential grid which has again worked well for us in 2016. Finally, our financial targets are to deliver mid-single-digit Ongoing Revenue growth, high-single-digit Ongoing Profit growth and strong and sustainable Free Cash Flow of £110m+, and we have exceeded all three of these targets in 2016.

In Pest Control we have strengthened our position as the world's most international pest control company through increased organic growth and through acquisitions, by establishing stronger market positions particularly in Emerging and Growth markets, and through innovation and digital expertise. In our Hygiene business we have delivered a significant improvement in revenue growth, established a strong product range, launched the myInitial customer portal for enhanced customer insight and engagement and have begun to acquire target bolt-ons to build scale and density. Finally, in Workwear, we have announced the creation of a JV with Haniel to form a leading provider of workwear and hygiene services in Europe.

Lastly, our continued focus on cash has enabled us to accelerate our acquisition plans during the year, particularly within Emerging and Growth markets. We acquired 41 businesses in Pest Control, Hygiene and Other across 19 countries, with combined annualised revenues in the 12 months prior to acquisition of £124m.

Q. How have your Pest Control operations performed this year?

A. Very well. We've seen an overall improvement in Organic Revenue growth of 5.7% with notably strong growth from Brazil, Chile, China, Germany, India, Indonesia and the US. This year we deployed multiple growth levers across our global portfolio to improve organic growth. These included using our technical expertise, innovation and digital expertise to drive new sales and reach new customers. Another key driver of organic growth in 2016 was progress in targeting international and national accounts. Our acquisition of Steritech in the US has really strengthened our capability in both these segments.

Growth from our North American Pest Control operations (excluding Products) has also been significantly aided by our successful acquisition programme across the region and during the year we bought 17 new businesses, all of which are integrating well. I'm very pleased to report that our Pest Control margins (excluding Products) in this key growth market are now at 16% and this still leaves us with significant margin opportunity to be gained through operational efficiencies including service productivity and procurement.

Q. Pest Control is going from strength to strength but Hygiene is also now looking increasingly promising. Why is this?

A. Initial Hygiene is the world's leading hygiene services business, operating in an attractive industry offering good growth opportunities as expectations around standards of hygiene increase. The business is highly profitable and, as in Pest Control, margins are driven by postcode density (servicing as many customers as possible in a tight geographic zone) and customer penetration (selling multiple service lines to customers). In recent years we have made significant investments in developing our products and believe we have the best range in the market, giving us greater confidence to sell to customers. In addition, we are also changing the way we incentivise and reward our colleagues, moving away from revenue-based schemes for sales towards margin-based schemes to improve revenue quality and reduce downside risks of underperformance and price pressure. As a result of our growing confidence in the business, we are now acquiring bolt-ons to build scale and density and during 2016 we bought five small businesses in Australia, New Zealand, Malaysia, the Republic of Ireland and Chile – all of which are performing well.

> **"I am very encouraged by our performance in organic growth which, at 3.0%, is at its highest level for 10 years."**
>
> **Andy Ransom, Chief Executive**

Q. What is the rationale for your joint venture with Haniel?

A. I absolutely believe that this transaction is the right deal at the right time – it is the best decision to take for the future of the businesses being transferred into the JV, is the right thing to do for the remaining Rentokil Initial businesses and is value creating for our shareholders. The transaction strengthens our balance sheet through cash proceeds of c.£420m which will be used to reduce debt and interest costs and increase our flexibility for value-enhancing acquisitions in the higher-growth markets of Pest Control and Hygiene. On a pro forma basis our net debt to EBITDA ratio will be reduced on completion and our annual interest costs will fall by some £7m. Further, through retaining a c.18% stake in the new JV, we will receive an annual dividend of €19m for five years (subject to a true-up mechanism). We anticipate maintaining our stake in the combined business for three to five years after which time we have various exit options under the agreement to optimise further value for shareholders.

Q&A

Q. M&A has once again been a key feature of 2016. Can you update us on progress?

A. 2016 has been very successful for M&A. This year we have acquired 41 businesses (35 in Pest Control, five in Hygiene and one in Other) with combined annual revenues of £124m for £107m. In North America we have continued to reinforce our presence as the number three player in the world's largest pest control market through the acquisition of 17 businesses, including the July acquisition of Residex. In addition, we have acquired businesses in Australia, Austria, Brazil, Canada, Chile, China, Denmark, French Guyana, Germany, Guatemala, Honduras, Hong Kong, Malaysia, New Zealand, Republic of Ireland, Spain, Switzerland, UK and the US. The integration of acquisitions is progressing well and Steritech – our largest pest control acquisition to date – exited 2016 with profits at the top end of expectations at c. $30m. We have also sold four small, non-core businesses. In the coming year we will continue to acquire businesses to infill locally, build further density and grow margins, particularly in Emerging and Growth markets and our pipeline of prospects is particularly strong going into 2017.

Q. What hasn't gone so well this year? What are your key challenges and opportunities?

A. As I described above, our Hygiene business has grown well this year but gross margins declined by 60 basis points (primarily reflecting the costs associated with new product roll-outs) and therefore our challenge going forward will be to improve profitability and yield management through our Execute Now programme (see page 24 for more details on how we plan to achieve this).

We are also keen to improve service productivity across the Group (and we exited 2016 slightly behind expectations, including in North America) and to push for even higher levels of customer retention across our businesses.

While our overall health and safety performance statistics show strong improvements (see page 33), we have identified a rise in some categories of accidents, particularly those involving driving and working at height. Safety is our number one priority and we are rolling out additional training programmes for frontline colleagues and first level managers to address this. We also want to move faster to raise safety standards in the businesses we acquire to match levels in our existing operations.

Finally, while we are delighted with our proposed joint venture with Haniel to transfer our Benelux, Sweden and CEE Workwear and Hygiene operations into CWS-boco, our Workwear operations in France will remain an important and substantial part of the Group going forward. Conditions have been challenging in France in recent years and this reflects the combination of a challenging economy, intense competition and significant pricing pressure which have resulted in reduced profitability and heightened tensions with our industrial relations there. In 2017 we will focus on further implementation of our Quality agenda designed to differentiate Initial Workwear as the quality player in the French market and this is already delivering improvements in service, customer satisfaction and retention.

In summary therefore, and based on the issues described above, our priorities for the coming year will be focused on margin enhancement across all our businesses, service productivity, maintaining and funding our successful performance in M&A, making further progress with our digital capability and innovation and finally delivering revenue growth – our focus remains very strongly on accelerating levels of organic growth across the Group. A more in-depth look at what we call our 'Big Five' challenges can be reviewed opposite.

Andy Ransom
Chief Executive
22 February 2017

Our 'Big Five' Challenges

Overall, 2016 has been a good year for the Company with many positive achievements. However, we have five big challenges – which we must turn into opportunities – ahead. These are:

1. Accelerate Organic Revenue growth

When we announced our **RIGHT WAY** plan in early 2014 we set ourselves a financial target of mid-single-digit Ongoing Revenue growth – comprising 2-3% Organic Revenue growth and 2-3% growth through acquisitions. In 2016 we delivered total Organic Revenue growth of 3.0% and growth from acquisitions of 9.6%. Further, Pest Control grew organically by 5.7% and Hygiene by 3.1%. Our challenge now is to grow organically in excess of 3% per annum. We aim to achieve this by focusing on product and service innovation, digital marketing, maximising the opportunity from global accounts and driving growth in our Emerging and Growth markets, specifically India, China and North America. More details on these initiatives can be found on pages 18, 21, 24 and 25.

2. Improve margins, particularly in Hygiene

While our Hygiene business delivered Organic Revenue growth of 3.1% in 2016, gross margin declined by 60 basis points in 2016, due principally to the costs associated with introducing our new product ranges across customer premises. While this will work its way through over time, there are additional steps we can take to grow margins further and these are shown on page 24 of this report under the heading of our 'Execute Now' programme.

3. Ongoing execution of M&A

In the last three years we have acquired 93 businesses with combined annualised revenues of almost £350m. All except one (representing 0.7% of total spend) have performed in line with or above their expected IRRs. The success of our M&A programme has contributed strongly to our growth in Pest Control, particularly in our key North American market. The challenge ahead is to sustain momentum by continuing to build the pipeline, drive performance to meet or exceed target hurdle rates and set ourselves the highest standards of integration and control to ensure ongoing success and to avoid the risk of adding to the complexity of our business or distracting existing operations.

4. Enhance capability in digital, innovation and the 'Internet of Things'

Over the last three years we have developed market-leading digital platforms across the customer lifecycle from sales and service through to account management and billing. We have also developed product and service innovations and in 2016 launched a collaboration with Google which will lead to the global deployment of innovative digital pest control products and, in the future, to the development of 'next generation' services to offer customers new levels of proactive risk management against the threat of pest infestation. Our challenge is to roll-out these developments across all of our key markets in a timely and cost effective manner, while at the same time sustaining the pipeline of new digital technologies and innovations.

5. Improve operational and financial performance in France Workwear

Our French Workwear business is profitable and highly cash-generative with good overall market share. However the market within which it operates is highly competitive and pricing pressure has been significant. We also operate in a complex industrial relations environment which presents additional challenges. We believe implementation of our Quality initiative is the best approach to mitigate these challenges and return the business to profitable growth. We changed the Managing Director of the business in 2016 and while we are making steady improvements in service quality, customer satisfaction and retention, the business continues to decline. On page 26 of this report, we outline the further steps we are taking to improve operational and financial performance and show our progress to date.

2016 Progress Towards Financial Targets

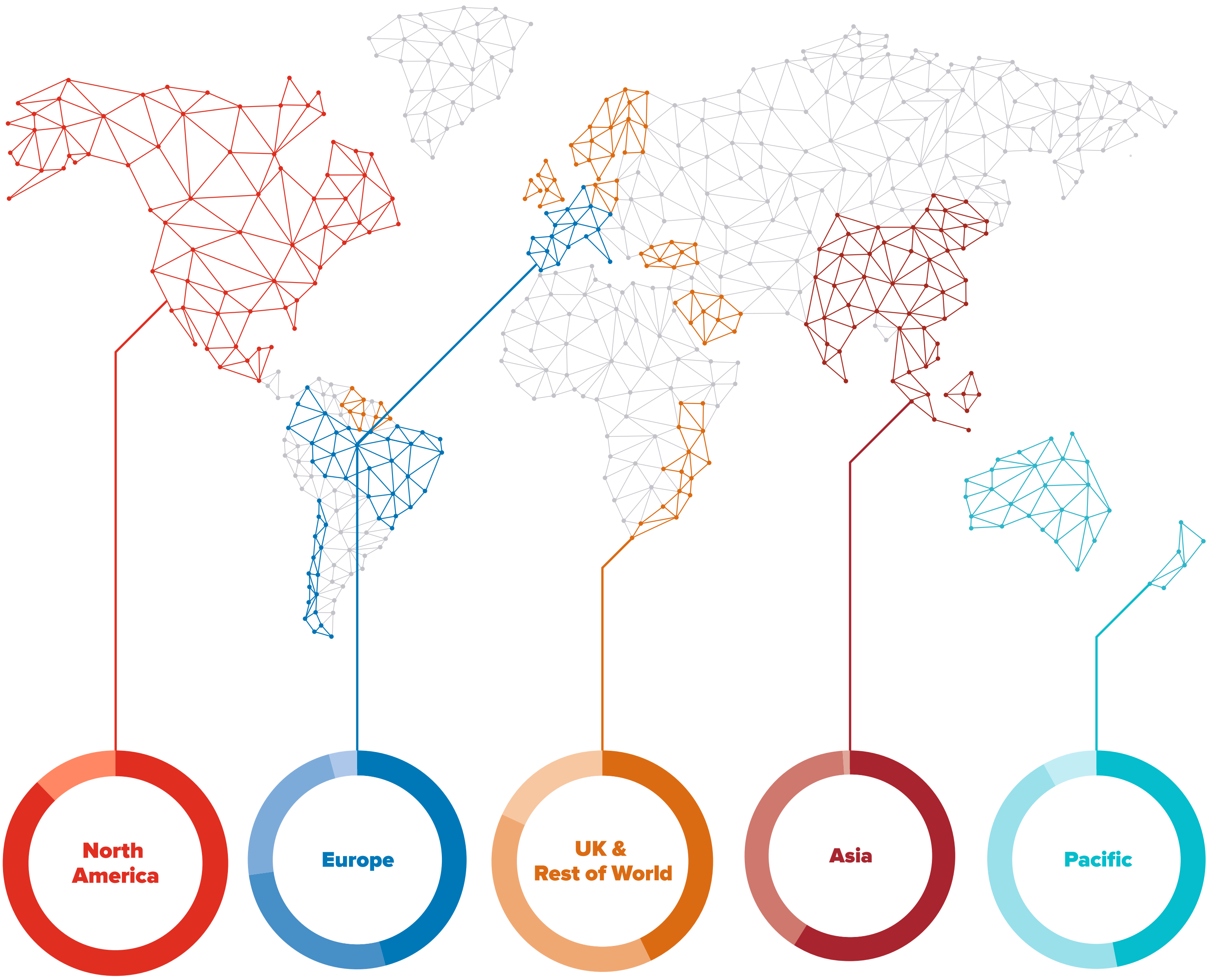
Target and key activities	Progress in Year Three
Target: Mid-single-digit Ongoing Revenue growth	
Ongoing Revenue growth of 12.6%	■■■
Organic Revenue growth of 3.0%	■■■
Revenue growth from acquisitions of 9.6%	■■■
Accelerating Ongoing Revenue growth in Pest Control of 25.9% (5.7% Organic Revenue growth)	■■■
Encouraging Ongoing Revenue growth in Hygiene of 4.8% (3.1% Organic Revenue growth)	■■■
Disappointing Ongoing Revenue decline in France Workwear	■
41 companies acquired adding £124m of combined annualised revenues, principally in Pest Control in Emerging and Growth markets	■■■
Strong performance from North American business, Ongoing Revenue up 38.5% (4.4% Organic Revenue growth)	■■■
Customer retention of 85.8% (2015: 85.2%)	■■
49 Group websites upgraded by year end (21 in 2015). Rentokil Pest Control organic traffic up 21% and enquiries up 17% year to date	■■
Further deployment of customer extranet portals – myRentokil deployment complete by end of 2018, myInitial and myAmbius portals launched in 2016	■■
PestConnect deployed to first markets. Google partnership announced	■■
Innovation pipeline remains strong including Lumnia fly killers, RapidPro and AutoGate	■■
Target: High-single-digit Ongoing Profit growth	
Ongoing Operating Profit growth of 11.5%	■■■
Central and regional overheads up £5.6m on the prior year reflecting the impact of increased long-term incentive plan costs as a result of the recent share price performance of the Company	■
Gross margins lower across all three core businesses – focus on Hygiene in particular	■
Restructuring costs of £7.1m, down on the prior year	■■
Productivity measures in Asia and Europe leading to productivity gains locally; e-billing being rolled out across the Group; e-pay trial in Singapore; and collaboration tools across the Group (e.g. Project Speed)	■■
France Workwear Ongoing Operating Profit decline in 2016 – operationally stable but financial performance remains weak. Focus on Quality initiative, cost savings and improved pricing control in 2017	■
Target: Free Cash Flow of £110m+ per annum	
Free Cash Flow of £156.4m from continuing operations, considerably in excess of target £110m+. Balance sheet remains robust	■■■
Capex held in line with revenue growth	■
Overall increase in net debt of £212.1m largely due to exchange movements (in line with hedging strategy)	■
Pension scheme now in surplus on a technical provisions basis: £9m of cash held in escrow returned to the Company in February 2017	■■■
S&P BBB maintained – Stable Outlook reinstated reflecting progress with Steritech integration	■■■

■■■ Very strong progress ■■ Strong progress ■ Good progress ■ Further work required ■ Disappointing progress

Rentokil Initial at a Glance

Our business

Rentokil Initial is a global leader in the provision of route-based services which protect people and enhance lives.



North America

Pest Control	88%
Other	12%

Europe

Workwear	46%[1]
Hygiene	27%[1]
Pest Control	23%
Other	4%

UK & Rest of World

Pest Control	43%
Hygiene	39%
Other	18%

Asia

Pest Control	59%
Hygiene	40%
Other	1%

Pacific

Hygiene	47%
Pest Control	45%
Other	8%

1. In December 2016 the Company announced the transfer of its Workwear and Hygiene businesses in Benelux, Sweden and CEE to CWS-boco under the terms of a joint venture with Franz Haniel & Cie. GmbH. Post completion of the transaction in mid-2017 the Company will have Hygiene operations in 30+ countries and will retain Workwear operations in France only.

Rentokil Initial at a Glance

Our brands and businesses

Pest Control

Rentokil Pest Control is the world's largest international commercial pest control company providing the highest levels of risk management, reassurance and responsiveness to customers.

Rentokil operates in over 66 countries around the world.

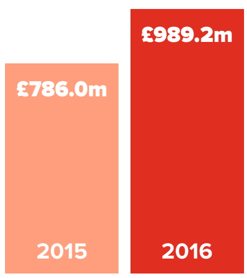
We have leading market positions in the UK, continental Europe, Asia, Pacific and South Africa, a number three position in North America and a rapidly expanding presence in Central and Latin America.

Ongoing Revenue

£989.2m

Ongoing Operating Profit

£184.4m



Hygiene

Initial Hygiene is the world's largest hygiene services company offering the widest range of services including the provision and maintenance of products including air fresheners, sanitisers, feminine hygiene units, hand dryers, paper and linen towel dispensers, soap dispensers and floor protection mats.

Initial Hygiene operates in 41[1] countries around the world.

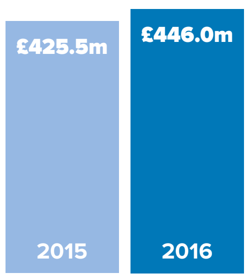
We have leading market positions in 19 of our markets.

Ongoing Revenue

£446.0m

Ongoing Operating Profit

£86.1m



Workwear

Initial Workwear is a leading provider of workwear services across the four[1] main continental European markets of France, Germany, Belgium and the Netherlands.

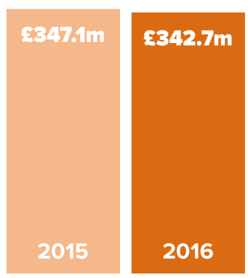
We specialise in the supply and maintenance of garments, such as workwear and personal protective equipment, throughout Europe. We also offer a specialist cleanroom service for the pharmaceutical and healthcare sectors.

Ongoing Revenue

£342.7m

Ongoing Operating Profit

£39.8m



Other

Ambius is a world-leading interior landscaping business which installs and services plant and flower displays, replica foliage, Christmas decorations and ambient scenting for commercial businesses.

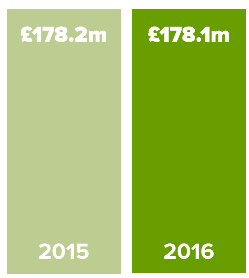
Our UK Property Care business provides damp-proofing, woodworm, property preservation and wood rot treatment services.

Ongoing Revenue

£178.1m

Ongoing Operating Profit

£17.2m



Revenue and profit figures above represent ongoing revenue from continuing operations and exclude revenue and profit from businesses disposed and closed but includes revenue and profit from acquisitions (at CER). Adjusted operating profit is before central and regional overheads.

1. In December 2016 the Company announced the transfer of its Workwear (including Cleanrooms operations) and Hygiene businesses in Benelux, Sweden and CEE to CWS-boco under the terms of a joint venture with Franz Haniel & Cie. GmbH. Post completion of the transaction in mid-2017 the Company will have hygiene operations in 30+ countries and will retain workwear operations in France only.

Our Markets

We are leaders in our chosen markets

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

Rentokil is the leading pest control company in 46 of its 66 markets around the world, with a number two position in 12 countries and a number three position in five markets.

The global commercial pest control market is worth c. $8bn p.a. and the total global pest control market is worth c. $16bn.

Pest control is a highly defensive industry and offers sustainable, long-term growth prospects. It covers a vast array of pests, some unique to certain countries or climates, while others (such as rodents) are present in every country around the world.

There are c. 40,000 pest control companies worldwide, of which about half are in North America. Industry consolidation is an ongoing market dynamic.

Initial Hygiene is the world's leading hygiene services business.

Initial Hygiene is the leading hygiene services company in 19 of its 41[1] markets around the world with a number two position in 10 countries and a number three position in eight markets.

The hygiene services market offers good growth opportunities as organisations demand increasing standards of hygiene – hand hygiene, air hygiene and a professional feminine hygiene service.

Margin growth is driven by density of customers by location, what we call 'postcode density', and by the number of serviced products by customer, or 'customer penetration'.

Initial Workwear is the second largest provider of workwear in Europe[1].

Initial Workwear is a leading provider of workwear services across continental Europe[1]. It is the number two integrated workwear services provider overall, with strong positions in Belgium, France, the Netherlands and Germany.

The European workwear market (including general workwear, cleanroom, flat linen and personal protective equipment) is valued at c. €4.75bn. With a compound annual growth rate of 2%, it is expected to reach €5.1bn by 2020.

Industry and trade services sectors comprise 35% of the market while hotels, restaurants, caterers and healthcare comprise 50% (of which around 80% is flat linen). The cleanroom laundry market is valued at over €400m, and is growing at 5%-7% p.a.

1. In December 2016 the Company announced the transfer of its Workwear and Hygiene businesses in Benelux, Sweden and CEE to CWS-boco under the terms of a joint venture with Franz Haniel & Cie. GmbH. Post completion of the transaction in mid-2017 the Company will have Hygiene operations in 30+ countries and will retain Workwear operations in France only.

1 in 5

New contracts
In Initial Hygiene sales of coloured (or non-white) dispensers now account for one in five products in new contracts.

1/3

Global pest control market
Five major players account for around one third of the global pest control market.

c.$8bn

North America market
North America is the world's largest pest control market worth c. $8bn.

+35%

Scented environments
The premium scenting market is currently growing at 35%+ year on year.

+4%

CAGR
Global pest control market expected to grow annually by between 4% and 5%* to 2026.

*various industry reports

9+

Customer segments
Principal pest control customer segments include high dependency, food processing and pharmaceutical, offices, hospitality, retail, healthcare, education and residential.

No.1

GDP
In Asia where Initial Hygiene is number one in five markets, and number three in four markets, growth in the hygiene sector is in line with country GDP at c. 8%.

40,000

Critical discipline
Toilet handles in public washrooms can harbour up to 40,000 germs per square inch, making handwashing a critical discipline.

Our Markets

What dynamics are shaping our markets?

Climate change and urbanisation

Pests are becoming more endemic. Increases in temperatures are leading to longer breeding seasons and migrations of pests to new regions, while fewer harsh winters are maintaining pest populations.

66%

66% of the world's population will live in urban areas by 2050 (currently 54%), raising transmission risk.

(Source: UN)

Increased economic activity

+1.8%

2017 GDP forecasts for 'High Income' countries (USA, UK, Europe) is +1.8%.

+4.2%

2017 GDP forecasts for 'Emerging and Developing' countries is +4.2%.

(Source: World Bank)

Regulatory standards

Customers facing increased laws, regulations, codes of practice and enforcement burden, require higher standards of pest control and hygiene.

Environmental standards

Growing demand for sustainable products and services.

Demographic change

8bn

World population is expected to grow to 8bn by 2025 (7bn currently), changes in age distribution and rising middle classes (in Asia and Latin America in particular) – rising demand in healthcare, housing and food production sectors.

Increased risks to public health

48

To date, 48 countries and territories in the Americas have confirmed vector-borne transmission of Zika virus since 2015.

Reputational risk

Organisations are acting to reduce the risk of reputational damage (through social media and other channels) for instance, the potential impact of poor hygiene in food retail.

Common manifestations of poor food hygiene are typically upset stomachs leading to work absence through sickness. The cumulative effect of these situations can be costly to health, well-being and economic productivity.

How we create shareholder value

What we offer

Rentokil
offers a complete range of pest control services, from rodents to flying insects, to other forms of wildlife management.

Initial Hygiene
provides a dedicated and expert hygiene service. It offers the widest range of washroom hygiene services including the provision and maintenance of products.

Initial Workwear
specialises in the supply and laundering of workwear, uniforms, cleanroom uniforms and personal protective equipment.

A leader in our chosen markets, generating high returns with good growth opportunities

Clear, differentiated management strategy to drive performance and capital allocation

Highly cash-generative

Proven management team executing strategy at pace

Clear plan to deliver mid-single-digit Ongoing Revenue growth, high-single-digit Ongoing Operating Profit growth and sustainable Free Cash Flow of £120m+ p.a.

Further scope for profit growth and margin enhancement

What we do and how we generate value

1

We train, develop and equip our people with the best skills and tools to offer outstanding customer service.

We generate value by developing our people and creating true experts in the field. This allows us to take advantage of new opportunities and continually grow new revenues.

2

We develop, procure and manufacture products that we sell, supply or apply for customers.

Through continued development and our knowledge and expertise, we generate value by offering market-leading products that add value to our customers' businesses.

3

We market, sell and provide retained services to customers.

We generate value through the strength of our customer relationships. We have the ability to drive organic growth and upsell further service offerings.

4

We innovate, creating the products and services of the future.

We add value by enabling our colleagues to deliver the most effective service possible to our customers.

Why we're different

RIGHT PEOPLE
32,150 experts

RIGHT THINGS
Industry leadership

RIGHT WAY
Global reach

Our differentiated strategy

Our capital allocation model by market continues to work very well.

Since the articulation of our RIGHT WAY plan in 2014 we have worked steadily to improve the quality of our revenues – around 70% of which are now in Growth and Emerging markets.

Objective	Market context	Strategic focus
Emerging **Build a platform for future growth**	The world population is expected to grow to 8 billion by 2025, impacting specifically on strategically important markets to us, including India, China and Brazil where we are already experiencing double-digit revenue growth.	Building market-leading positions in key cities across those markets which we identify as having the best opportunities for our Pest Control and Hygiene operations. Good M&A opportunities (IRR: ~15%).
Growth **Exploit scale, innovation and digital expertise**	Key factors which are driving consistent growth include increasing population, additional legislation in critical areas such as food safety and a growing pest burden of species such as mosquitoes.	Growing market share and developing existing customers, while filling gaps in our geographic footprint through organic and acquisitive growth. Good M&A opportunities (IRR: >15%).
Protect and Enhance **Focus on Quality**	These markets are low growth and highly competitive. Pricing and financial performance remains poor. Our France Workwear business[1] is particularly challenged. 1. In December 2016 the Company announced the proposed transfer of its Workwear and Hygiene businesses in Benelux, Sweden and CEE to CWS-boco under the terms of a joint venture with Franz Haniel & Cie. GmbH. Post completion of the transaction in mid-2017 the Company's Protect & Enhance markets will comprise 24% of Group Ongoing Revenue and 24% of Group Ongoing Operating Profit.	Retaining customers, while building profit and cash contributions. Limited M&A activity (IRR: ~25%).
Manage for Value **Focus on retention and costs**	We continue to reduce our exposure to low-growth, low-margin business. Southern European economies have been highly challenged.	Retaining customers, aggressive cost management and productivity gains. We continue to divest subscale/unprofitable businesses where appropriate. Limited M&A activity (IRR: ~30%).

Strategy

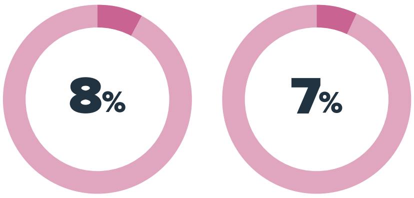
Our four markets

Emerging

Ongoing Revenue +18.7% to £164.2m

Ongoing Operating Profit +31.4% to £21.0m

Group Ongoing Revenue | Group Ongoing Profit[1]

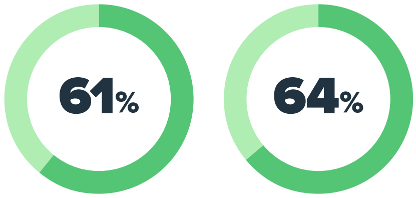


Growth

Ongoing Revenue +19.7% to £1,192.9m

Ongoing Operating Profit +17.7% to £211.1m

Group Ongoing Revenue | Group Ongoing Profit[1]

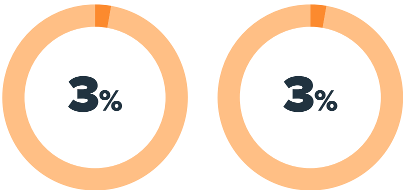


Manage for Value

Ongoing Revenue +1.3% to £58.3m

Ongoing Operating Profit +4.4% to £9.6m

Group Ongoing Revenue | Group Ongoing Profit[1]

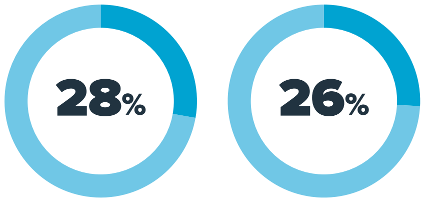


Protect and Enhance[2]

Ongoing Revenue -0.7% to £540.6m

Ongoing Operating Profit -7.0% to £85.8m

Group Ongoing Revenue | Group Ongoing Profit[1]

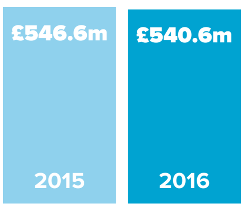


1. Before central and regional overheads and restructuring costs.
2. In December 2016 the Company announced the proposed transfer of its Workwear and Hygiene businesses in Benelux, Sweden and CEE to CWS-boco under the terms of a joint venture with Franz Haniel & Cie. GmbH. Post completion of the transaction in mid-2017 the Company's Protect and Enhance markets will comprise 24% of Group Ongoing Revenue and 24% of Group Ongoing Operating Profit.

Our plans for 2017

- City-based acquisitions in higher-growth markets (including India & China)
- Use strength of Rentokil brand to increase sales from international customers
- Maximise increasing importance of pest control to combat major health threats (e.g. Zika, dengue fever)
- Use digital tools to support sales and productivity

- Build margins in North America through increased scale and density
- Increase sales from national and international accounts
- Deploy pest control innovation in key sectors (e.g. rodents, bed bugs) to maximise upselling opportunities
- Exploit digital expertise across customer lifecycle in major regions/countries
- Further execution of M&A

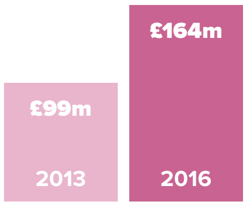


Revenue

- Our JV with Haniel will reduce our exposure to the Workwear category in markets outside of France
- Further implementation of Quality agenda in France Workwear
- Maintain focus on retention, productivity, route density
- Development of new offers and services

- Focus on retention, productivity, route density and cost Management
- Implementation of customer care strategy in Southern Europe to enhance customer experience and relationships
- Continued divestment of non-core businesses

The progress we have made



Growth in annual Ongoing Revenue

25 Companies acquired (2013 – 2016)

76 Acquisitions (2013 – 2016)

£290m Additional revenues from acquisitions (2013 – 2016)

+2.2% Increase in Workwear State of Service in 2016

+4.5% Increase in Workwear customer satisfaction in 2016

+1.3% Growth in Ongoing Revenue in 2016

3% Of total Group Ongoing Revenue in 2016 (2013: 35%)

Strategy in Action

Pest Control

Accelerating growth in Pest Control by building on market-leading positions and consistent delivery.

Pest Control is our core business line and engine for growth. Continued acceleration of our business will be achieved through:

- building on our unrivalled global leadership through continued expansion in Growth and Emerging markets. We will also continue to expand in North America;
- maintaining a strong, value-creating acquisition programme to build density;
- harnessing the digital opportunity – completing the roll-out of our best-in-class customer portals and developing web presence for a mobile/digital-first world. We aim to lead in connected products, particularly for high dependence food clients;
- exploiting the international sales opportunity – using tight profiling and framework agreements. Our pipeline of international opportunities is now c.£50m; and
- continuing to innovate at pace for future growth through deployment of new pest control products and services from our innovation pipeline.

Attractive and growing market

Pest control is an attractive and growing market offering sustainable, long-term growth prospects. It is expected to deliver a compound annual growth rate of between 4% and 5% through to 2026. Structural growth drivers include: economic activity in growth markets (offices, housing etc.); population expansion and urbanisation, particularly in Emerging markets; a growing middle class demanding higher standards of hygiene; rising international standards in food safety and hygiene regulation; increasing pressure from pest species such as mosquitoes through climate change (for example the Zika virus) legislation and regulatory change.

Driving growth in Pest Control

As the world's leading pest control business we have the scale and expertise to drive Organic Revenue growth, which rose by 5.7% in 2016. We provide an update on some of our Organic Revenue growth levers opposite and overleaf.

Global and national accounts

We are making good progress in targeting global customers particularly in the food processing and hospitality sectors. Our acquisition of Steritech in North America, combined with our increasingly active participation in the Global Food Safety Initiative, has strengthened our global brand presence in these sectors. In 2016 we signed our first major contract with a global food production and agricultural products organisation with a geographic footprint that closely matches our own. In addition, we have a strong pipeline of further new business opportunities within the food production, pharmaceutical, hotels, hospitality, transportation and logistics sectors.

The acquisition of Steritech last year has also significantly enhanced our capability in the US national accounts market, currently estimated to be worth over $700m and representing 28% of the total US commercial pest control market. While Rentokil has a 10% share of the commercial market, we have less than 3% of the national accounts opportunity. Now with greater national scale and density, we are more competitive and a key component of our sales strategy is to grow our national accounts portfolio rapidly through:

- targeting specific national account prospects within the most attractive industry segments such as food and pharmaceuticals;
- taking a standardised and focused approach to sales execution with common performance metrics and sales processes;
- leveraging the combined national sales expertise of both Rentokil and Steritech; and
- maximising cross-selling opportunities across brands.

In 2016 we have increased our national account sales by 55% and, as with our global accounts, our pipeline of prospects is strong.

Ongoing Revenue +25.9%

£989.2m

(AER: £1,094.5m, +39.3%)

Ongoing Operating Profit +25.1%

£184.4m

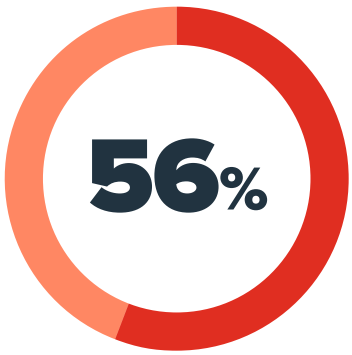
(AER: £203.1m, +37.7%)

Operating Margin[1]

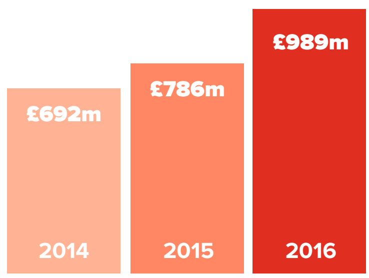
18.6%

Percentage of Group Ongoing Revenue

Percentage of Group Ongoing Operating Profit[1]



Three-year revenue growth



1. Pre central and regional overheads and restructuring costs.

Strategy in Action

5.7%

Our Pest Control business has more than doubled its Organic Revenue growth rate from 2.3% to 5.7% between 2013 to 2016.

78

pest control companies acquired over the last three years, predominantly in Growth and Emerging markets.

10%

While Rentokil has a 10% share of the commercial market, we have less than 3% of the national accounts opportunity.

£311m

The business has added c.£311m in combined annualised revenues over the last three years from acquisitions.

+$1bn

Post the acquisitions of Steritech and Residex, annualised revenues in our North American business are now over $1bn, some two years ahead of plan.

+55%

55% growth in national account sales in 2016 in North America.

£50m
worth of international contracts are currently in our pipeline.

10m
In 2016 our web platform handled over ten million visits.

35
pest control companies have been acquired this year.

Technical expertise shared across markets

Across the world we combat the dangers to public health from mosquitoes and believe our depth of expertise and experience in global mosquito control is unrivalled. In July we were proud to be awarded a contract by the U.S. Federal Government's Centers for Disease Control and Prevention to help control the species of mosquito that could potentially carry the Zika virus across the USA and its protectorates.

Rentokil has a network of experts available for deployment as required alongside its global technical resource to target affected or high-risk areas. It can also provide additional services that entail community outreach, surveillance and inspection, and support for the distribution of materials and educational information. The contract will run to June 2018, subject to government review.

In Central and Latin America and across the Caribbean, Rentokil is also undertaking monitoring and control services to support its customers against the potential threat of Zika and in Asia we have over 30 years' experience in helping customers to combat the threat of dengue fever.

Digital leadership and web expertise

The world is becoming increasingly focused on digital applications and Rentokil is leading the pest control industry in the commercialisation of the 'Internet-of-Things' through connected devices. We now have digital expertise at every stage of the customer journey from web searching through to e-billing. In addition, over the last three years we have been developing, testing and deploying our range of remote monitoring sensors and connected devices.

PestConnect, our remote monitoring system for rodents, is the world's smartest mouse trap. It is now used in over 1,200 customer premises across 12 countries and has sent us over three million individual messages relating to the presence of rodent activity and service productivity (such as battery life and the level of mobile connectivity). The system also guides our technicians to the exact unit that has signalled rodent activity – particularly useful on sites which use multiple units.

In 2016 our web platform handled over ten million visits with double-digit visitor growth in key markets. One new website has been launched every three weeks. In addition, the myRentokil online customer portal was rolled out to 20 countries with over 60,000 customers registered.

Growth through M&A

This year we acquired 35 pest control companies in Australia, Austria, Brazil, Canada, Chile, China, Denmark, French Guyana, Germany, Guatemala, Honduras, Hong Kong, New Zealand, Spain, Switzerland, UK and the US. In addition, on 1 July 2016, we completed the acquisition of pest and turf products distribution company Residex (see below). The integration of all acquisitions is progressing well and the pipeline remains very strong with further opportunities to create value. M&A is a core component of our strategy and we will continue to look for attractive targets to further build density, particularly in North America and in Emerging markets.

Acquisition of Residex

Our Target Specialty Products business (which accounted for approximately 10% of our North American revenue) is a leading US distributor of pest control and turf products. At the beginning of July we announced the acquisition of US pest control and turf products distribution business Residex LLC for $30m. Residex is the largest independent products distribution company in the US, with annualised revenues for the 12 months prior to acquisition of $113m. The acquisition increases the scale of our US pest products operation, more than doubling its size to $200m in revenue. We now have the second largest products business of this type in the US, delivering national coverage and a greater density footprint.

The acquisition also provides entry into the Canadian pest control products market. Post the acquisitions of Steritech and Residex, annualised revenues in our North American business amount to just over $1bn, some two years ahead of plan.

Integration of Steritech

The integration of Steritech is progressing well. All integration work streams are on track and management integration is complete. Both back office rationalisation and procurement savings programmes are running to plan. While our IT infrastructure migration and application roadmap is in place, we are only half way through this element of the programme and this will be a focus for 2017. The business achieved profits of over $30m in 2016, at the top end of expectations.

Market

Rentokil is the world's largest commercial pest control company and has c.15% of the global commercial market and 8% of the total pest control market worldwide. We continue to increase our international presence through a combination of organic growth and targeted acquisitions. For further information on the pest control market, please see page 12.

Customers

In over 66 countries, businesses and homeowners trust Rentokil to solve their pest problems and prevent them from reoccurring. Commercial customers account for approximately 80% of revenue and include non-food sectors, food processing, food service and food retail sectors, largely as a result of their regulatory requirements for pest control services.

Residential pest control represents approximately 20% of business revenue with over 75% of this coming from the US and Australia. On a per capita basis both countries have much larger residential markets for pest control than in Europe, primarily because of the presence of termites.

Outlook for 2017

Pest control is a highly resilient industry and offers sustainable, long-term growth prospects. We are well placed to take advantage of major growth drivers which include: the convergence of international standards (particularly in the food industry); the drive for quality and consistency from multi-nationals; rising expectations from consumers driving companies to invest in brand protection; and growing demand in developing markets. Pest control benefits from exposure to higher GDP growth territories, principally within the Growth and Emerging markets, and these will remain our primary focus for investment.

In 2017 we will continue to build our business in North America and central to this will be the successful integration of recent acquisitions including Steritech and Residex. In addition, we will continue the deployment of new products and services, increase digitalisation of our services and productivity tools, complete the roll-out of our enhanced global web presence and seek additional M&A opportunities.

Strategy in Action

Rio 2016: the pest control perspective

The eyes of the world were on Brazil this summer as tens of thousands of visitors and athletes arrived for the Rio 2016 Summer Olympic and Paralympic Games. The health and safety of everyone attending the Games were of absolute importance to the International Olympic Committee.

Ahead of the Games, Rentokil was appointed to undertake pest control and mosquito control services as part of the extensive risk management approach that was undertaken by the Rio 2016 Organising Committee.

This case study aims to outline the steps and innovations delivered by Rentokil to provide a pest-free Games and support other cities or organisations as they undertake similar pest management programmes to protect public health at large scale events around the world.

Rentokil in Rio

Rentokil is Brazil's leading provider of pest control services and has been supporting businesses, public authorities and residential customers since 2012.

We commenced work for the Games in May 2016, providing an intensive range of preventative pest control services to the Athletes' Village, Operating Village, three Media Villages, arenas, stadiums and the Olympic Parks, including hospitality areas. A core team of 20 technicians provided a full range of services to prevent rodents, flies, insects, birds and mosquitoes. Each member of the team undertook additional technical and operational training to work under the specific procedures of the Rio 2016 Organising Committee.

Our Rentokil team was able to monitor and apply new applications where required, and was available 24/7 to undertake preventive and corrective services as required, particularly in priority areas such as the Athletes' Village.

Knowledge of the local area was critical to our success. The local environment included ground marshes, areas of environmental protection, dense vegetation, rivers, lakes and waterfalls – all of which were seen as areas of potential risk. Rentokil's approach to proactive pest control ensured that a detailed pre-survey, prevention plan and technical performance targets were presented and approved by the Organising Committee. Each target (such as 'speed of response') was tracked daily with full transparency of results and ultimately delivered in full.

Mosquito control in Rio

Much attention ahead of the Games focused on the harrowing effects of the Zika virus in Brazil and around the world, and thus Rentokil set about delivering the most extensive mosquito control programme ever undertaken for an event of this scale. Despite large areas of open water, poor sanitation in parts of Rio (ideal conditions in which larvae can develop) and high temperatures, the combination of Rentokil's service, highly trained and dedicated technicians and the introduction of new innovations delivered a highly effective prevention service.

Outcome

In August 2016 the WHO Zika Committee congratulated Brazil on its successful application of appropriate public health measures during the Olympic Games. It also confirmed that to date there have been no reports of confirmed cases of Zika virus among people who attended the Games.

And finally...

French polo player Mehdi Maezouki commented in the French media that, with all that appeared in the international press, he was apprehensive about attending the Rio Olympic Games. However, he added after the Games that he had experienced no problems, saying, "Zika? I did not see a mosquito in Rio. I see many more in Paris."

+90%

Ultrasonic pulses

During the Games we used for the first time an innovative, non-chemical treatment using ultrasonic pulses to kill larvae in open water, reducing the mosquito larvae population by over 90%.

Disease Control and Prevention

In July we were awarded a contract by the U.S. Federal Government's Centers for Disease Control and Prevention to help control the species of mosquito that could potentially carry the Zika virus across the USA and its protectorates.

Strategy in Action

360°

Rentokil's 360° mosquito programme, used for the first time at a major event, included a combination of methodologies that disrupted the mosquito larvae to adult lifecycle. The programme featured regular inspections of the areas where mosquitoes were most likely to be; 80 monitoring traps were placed in key sites to act as an early warning system; mosquito types were identified to target action in line with WHO protocols; control solutions, such as fogging and insecticide sprays on vegetation; online risk mapping and detailed reporting. Our mosquito programme was also used by specific Olympic teams and hotels around their own properties.

Proven pedigree

Rentokil delivered pest control services for the 2008 Beijing Olympics. Innovations introduced for the event included PestNetOnline, our online pest control reporting system, and RADAR, the world's smartest mousetrap utilising CO_2 technology to control rodents in a humane and eco-friendly manner.

International knowledge sharing

Rentokil applied the expertise it had developed from working in the US and Asia for over 30 years to enhance our Rio team's understanding and expertise.

Strategy in Action

Hygiene

Pursuing an 'Execute Now' growth strategy to leverage our key strengths in our 41[1] countries of operation.

In 2016 we achieved our strongest levels of Ongoing Revenue growth for many years. However margins have come under pressure this year, in part due to the costs associated with the roll-out of our new product ranges.

Improvements in performance will be achieved by:

- building on the strength of our leading hygiene brand and strong market positions;
- selling with confidence – our product ranges such as Reflection, Signature, Colour, No Touch and Premium Scenting;
- leading on innovation through 'Internet-of-Things' for Hygiene, for example sensing, hand hygiene compliance, particularly in the food and health market sectors; and
- building city density and extending our footprint through organic growth and targeted M&A.

Attractive and growing market

Initial Hygiene is the world's leading hygiene services business, operating in an attractive industry offering good growth opportunities as expectations around standards of hygiene continue to increase. The business is highly profitable and, as in Pest Control, margins are driven by postcode density (servicing as many customers as possible in a tight geographic zone) and customer penetration (selling multiple service lines to customers). What we seek therefore is more customers on our routes and more products on customers' walls.

Driving growth in Hygiene

As the world's leading hygiene services business, we have the scale and expertise to drive Organic Revenue growth, which rose by 3.1% in 2016. We provide an update on some of our organic growth levers opposite.

Postcode density and service productivity

Our Service+ route planner is a web-based planning tool which we use in our Pest Control business. During the year we have been developing this tool for further application across our Hygiene operations.

The Service+ route planner has been formulated to optimise both territory and daily route planning. Customer service visits, driving routes and working days are automatically pre-planned and optimised, then service visits requiring further planning can be appointed, automatically confirmed and the plans updated.

Product penetration and customer upselling

Significant leverage is gained in Hygiene through selling multiple services per customer premises. We have high-quality product ranges now in place and are offering our sales colleagues specialist training to help them sell multiple services to customers, supported by promotional campaigns to highlight our range proposition. In addition, we are putting in place country-specific incentive programmes with local rewards to focus our sales force and frontline colleagues on achieving greater product density.

In addition, we continue to strengthen our washroom range to maximise our selling capabilities through additional product launches and the continued roll-out of the range across our operations.

Digital leadership and web expertise

Our digital sales and service tools are also being utilised to build customer awareness of Initial's multiple product offerings, for instance, the new customer portal, myInitial, is being developed to highlight the full spectrum of hygiene solutions on its home page.

1. Post completion of the Company's transaction to create a joint venture with Haniel, the Company will have Hygiene operations in c.30 markets globally.

Ongoing Revenue +4.8%

£446.0m

(AER: £486.0m, +14.2%)

Ongoing Operating Profit +3.9%

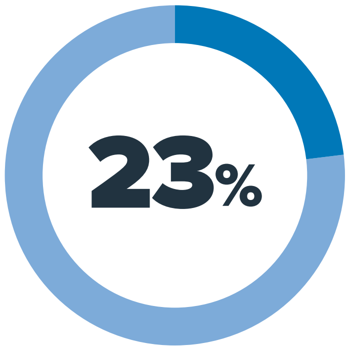
£86.1m

(AER: £94.4m, +14.0%)

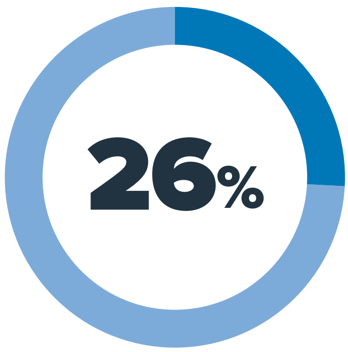
Operating Margin[2]

19.3%

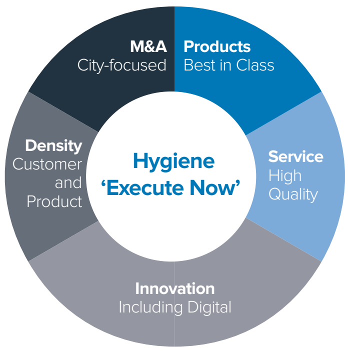
Percentage of Group Ongoing Revenue



Percentage of Group Ongoing Operating Profit[2]



Our Hygiene strategy



2. Pre central and regional overheads and restructuring costs.

Strategy in Action

Growth through M&A

In M&A we are adopting the same route density, city-focused strategy for our Hygiene business as we have for our Pest Control business, seeking small, highly-targeted acquisitions in Growth and Emerging markets to build density and grow margins. This year we bought five businesses in Australia, Chile, Malaysia, New Zealand and the Republic of Ireland generating combined annualised revenues of £12m – all of which are performing well. The increased number of acquisitions in Hygiene in 2016 is a reflection of our growing confidence in the performance of the business and the beneficial impact of greater density on driving margins. We will continue to seek attractive hygiene targets in 2017.

Market

We operate 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. We have account management processes in place for contacting customers at least annually to confirm service requirements are being met. We use feedback from our Customer Voice Counts surveys to improve service levels and every detractor score is followed by a call from an account or branch manager within 24 hours. The launch of myInitial gives complete transparency about customer service including proof of service and proof of delivery (with e-invoicing rolled out to 46% of our UK customers during 2016).

Outlook

The Next Phase of our plan involves further implementation of our 'Execute Now' growth strategy to leverage our strengths, building on the power of our brand and selling our new product ranges. Building city density through M&A in the Growth and Emerging quadrants remains a key focus.

As stated at the beginning of this section, despite our improved revenue performance this year we have seen some margin contraction in 2016. Our focus for 2017 therefore will be on yield management to drive margin expansion. We see opportunities for improvement through increasing postcode density through targeted selling and acquisitions and by increasing services provided per premises (and in particular where we provide only one service per premises) through targeted sales. In addition, productivity can be improved through the roll-out of Service+. Finally, we will be linking sales incentives more closely to margin delivery, thereby reducing price discounting and driving improved yield management.

£12m

Five acquisitions during the year to build scale and density, with combined annualised revenues of £12m.

Four Hygiene product offers: Signature, Signature Colour, Reflection and No Touch.

Ongoing Revenue growth in 2016

+4.8%

FY 2015:

+2.7%

+3.1%

Continued performance momentum in Hygiene with 2016 Organic Revenue growth.

-60

Gross margin decline of 60 basis points in 2016 – yield management a key focus for 2017.

Workwear

Delivering differentiation through product and service quality.

Our Workwear business operates across the major European markets of Germany, France and Benelux. It is profitable and highly cash-generative with a good overall market share.

In December we signed a joint venture agreement with Haniel to create a leading provider of workwear and hygiene services in Europe. This will be created by transferring our Workwear and Hygiene businesses in Benelux, Sweden and CEE into CWS-boco (owned by Haniel), retaining an 18% stake in the joint venture. Completion is expected in mid-2017, subject to clearance from the competition authorities.

Post completion of the transaction, our Workwear operations will be based exclusively in France.

Performance in 2016

Performance this year was held back by challenging economies, intense competition and significant pricing pressure, particularly in France. This resulted in an Ongoing Revenue decline of 1.3% and an Ongoing Operating Profit decline of 14.5%.

We believe that implementation of our Quality initiative is the best approach to mitigate these ongoing market challenges.

Our **Workwear Quality Plan** involves:

- best-in-class processing – delivering the highest standards in washing and repair quality, and use of new higher quality detergents;
- greater responsiveness to customer needs – delivering a shorter lead time between contract and deployment;
- smarter selling – 'selling a service rather than a product';
- creation of a product and service innovation action group; and
- operational efficiency improvements in supply chain, R&D, processing, sales and marketing.

Since implementation of the plan at the end of 2015 we have made encouraging progress against operational KPIs.

State of Service is at its highest level in over five years, missing item complaints are down in all markets and good progress has been achieved in complaint resolution.

In addition, customer satisfaction scores have risen for nine consecutive quarters, standards in washing quality are rising and new work flow tools have been introduced to reduce the timeframe from contract to deployment.

We have also been driving new innovations across the business including the launch of new product ranges, the implementation of CO_2 washing processes, and introduction of RFID chips into customer garments to aid traceability and minimise garment losses.

Outlook

We expect trading conditions in France to remain difficult in 2017. While we expect to make good progress in improving the operational strength of the business through the execution of our Workwear Quality agenda, we are anticipating further profit declines in France.

Ongoing Revenue -1.3%

£342.7m

(AER: £383.7m, +10.5%)

Ongoing Operating Profit -14.5%

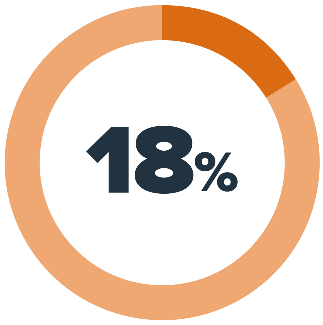
£39.8m

(AER: £44.5m, -4.2%)

Operating margin[1]

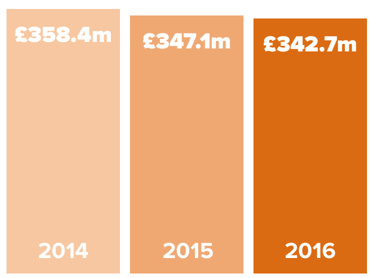
11.6%

Percentage of Group Ongoing Revenue



Percentage of Group Ongoing Operating Profit[1]

Three-year Ongoing Revenue decline

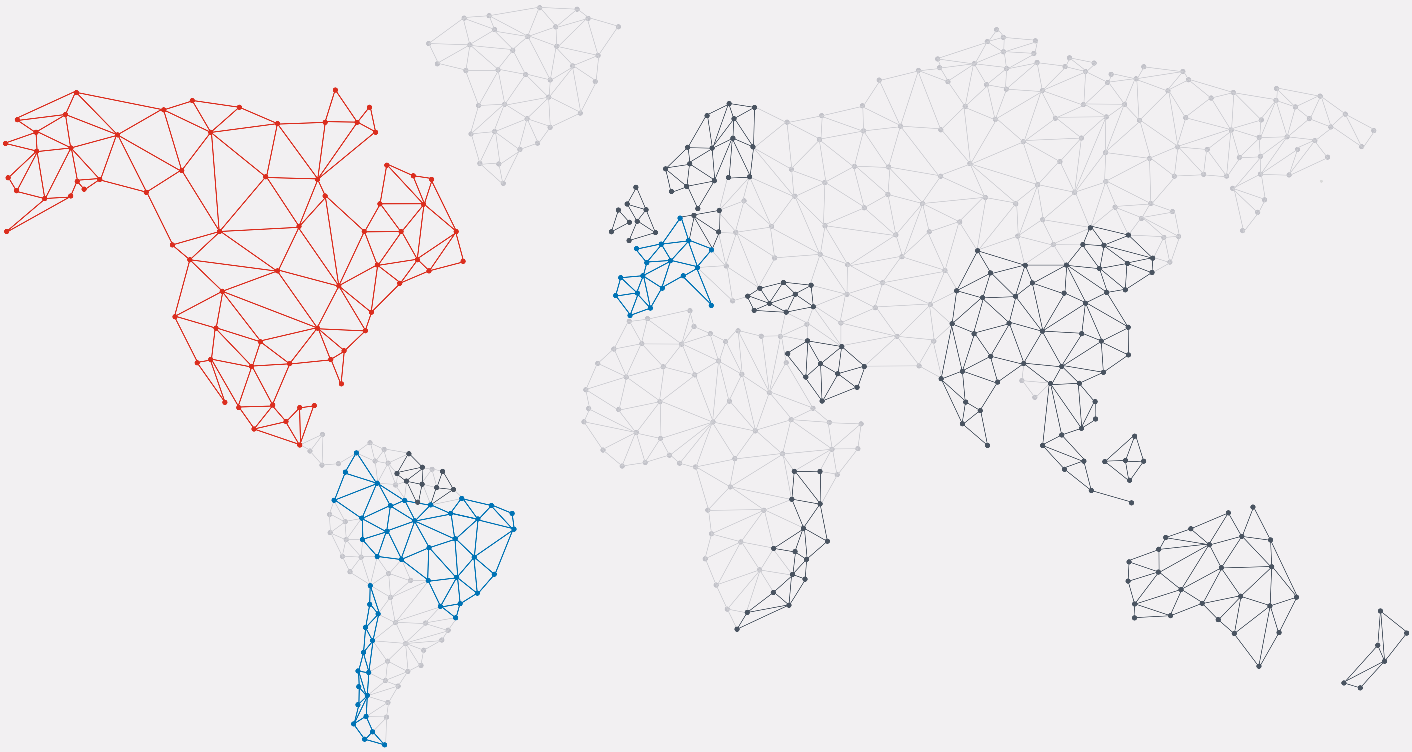


1. Pre central and regional overheads and restructuring costs.

Strategy in Action

Regional Performance

How the regions performed in 2016



Due to the international nature of the Group, foreign exchange movements can have a significant impact on regional performance.

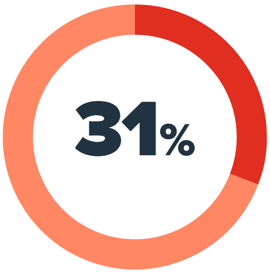
In order to help understand the underlying trading performance, unless otherwise stated, percentage movements in Ongoing Revenue and Ongoing Operating Profit are presented at constant exchange rates.

Regional Performance

North America

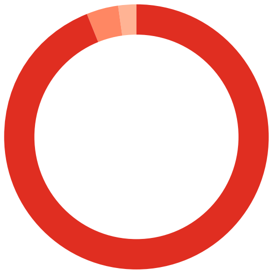
In **North America** Ongoing Revenue grew by 38.5% in 2016, of which 34.1% was growth through acquisition and 4.4% was Organic Revenue. Pest Control grew by 45.3%, of which 5.1% was organic. Strong Ongoing Operating Profit growth of 44.5% reflects the leverage impact from higher revenues and acquisitions, including synergy delivery in Steritech. This has improved Operating Margins by 60 basis points to 13.5%. The integration of the Steritech business continues to proceed successfully and the business generated profits of c. $30m in 2016, at the top end of expectations. 17 businesses were acquired in the region in 2016 with combined annualised revenues of £101m in the year prior to purchase. Ongoing Revenue and Ongoing Operating Profit at actual exchange rates were up 55.9% and 62.8% respectively aided by the weakness of sterling against the US dollar in 2016.

Percentage of Group Ongoing Revenue



Percentage of Group Ongoing Operating Profit

Countries % of Ongoing Revenue



USA	94%
Canada	4%
Central America	2%

2016 Ongoing Revenue

+38.5% at £604.6m

2016 Ongoing Operating Profit growth

+44.5% at £81.5m

2016 Operating Margin

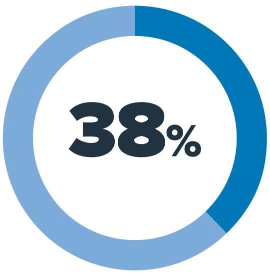
+0.6% to 13.5%

Europe

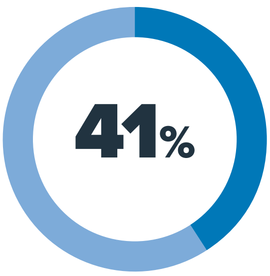
Total Ongoing Revenue for **Europe** rose by 1.4% (of which 0.9% was organic), with good growth in Germany (+4.1%) and Southern Europe (+2.4%) partially offset by a decline in France (-0.9%). Latin America, which is run out of the Europe region, performed particularly well, rising by 26.1%. Our European Hygiene operations grew by 1.8%, driven by growth in France in particular, while Ongoing Revenues from our Pest Control businesses grew by 7.0%.

In our European Workwear business Ongoing Revenues declined by 1.3% during the year with Operating Margins lower by 1.8 percentage points. This reflects continued market challenges across the region, particularly in France Workwear, where a difficult economy and significant pricing pressure continues to adversely impact revenue and margins. Post completion of our JV with Haniel, we will retain workwear operations in France. Overall Ongoing Operating Profit for the Europe region declined by 2.4% primarily due to the revenue reduction and pricing pressure in our French Workwear business, resulting in a net Operating Margin decline of 0.7 percentage points year on year to 18.0%. Ongoing Revenue and Ongoing Operating Profit at actual exchange rates were up 13.3% and 9.1% respectively and were impacted by the strength of the euro against sterling.

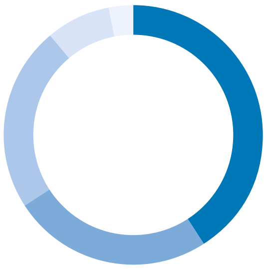
Percentage of Group Ongoing Revenue



Percentage of Group Ongoing Operating Profit



Countries % of Ongoing Revenue



France	41%
Benelux	25%
Germany	23%
Southern Europe	8%
Latin America	3%

2016 Ongoing Revenue

+1.4% at £751.5m

2016 Ongoing Operating Profit growth

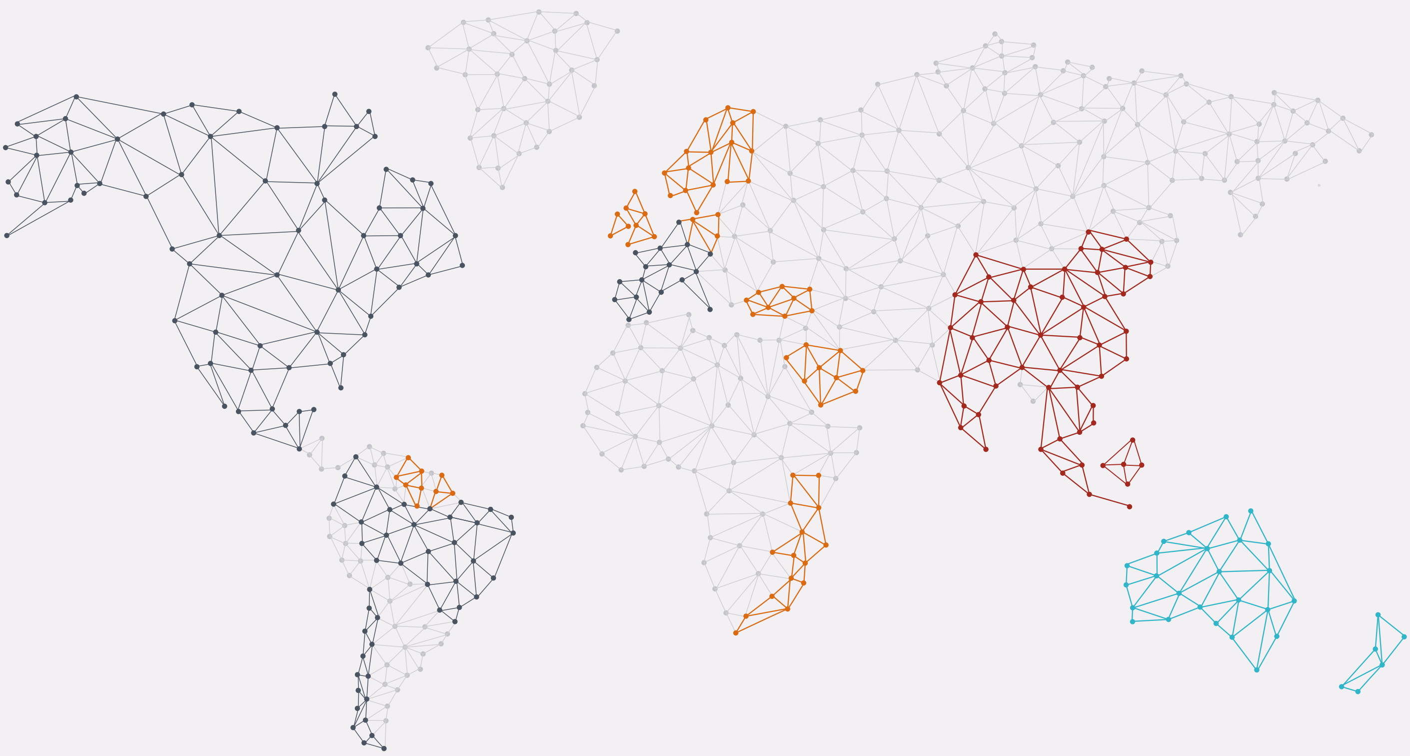
-2.4% at £134.9m

2016 Operating Margin

-0.7% to 18.0%

Regional Performance

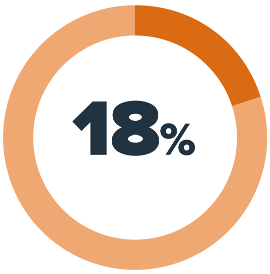
How the regions performed in 2016



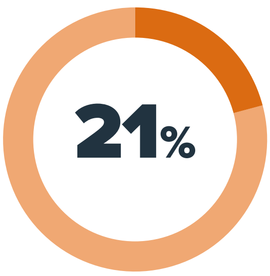
UK & Rest of World

Our **UK & Rest of World** region performed strongly in 2016, delivering an overall increase in Ongoing Revenue of 4.5%, comprising Organic Revenue growth of 4.1% and growth through acquisition of 0.4%. In the UK both our Pest Control and Hygiene operations grew well, aided by further growth in jobbing work in Pest Control along with contract portfolio growth in Hygiene. The Rest of World operations delivered good Ongoing Revenue growth of 4.4% in the Nordics, Caribbean, Africa and MENAT. Overall Ongoing Operating Profit for the region grew by 4.6%, reflecting higher Ongoing Revenue growth and cost control. Operating Margins were maintained at 20.4% with growth in Pest Control margins offset by some contraction in Hygiene margins associated with costs incurred through new product roll-outs across the business. Ongoing Revenue and Ongoing Operating Profit at actual exchange rates increased by 7.6% and 8.8% respectively.

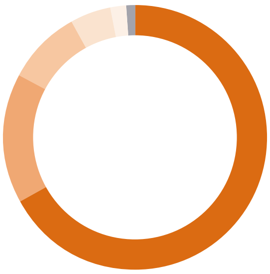
Percentage of Group Ongoing Revenue



Percentage of Group Ongoing Operating Profit



Countries % of Ongoing Revenue



UK & Ireland	67%
Nordics	16%
Sub-Saharan Africa	9%
Caribbean	5%
MENAT	2%
Baltics	1%

2016 Ongoing Revenue

+4.5% at £345.3m

2016 Ongoing Operating Profit

+4.6% at £70.3m

2016 Operating Margin Unchanged at

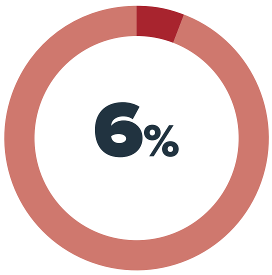
20.4%

Regional Performance

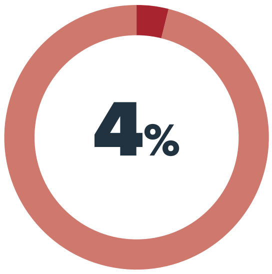
Asia

The **Asia** region has delivered another excellent performance with Ongoing Revenue increasing by 12.0% (+8.1% Organic Revenue growth) with both the Pest Control and Hygiene businesses performing well. Our operations in the less established markets of India, China and Vietnam continue to deliver strong growth (+23.0%). Double-digit Ongoing Revenue increases were also delivered in the more developed markets of Indonesia (+13.0%) and Malaysia (+15.2%). Ongoing Operating Profit in the region grew by 31.1% in 2016, reflecting the leverage from higher revenues, density and service productivity, contributing to an increase in net Operating Margins of 1.5% points. We acquired two new pest control businesses in Hong Kong and China during the year and a Hygiene operation in Malaysia with combined annualised revenues of £5m. Ongoing Revenue and Ongoing Operating Profit at actual exchange rates rose by 22.8% and 42.5% respectively.

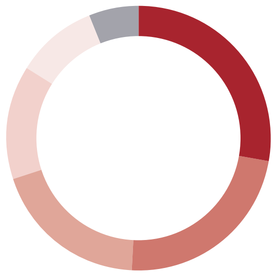
Percentage of Group Ongoing Revenue



Percentage of Group Ongoing Operating Profit



Countries % of Ongoing Revenue



Other	28%
Malaysia	23%
Singapore	19%
Indonesia	14%
Hong Kong	10%
Thailand	6%

2016 Ongoing Revenue

+12.0% at £118.9m

2016 Ongoing Operating Profit

+31.1% at £12.4m

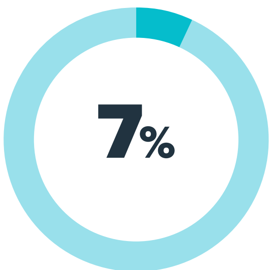
2016 Operating Margin

+1.5% to 10.4%

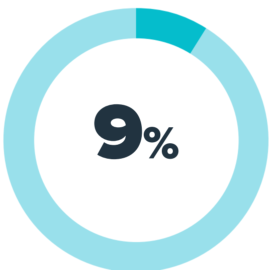
Pacific

In the **Pacific** region Ongoing Revenue grew strongly by 10.7% in 2016 (+4.0% Organic Revenue growth), driven by additional contract revenue from acquisitions, higher levels of jobbing work in Pest Control and improved retention in Hygiene. Ongoing Operating Profit in the region grew by 11.9% with productivity gains supplementing the strong revenue growth. Operating Margins increased slightly by 0.2% points as a reflection of higher revenues and productivity gains. Eight new companies were acquired during the year, six in Pest Control and two in Hygiene, with combined annualised revenues of £10m. Ongoing Revenue and Ongoing Operating Profit at actual exchange rates were up 23.5% and 24.8% respectively.

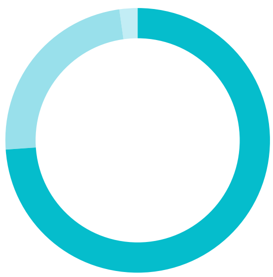
Percentage of Group Ongoing Revenue



Percentage of Group Ongoing Operating Profit



Countries % of Ongoing Revenue



Australia	74%
New Zealand	24%
Fiji	2%

2016 Ongoing Revenue

+10.7% at £135.7m

2016 Ongoing Operating Profit

+11.9% at £28.4m

2016 Operating Margin

+0.2% to 20.9%

Key Performance Indicators

We use Key Performance Indicators (KPIs) to judge progress towards strategic objectives.

Priorities and principles	Link to strategy	How we measure performance
Colleagues Ensuring 'Everyone Goes Home Safe'	• As a service organisation, our people make our company what it is. • Our priority is ensuring 'Everyone Goes Home Safe'. • Health and safety (H&S) is the first agenda item in all senior management meetings (including Executive Leadership Team and Board). • We hold an annual Board review of H&S Policy.	**Lost time accident (LTA) rate** LTA rate defined as number of lost time accidents per 100,000 standard working hours. **Working days lost (WDL) rate** WDL rate defined as number of working days lost as a result of LTAs per 100,000 standard working hours.
Investing in our people	• We invest in training and development to ensure our colleagues' expertise is unrivalled. • We recruit, appoint and promote on merit. • We listen to our colleagues via 'Your Voice Counts' surveys and act on feedback to make improvements.	**Sales and service colleague retention** Defined as total sales and service staff retained in year as a percentage of sales and service headcount at start of year.
Customers Keeping our promises to customers	• We are passionate about delivering excellent service to every customer and keeping our promises to them.	**State of Service** Defined as total number of service visits performed divided by total number of visits due.
Delivering outstanding customer service	• Our business model depends on servicing the needs of our customers in line with internal high standards and to levels agreed in contracts. • Measuring customer satisfaction allows us to identify unhappy customers, reduce churn and increase revenue, profit and cash.	**Customer Voice Counts (CVC)** Measured by implementation of an average Net Promoter Score across all branches, including in-year acquisitions. CVC score represents the net balance of those customers promoting our service compared with those neutral or not promoting.
Retaining our customers	• Customer retention is crucial to our long-term success • Benefits include: increased purchasing and cross-selling activity, lower price sensitivity and terminations, positive customer recommendations and a strengthened USP.	**Customer retention** Defined as total portfolio value of customers retained as a percentage of opening portfolio.
Shareholders Driving higher revenue	• We aim to drive shareholder value through higher revenue by focusing on our Pest Control, Hygiene and Workwear businesses, supported by M&A investment and divestment of non-core or poorly performing businesses. • Financial target: mid-single-digit revenue growth.	**Ongoing Revenue growth** Defined as revenue growth (at CER) from the continuing operations of the Group (including acquisitions) after removing the effect of disposed or closed businesses.
Achieving greater profitability	• Our objective is to deliver sustainable profit growth through reductions in central and regional overheads and restructuring costs, and by improving service productivity, pricing and margin improvement. • Financial target: high-single-digit profit growth.	**Ongoing Operating Profit** Defined as operating profit (at CER) from the continuing operations of the Group (including acquisitions) after removing the effect of disposed or closed businesses. Ongoing Operating Profit is an adjusted measure and is presented before amortisation and impairment of intangible assets (excluding computer software) and one-off items.
Delivering sustainable Free Cash Flow	• We aim to generate sustainable Free Cash Flow through managing working capital, bringing capex in line with depreciation and significantly reducing restructuring costs. • Financial target: £120m+ p.a.	**Free Cash Flow at AER** Defined as net cash flows from operating activities, adjusted for cash flows related to the purchase of property, plant, equipment and software, the interest element of finance lease payments and dividends received from associates.

Key Performance Indicators

Commentary on performance	Our progress in 2016
• Our safest year ever with improvements driven by execution of the Company's H&S operating plan. • In-year achievements included: – deployment of 'SHE Golden Rules' to all colleagues to build an entrenched safety culture where rules are consistently followed; – improved driver safety and fuel efficiency through development of new Driving at Work global minimum standards; and – 'in Focus' campaign resulting in improved H&S standards in France Workwear business (31% reduction in LTA in 2016). • Regrettably, there were four fatalities in 2016. Three were pedestrians involved in road traffic accidents with Company service vehicles and the fourth a trespasser who gained access illegally to a building undergoing fumigation. In addition, a North American colleague involved in a road traffic accident in 2015 died of her injuries in 2016.	**19%** LTA rate: 19% improvement at 0.62 (2015: 0.77) **20%** WDL rate: 20% improvement at 15.31 (2015: 19.02)
• Key drivers of colleague engagement identified by the Company as skill development and personal development opportunities. • Over 300,000 items of online training and development, and over 300 courses and videos created around topics including sales, technical and operations in 2016. • Group engagement and enablement levels now five points above global norms.	**78.2%** Sales colleague retention: 78.2% (2015: 76.8%) **84.8%** Service colleague retention: 84.8% (2015: 81.9%)
• Our ongoing improvement in performance reflects: – continued strong management focus within all markets and businesses; – improved products and service training programmes; and – new routing and scheduling tool for Pest Control deployed in over 15 countries with positive results.	**97.7%** State of Service: 97.7% (2015: 97.4%)
• Increase driven by improvements from all categories across most regions. • Performance also includes the benefit of portfolio changes, in particular the addition of Steritech Pest Control with a CVC significantly higher than Group average. • CVC respondents asked to rate five service elements: technician, complaint handling, customer contact, product quality and documentation – each area has shown improvement over the past two years.	**37.6** Customer Voice Counts: +4.7 points to 37.6 (2015: 32.9)
• In-year improvements have been generated through: – increased customer account management to drive customer loyalty; – improved customer service responsiveness within European operations, in particular in our Workwear operations through implementation of the Quality agenda; and – improved products and services.	**85.8%** Customer retention: 85.8% (2015: 85.2%)
• Organic Revenue growth +3.0%, growth from acquisitions +9.6%. • Particularly strong Ongoing Revenue performance from Pest Control: +25.9% (5.7% Organic Revenue growth). • Encouraging momentum in Hygiene Ongoing Revenue: +4.8% (+3.1% Organic Revenue growth). • Very strong performance in Ongoing Revenue growth from North America: +38.5% (4.4% Organic Revenue growth). • 41 companies acquired adding £124m of combined annualised revenues.	**12.6%** Ongoing Revenue growth: +12.6% (2015: +6.5%)
• Performance reflects growth in North America, the UK, Asia, Pacific and Latin America. • However, partially offset by lower profits in France and an increase in central and regional overheads reflecting increased charges for long-term incentive plans as a result of share price growth during the year. • 2016 Operating Profit margin 12.9% (2015: 13.0%).	**11.5%** Ongoing Operating Profit growth: +11.5% (2015: +9.1%)
• Free Cash Flow performance driven by continued strong operating cash flow and favourable foreign exchange movements. • Spend on current and prior-year acquisitions of £109.2m and dividends of £55.5m largely funded from Free Cash Flow. • Free Cash Flow target raised to £120m+ for the coming year and we expect a minimum Free Cash Flow of £130m in 2017.	**£156.4m** Free Cash Flow: £156.4m (2015: £147.7m)

Risks and Uncertainties

Principal risks

The Group's overall risk management approach, described on pages 65 and 66, 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 effectively and confidentially.

The principal risks most relevant to the Group are described in the table on pages 35 to 39, 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. Full details of the Company's financial risks can be found in Note C1 on pages 123 and 124. 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 (3% to 5%) and on operating cash flow in the range of £6.0m to £10.0m (2% to 3%).

Review of risks

Risks and mitigating activities are regularly reviewed by the Board, the Audit Committee and the Executive 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 manifest themselves, have an adverse impact on the Group's growth, profitability, cash flow and/or net assets.

Viability statement

The Directors have assessed the viability of the Group over a period of three years. The Directors have determined that a three-year period is appropriate as it is consistent with the period reviewed by the Board in the strategic planning process and is aligned with the typical length of both customer and supplier contract periods entered into by the business. In making their assessment, the Directors have considered the current position of the business and have taken into account the potential impact of the principal risks, described below.

The assessment has included stress testing the financial forecasts for severe but plausible scenarios (both individually and in aggregate) together with the effectiveness of mitigating actions. It has also considered the level of financing headroom and the ability of the Group to raise additional finance and deploy capital. In particular, the Directors have considered the impact of a prolonged downturn in trading performance and have assessed liquidity in the context of a credit rating downgrade. In addition to this the Directors have also considered scenarios that could threaten the viability of the Group.

The Directors have taken account of the Group's liquidity position, with a current net debt to EBITDA ratio of 2.5x, and its ability to raise new finance if required in most market conditions. The geographic and category diversification of the Group's operations helps minimise the risk of a serious business disruption. In addition, the Group's ability to flex the cost base protects the viability of the business in the face of adverse economic and/or political uncertainty. The Directors have also considered the key potential mitigating actions of reducing capital expenditure or expenditure on acquisitions and ultimately restricting dividend payments.

Based on this assessment and after careful consideration, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending December 2019.

Principal risk	Risk description and impact	Mitigating actions
 **Growing our business profitably in an increasingly competitive environment**	The Company's three primary businesses (Pest Control, Hygiene and Workwear) operate in competitive environments and, in the Pest Control business especially, an increasingly regulated environment. 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. Markets in the Protect & Enhance quadrant remain competitive especially in Workwear and Hygiene. We anticipate this competitive environment to continue in the short term. In the Growth & Emerging quadrants where labour markets are tighter it remains challenging to attract and retain the most capable sales and technical personnel.	• Regular tracking of customer satisfaction and the perception of both customers and non-customers of Rentokil Initial, benchmarked against competitors. (KPI: NPS scores through Customer Voice Counts exercises.) • Targeted investment in innovation to support value-added and innovative concepts to maintain profitability and protect against commoditisation. (KPI: Innovation sales %.) • Investing in new digital platforms to provide improved channels of communication and marketing. • Incentives for sales and service staff aligned closely with strategic and annual targets. • International Key Accounts team developing business with multinational customers across geographies to take advantage of the Company as the most international player in our markets. (KPI: International Key Accounts Sales %.) • Acquisition of targets that have a strong cultural fit with the brand and our service model whilst supporting growth. • Employee Value Proposition developed and rolled out in 2016; new talent strategy and approach in place for 2017 to ensure focus on the key priorities of the organisation including recruiting and retaining critical talent and specialists. • Exit from unprofitable businesses with commodity characteristics, e.g. flat linen.
 **Financial market risks**	We operate in international markets and our local business operations 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 or the ability to raise funds for acquisitions. During 2015 and 2016 the net debt of the Group has increased following the completion of 64 acquisitions, most notably Steritech in the US. Any additional net debt required to fund future acquisitions may affect our investment grade credit rating. Further details of the impact of financial market risks are given in Note C1 to the Financial Statements on pages 123 and 124. See also the viability statement on page 34.	• Financing policy in place 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 and confirmed in 2016. • Treasury policies that limit complex financial transactions, such as use of derivatives, hedging, raising bank finance and opening bank accounts, require Chief Financial Officer approval. • Monthly reporting of financial and liquidity ratios. (KPIs: net debt/adjusted EBITDA, funds from operations (FFO)/net debt.) • Cash pooling and debt financing arrangement to match, as closely as possible, currency availability/demand across borders.

Principal risk	Risk description and impact	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 or retain existing customers, with the consequent impact on growth, profitability and cash flow. Industrial action in one or more of our key operations could result in diminished service levels to our customers and if prolonged could damage the Company's reputation and ability to secure new contracts or renew existing contracts. In the medium to long term we risk the loss of key service personnel as labour markets tighten.	• Expansion of the Operational Excellence team to drive superior customer service. (KPI: State of Service.) • Targets for frontline 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. • HR development processes including leadership and development training, performance management, reward and incentives. (KPI: colleague retention monitored for technicians and salesforce.) • Oversight of key industrial relations matters by Group HR Director and regular review by Chief Executive for countries where risk of industrial action is considered high.
 **Business continuity**	The ability to continuously service customers without interruption is essential in a service industry. In our Workwear business, where clothing is often tailored to individual needs and specifications (e.g. cleanroom business), business could be adversely affected if access to the laundries is not possible due to issues such as fire or flood. 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. A significant cyber attack or IT failure which cannot be recovered from in a short period of time could prevent normal business operations across one or more countries and have an adverse impact on revenue, profitability and cash flow.	• All countries and units required to maintain Business Continuity plans and (for IT) Disaster Recovery Plans that are tested regularly. • 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. • Ongoing programme to transfer key data and applications from local servers to regional data centres with higher levels of backup capability and resilience. • Security governance framework and standards established, including IT security management framework, incident management reporting, global standards for network segmentation and incident response protocols being reviewed. • IT self-assessment exercises carried out across the Group to assess the Company's resilience to cyber attack and remedial action to improve controls where necessary. • Penetration testing of all systems on at least an annual basis to test external firewalls with action to address any weakness identified.

Risk and Uncertainties

Principal risk	Risk description and impact	Mitigating actions
 **Integration of acquisitions and separation of disposals from continuing business**	The Company has a strategy which includes growth by acquiring existing companies to extend its geographic footprint 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. Since 2014 the Company has been successful in acquiring over 90 businesses in all regions. In 2016 the Group announced the proposed transfer of Rentokil Initial's Workwear and Hygiene businesses in Benelux, Sweden and CEE to a new joint venture (JV) with Haniel. If the transfer is not managed professionally the continuing business may lose focus and fail to deliver its operational plans.	• Integration plans considered by Investment Committee as part of acquisition approval process. • Dedicated project teams established for largest acquisitions and demergers, e.g. Steritech and proposed JV with Haniel, with clear deliverables over three months, six months and one year. • Tried and tested induction programme for first 100 days for all acquisitions. • Continuity of management/leadership in acquired companies, where possible. • Use of transaction structures including deferred consideration to mitigate deal risk. • Group departments, e.g. Health & Safety, Legal, Insurance, and IT, involved early with new acquisitions to drive compliance with Group standards, especially when entering new geographies. • Formal post-acquisition review (PAR) by Investment Committee of benefits delivered against original business plan within 18-24 months for the majority of acquisitions. The PAR is undertaken by the Investment Committee ahead of releasing any deferred payments. • Internal Audit review within 18 months of businesses acquired in new geographies.
 **Fraud, financial crime and loss or unintended release of personal data**	Theft of Company assets including property, customer or employee information, or misstatement of financial or other records via deliberate action by employees or third parties may constitute fraud and result in financial loss to the business, damage to the Company's reputation or fines by regulators.	• Code of Conduct refreshed in 2016 and circulated to all employees. Mandatory online training by all senior employees refreshed annually for competition law, anti-bribery and corruption, information security and privacy. (KPI: % compliance with training.) • Compliance with Code of Conduct and other key policies affirmed by annual Letter of Assurance by all senior management. • 26 key financial controls defined centrally and independently assessed at country level in all material business units every year. • Wherever possible credit card transactions are managed by regulated third parties who have robust controls in place to prevent loss of data. • Specific review of adequacy of controls in Group Treasury and remedial actions implemented. • International confidential 'Speak Up' hotline and email address, monitored by Internal Audit. • Significant frauds investigated by Internal Audit and lessons learned widely shared.

Principal risk	Risk description and impact	Mitigating actions

Health, safety and the environment

Risk description and impact

The Company operates in a number of hazardous environments and situations, for example:

- the use of poisons and fumigation materials in Pest Control;
- driving to customers across all our businesses;
- working at height; and
- biohazards from laundering of medical and hospital workwear and linen.

Non-compliance with internal policies or industry regulations could lead to personal injury, substantial fines or penalties including withdrawal of licences to operate and damage to the Company's reputation.

Mitigating actions

- Robust and up-to-date health and safety (H&S) policies re-issued in 2015, with increased focus given to higher risk and regulated activities, e.g. driving, working at height and fumigation.
- H&S officers appointed in all jurisdictions.
- Mandatory training of all relevant employees in safe working practices, including mandatory training for drivers and those working in hazardous environments, e.g. heat treatment or fumigation.
- H&S considered as first item on all Board and senior management meetings.
- H&S KPIs discussed at all country and regional board meetings.
- Formal review of accidents and lessons learned widely circulated.
- Monitoring of energy-derived emissions and water usage (see page 44).

Breach of laws or regulations (including tax, competition and anti-trust laws)

Risk description and impact

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 or financial and tax reporting requirements may result in fines or withdrawal of licence to operate, which could have an adverse impact on growth, profitability and cash flow.

The Company operates across many different tax jurisdictions and is subject to periodic tax audits which sometimes challenge the basis on which local tax has been calculated or withheld. Successful challenges by local tax authorities may have an adverse impact on profitability and cash flow.

Mitigating actions

- 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; monitoring of online U+ training completion rates.
- All significant tax planning opportunities pre-agreed with Group Tax Director and Chief Financial Officer with independent tax advice taken where necessary. Regular review of tax exposures.
- Authority schedule in place and regularly reviewed.
- Group and local policies in place and regularly reviewed.
- Requirement to report breaches in controls or laws to Group General Counsel and Head of Internal Audit.
- Mandatory training on Code of Conduct, competition, anti-bribery and corruption, IT security and privacy.
- All major business transactions or internal reorganisations are subject to a rigorous internal and external review.
- A dedicated and experienced central tax department is involved in all tax audits.
- Group tax policy reviewed and approved by the Board.
- Tax planning is aligned with the Company's business activities and artificial transactions to avoid tax are not undertaken.

Principal risk	Risk description and impact	Mitigating actions
 **Maintaining margins during periods of weak economic growth**	The global economic environment is volatile, with many economies in Europe experiencing low GDP growth and the impact of Brexit adding to economic uncertainty. There is high volatility in global commodity prices and exchange rates and wide variations in local market price and cost inflation across the globe. In Workwear there is also increasing demand from customers for more frequent product changes while maintaining competitive pricing. In the face of these economic pressures, our customers may choose not to renew contracts, or may look for reductions in prices or to delay payments, which may have a negative impact on our ability to increase margins and cash flow. In our Protect & Enhance markets, many of which have low or negative inflation, it remains difficult to maintain or improve margins due to weak pricing power. Further, failure to collect debts from customers who are facing economic headwinds could have an adverse impact on cash flow.	• Regular review of our capital allocation model to ensure that resources are directed to countries and businesses that have the most attractive returns and future prospects. • In 2016 the Group announced the proposed transfer of Rentokil Initial's Workwear and Hygiene businesses in Benelux, Sweden and CEE into a new JV with Haniel, which will mitigate margin risk in these markets through improved product mix and economies of scale. • Supply strategy reviewed and adapted to ensure more urgent delivery of innovation while maintaining or improving service levels. (KPI: State of Service, On Time in Full for Workwear.) • Regular monitoring of market pricing trends (where available) and individual customer profitability to ensure that margin erosion is minimised; sales incentives increasingly prioritise margin and customer profitability. • Continuing focus on cost, with regular reviews of cost base and productivity programmes. (KPI: Gross Margin.) • Group Procurement function with executive authority to deliver economies of scale in IT, fleet, energy and logistics. (KPI: Annual cost savings.) • Group HR approval required for any significant changes to employee benefits, pensions, etc. • Establishment of a European Supply Chain for Workwear and Hygiene. • Investment in new, more efficient plant where cost effective. • Roll-out of automated tools to monitor customer profitability. • Regular monitoring of debtor days outstanding with action taken against customers with overdue debts. (KPI: Days Sales Outstanding.)

Our people are our brand

As an international services organisation our colleagues, who often work alone on customers' sites, are our brand. They are the experts who represent us, and so it is vital that we attract, develop, inspire and retain talented people who can deliver a great customer experience.

As at 31 December 2016 Rentokil Initial employed 32,150 colleagues (2015: 29,972). The number of people in our business increased during the year following our 41 acquisitions. The following sections highlight key aspects of our Employer Value Proposition, which is at the core of our people strategy.

Mission and vision

Our mission is to Protect People and Enhance Lives. We do this in many ways, such as controlling mosquitoes linked to diseases like dengue fever, Zika virus and malaria; reducing the spread of germs through more effective hand washing facilities; promoting safer workplaces with correctly fitting workwear; and providing colourful planting that enhances work environments and other interior spaces.

Our vision is to become a world-class services company, protecting people and enhancing lives through industry-leading innovation; best-in-class product and service quality, and care for our colleagues, customers and communities across the globe. We will achieve this by harnessing the heads, hearts and spirit of our highly trained experts to become acknowledged as a customer service champion, universally recognised for performance excellence and doing it all at pace in the **RIGHT WAY**.

Values

Our values make us the company we are. We asked our colleagues what should be our core values and they outlined the three they believe characterise Rentokil Initial:

- **Service**
  Throughout the Company there is a very strong focus on delivering outstanding customer service.
- **Relationships**
  Building meaningful relationships – with our customers, with colleagues in other parts of the Company, and with our suppliers and other stakeholders.
- **Teamwork**
  We believe great things can be achieved through teamwork, respect and support. We look to collaborate across the organisation so we can leverage our collective strength and ideas.

Culture

What is it like to work at Rentokil Initial? Across the different businesses you'll find some common themes and threads that tie us all together.

Service-led: Firstly, we are a service-led company that strives to meet our customers' needs at all times. We have an embedded culture of 'going the extra mile', and we're always looking for new ways to do things better. Where we find evidence that service is not as good as it should be, we tackle any problems head-on and improve the situation as quickly as possible.

Expert: Expert professionalism is at the heart of our customer-focused approach. We deliver industry-leading training and invest in better ways to deliver our services. We aim to be 'Right First Time'. Nothing, however, is more important than colleague and customer safety.

Pragmatic: Rentokil Initial is a practical, down-to-earth place to work, where rules and systems are made clear and where dialogue is encouraged to deliver the best service for our customers. Our leaders are visible and there is ample opportunity to feed back opinions, share experiences and help shape our Company. We like to recognise achievements locally.

Ethical: We set high standards of responsible business practice, which are clearly set out in our Code of Conduct. We believe in being a company that delivers great results and does it the **RIGHT WAY**, treating colleagues, customers, suppliers and local communities with respect and honesty.

Diverse: We are a diverse organisation, and want to extend this even further, as we believe that being diverse and inclusive is not only the right thing to do, but also supports business performance, by encouraging talented people to join the Company, increasing idea generation and innovation and ultimately delivering improved results.

Innovative: We have a commitment to scientific advancement and innovation that sets us apart from the competition. We also have a strong pipeline of innovation and digitally-connected products. We work with Google and other innovative companies to maintain this leadership position and operate at the forefront of our industries.

Learning and development

Rentokil Initial offers a wide range of learning and development programmes to enhance the skills of our colleagues.

U+ is our in-house learning and development 'university'. It delivers programmes through various channels, including online courses via the U+ portal; as well as face to face and team-based programmes. Over 300 courses and videos are added each year by our in-house team around topics such as sales, technical and operational best practice. The U+ team has won awards for Best Learning Implementation and Best Learning Team at the eLearning Awards and for the 'Best Use of Technology in Learning' at the prestigious global Training Journal Awards.

Over the last five years our Graduate scheme, which covers general, finance and functional management roles, has recruited 200 people and is an example of our training capability. In addition, our UK operations deliver around 3,000 days of technical training in pest control, property care and hygiene services each year.

Our apprenticeships provide opportunities for young people to get their career started. We work with leading apprenticeship providers to ensure our apprentices enjoy a great combination of on the job work experience and the opportunity to train for qualifications. In 2016 one of our apprentices won the Regional Apprentice of the Year award and was shortlisted in the National Apprentice of the Year awards.

Overall, our talent model is driven by our succession plans so we can ensure that we have a strong pipeline of talent to fill key roles, now and in the future, supporting the delivery of our business strategy.

Developing our future leaders

At Rentokil Initial we seek to appoint managers and leaders who are able to navigate complexity, meet performance targets, and engage and lead our people. Our management development programmes are wide-ranging. These include:

- Our **global and regional talent pools** which focus on understanding each individual's development needs and building a bespoke blueprint for their development towards the next level role, through interventions at a pool, sub-pool and on an individual basis.
- **Living Leadership** to address the needs of experienced managers worldwide. It lasts six months and aims to deepen their knowledge of the skills, knowledge and behaviours required to lead in 'The RI Way'.
- At a management level below, we have introduced the **Managing the RI Way** programme which is designed to provide supervisors and team leaders with role-specific knowledge and help them develop as managers.
- **Entrepreneurial Leadership** uses Rentokil Initial's own business case studies to ensure more pragmatic learning.
- The **Relational Leadership** programme is designed to help managers develop coaching skills and to more broadly improve their capability across a range of necessary leadership conversations.
- The **Leader in Me** programme aims to help managers to focus on personal changes in their leadership style. Team Dimensions helps managers understand what it takes to set up a team to attain success and to sustain optimised performance.

Recognising performance

Our reward philosophy is centred upon rewarding people based on their performance and contribution to our overall success of the organisation. As an example, Hygiene service representatives in the UK are offered a total rewards package including salary, the Together Service Incentive and commission for Sales Leads (introductions from existing customers worth up to £1,440 a year based on the quality of customer service and sales opportunities spotted). This ensures that variable pay is demonstrably linked to both Company and individual performance.

See pages 109 to 113 in the Notes to the Financial Statements for details of our pension provisions and our global long-term incentive plans.

Integrating acquisitions

When we acquire a company we look to introduce all new employees to Rentokil Initial and our values, as well as our standards for safety, behaviour and service.

Code of Conduct

In 2016 we updated and communicated our Code of Conduct that sets out our business principles and what we expect from colleagues to ensure they protect themselves as well as the Company's reputation and assets. We communicate these to new employees through our U+ induction programme, which covers policies in many areas such as health and safety, anti-bribery, IT security and competition law.

Britain's Most Admired Companies

In 2016 Rentokil Initial was voted Britain's 25th most admired company in the annual Management Today 'Most Admired Companies' listing – the Company rose 133 places in one year.

Our Code of Conduct can be found on **rentokil-initial.com/responsible-delivery/code-of-conduct**

Our sustainable business

At Rentokil Initial, our mission is to Protect People and Enhance Lives. The services we provide such as pest control and hygiene can be transformative to people's lives and business success, protecting public health and organisations' reputation, enabling safer food and medicines as well as more hygienic and enhanced restaurants, shops, offices and other workplaces or homes.

As a company with a global footprint and large diverse employee base we take our corporate responsibilities seriously and seek to operate sustainably. Acknowledgements of the Company's corporate responsibility performance include accreditation in the Dow Jones Sustainability World Index, the STOXX® Global ESG Leaders index, the Carbon Disclosure Project, the FTSE4Good Index and the Ethibel Sustainability Index Excellence Europe. In addition, in 2016 Rentokil Initial was voted Britain's 25th Most Admired Company, an improvement of 133 places in one year.

During the year the Company paid wages and salaries of £892.0m (2015: £680.5m) and the total cash tax paid was £35.8m (2015: £27.9m) on the reported profit before tax of £208.5m (2015: £159.0m). The Company also paid employer social security contributions on employee salaries of £129.0m (2015: £119.4m). Further details are contained in the Notes to the Financial Statements on page 108.

The Chief Executive is responsible for Corporate Responsibility and has committed the Company to operate responsibly in line with its Code of Conduct, which was updated in 2016 and is reinforced on an annual basis with online training. The Company has a robust policy framework (including health and safety, environment, diversity and equal opportunities, human rights and rights of employees, customers, and supply chain which can be found on the Company's website), monitored by internal audit and supported by colleague training and a confidential Speak Up reporting system. There is an annual Letter of Assurance, required to be signed by all senior management to confirm they comply personally with key corporate policies and the Code of Conduct, and that the colleagues for whom they are responsible are aware of and understand what is required of them. The Company's Modern Slavery Statement can be found on the Company's website.

Our corporate responsibility actions focus on social and environmental contributions. This report highlights our progress in six key areas: health and safety, sustainable products, employee engagement, supply chain, reducing environmental impacts and supporting our communities.

Lost time accident (LTA) performance and our key global safety initiatives

LTA = 2.30

2009
Safety built into core values.
Global LTA and WDL metrics introduced.

2010
Minimum standards for work at height.
Safety, health & environment (SHE) leadership team established.

2011
Minimum standards for core processes (e.g. incident management).
SHE goals incorporated into performance reviews.

2012
SHE Health-Check audits launched.
'In Focus' initiatives first introduced.

2013
Programme to improve workplace transport safety.
Chief Executive SHE Awards first introduced.

2014
Improved site risk assessment process and tools launched.
Improved working practices for roof void work.

2015
SHE Golden Rules implemented.
Innovative online training tools launched.
Minimum standards for fumigation.

2016
Driving at Work minimum standards implemented.
Focus on improved near miss reporting.
'In Focus' initiatives extended.

LTA = 0.62

Corporate Responsibility

Health and safety

Health and safety performance continues to make strong progress, with Lost Time Accidents[1] (LTA) improving by 19% (down from 0.77 to 0.62, vs 0.69 target) and Working Days Lost[2] (WDL) improving by 20% (down from 19.02 to 15.31, vs 17.05 target). Since 2012, the LTA rate has improved by 55.7%, and the WDL rate has improved by 53.5%. The chart on page 42 shows the strategy that has helped to deliver this significant improvement.

In 2016 the Company completed the global roll-out of its SHE Golden Rules for health and safety. These are designed to foster a Company-wide safety culture and are focused on our nine primary operational risks and setting consistent global standards.

Regrettably there were four fatalities in 2016. Three were pedestrians involved in road traffic accidents with the Company's service vehicles and the fourth was a trespasser who gained access illegally to a building that was in the process of being fumigated and died after exposure to the fumigant. In addition, a North American colleague involved in a road traffic accident in 2015 tragically died of her injuries in 2016. To maintain colleagues' focus on safe driving practices, the Company has successfully implemented new Driving at Work minimum standards to strengthen driver and vehicle management. In support of these standards, a suite of new online learning resources were developed to support existing local driver training programmes. In 2017, we will focus on safety leadership behaviours for frontline and first level managers.

Sustainable products

Rentokil Initial's innovation pipeline remains strong and during 2016 further sustainable products were developed for launch in 2017.

RapidPro is a new rodenticide that is made of the fastest acting bait targeting mice and through extensive research and testing by our rodent behaviour specialists and biologists, the Company has achieved the optimum formulation for palatability. Not only is this highly effective, but as an alternative to traditional Anti-Vitamin K (AVK) rodenticides, this product does not risk secondary poisoning of non-target species.

Lumnia is a new range of fly killers that use LED lighting rather than traditional blue-light fluorescent tubes allowing for power use reductions of 50 - 60% versus comparable units. This is the world's first commercial range using LEDs and comes as a result of working in partnership with a leading manufacturer of LED lighting to develop a lamp specifically designed to target a broad range of flying insects. In addition to the energy cost benefits of using LEDs, the unit has different lighting settings to suit the specific requirements of a customer location with an active lighting mode that adapts its output according to the ambient lighting levels on customers' premises.

Rentokil Initial continues to extend its PestConnect range that continuously monitors for pest activity and automatically alerts the technician when a pest has been detected or contained. This ensures a faster response to emerging issues and so reduces the need for more significant intervention and helps technician productivity, reducing the need to drive to customers' premises. This was the winner of the 2016 Best Internet of Things Innovation at the UK IT Awards, organised by the Chartered Institute for IT.

Employee engagement

Rentokil Initial is committed to workplace best practices, based on equal opportunities for colleagues irrespective of age, race, gender, colour, sexual orientation, disability or marital status. To deliver our strategy we need our employees to be engaged and motivated and we have identified that the key drivers of colleague engagement are skill development and personal development opportunities. On joining the Company new colleagues are given a copy of the employee handbook and policies. Induction training, including the Code of Conduct, is undertaken on our U+ training system. Every two years the Company undertakes a major survey called Your Voice Counts, giving every colleague the opportunity to feedback views on a wide range of topics from leadership to policies and training.

Colleagues' skills development is delivered through two primary resources: the Technical Academy and U+ (online). The Technical Academy delivers accredited training to service colleagues and U+ is the in-house learning and development 'university'. In 2016 colleagues completed over 300,000 items of online training and development, and over 300 courses and videos were created in-house around topics such as sales, technical and operations for our business categories. The U+ team, having won the awards for Best Learning Implementation and Best Learning Team at the 2015 eLearning Awards, continued to receive acclaim with the award for Best Use of Technology in Learning award at the 2016 Training Journal Awards.

Sales and service colleague retention improved by 1.4% and 2.9% respectively in 2016.

The Company operates active apprenticeship and graduate programmes, and also a recruitment programme amongst the ex-military. Over the last five years, the graduate scheme which covers general, finance and functional management roles has recruited 200 graduates.

Case study
Malaria No More

Rentokil initial has actively supported the charity Malaria No More for five years, and in 2016 passed the landmark of having raised over £100,000. Colleagues have found many fun ways to continue fund raising efforts.

In 2016 speakers at the UK & Rest of World region conference appeared on stage wearing 'onesies' in exchange for donations and 19 colleagues raised £11,000 by cycling from our UK Head Office to Paris. Other colleagues undertook bungee jumping at the Verzasca Dam in Switzerland, the London to Brighton bike ride and the Tough Mudder challenge.

1. An LTA is defined as a work-related injury or work-related illness to an employee which results in them being absent from work for one day/shift or more (excludes the day of the accident).
2. The WDL rate is calculated as the number of working days that employees could not work because of lost time accidents (injuries and illnesses) per 100,000 hours worked.

In 2016 the Company introduced a new diversity and inclusion strategy because it believes that greater gender, racial and ethnic diversity will ultimately lead to stronger business performance and foster competitive advantage. Women represent approximately 11,250 or 35% of our 32,150 colleagues (based on a survey of our largest 10 countries which represent around 70% of employees) and 25% of Board members (two out of eight). Rentokil Initial has four women on the Senior Leadership Forum (out of 26 in total). To achieve these performance benefits, diversity and inclusion is now a theme in all Leadership Development and Talent Pool Programmes and the U+ Induction Module. Female colleagues who are seen as key talent are receiving coaching to build both skills and confidence, and the executive and senior leadership teams are engaging in diversity and inclusion up-skilling. Further information on diversity and succession planning can also be found in the Nomination Committee Report on pages 68 and 69.

Supply chain

The Company continues to develop a supply chain based upon partnership and responsibility, and its Supplier Standard sets out its expectations of suppliers. The Supplier Standard covers all Company-wide procurement managed by the Group Procurement Team, and is being phased in by local operations. All suppliers are audited based on a risk assessment, and Workwear fabric suppliers are selected only if they meet international environmental, social and governance standards, such a Fibre Citoyenne and WethicA. There are also supply chain-related policies, including the Anti-Corruption, Dignity at Work and Human Rights policies. All supply chain contracts include anti-bribery and corruption clauses. The Company has published its Modern Slavery statement on its website in accordance with the requirements of the UK's Modern Slavery Act 2015. This statement covers policies, contractual practices and due diligence processes undertaken in its UK supply chain management.

Reducing environmental impacts

Rentokil Initial has reduced its greenhouse gas emissions by 10.7% in 2016. This continues a five-year trend of improvement, through the use of technology, operational efficiency intiatives and developing a culture of responsible behaviour. The Company reports on tonnes of CO_2 equivalent (tCO_2e) using 2016 DEFRA conversion factors for fuels, gases and UK electricity, and International Energy Agency conversion factors for non-UK electricity generation. Since 2012 the Company has reduced its greenhouse gas emissions by 18.7%.

Rentokil Initial's main emission sources are its vehicle fleet and European workwear plants. Since 2012, the plants have delivered improvements of 15.9% in energy efficiency and 20% in water consumption. With a large global vehicle fleet, vehicle emissions represented 70% of energy derived emissions in 2016. To improve vehicle efficiency, programmes including route optimisation, engine control unit mapping, vehicle eco-selection, driver telemetry and training have been introduced.

The Company also reports on fugitive sulfuryl fluoride gas emissions. The gas is used to fumigate large buildings. Absolute emissions derived from the use of sulfuryl fluoride were 720,322 tonnes (2015: 612,310 tonnes). Currently, there is no suitable regulator-approved fumigation alternative to sulfuryl fluoride.

Following the successful achievement of the Company's emissions target, which was set in 2011, for a 10% reduction in emissions derived from property energy and vehicle fuel, the Board has set a new emissions target, representing a 20% reduction in emissions by the end of 2020, from a baseline of 2015, based on the Company's index of emissions normalised against revenues at constant exchange rates.

Absolute value of principal energy derived emissions.

Type of scope	**2016 tCO2e**	2015 tCO2e	2014 tCO2e	2013 tCO2e	2012 tCO2e
Total scope 1	**176,698**	173,896	180,660	181,249	177,665
Total scope 2	**20,415**	21,736	23,721	24,389	26,832
Total scope 3	**35,618**	34,821	35,656	35,828	34,850
Total outside scope	**3,581**	3,353	3,297	3,288	3,025
Total	**236,312**	233,806	243,334	244,754	242,372
Total emissions intensity (tonnes per £m revenue at CER)	**120**	135	145	141	148

Supporting our communities

Our colleagues enthusiastically support local and national charities, and the Company strives to build on this to enable multiple good causes to be supported. Rentokil Initial's charitable cash donations amounted to £171,000 in 2016 (2015: £128,000). Our approach is to provide local community support and investment at a country or regional level; global community support with long-term support for specific charities; and support responses to national disasters in affected communities, where colleagues and their families live.

Case study
Community Health Education

Rentokil Initial's Better Futures programme has developed community projects in India, Malaysia, Indonesia and South Africa. The programme delivers basic health education focusing on the importance of good hygiene practices. Since its launch in 2013, over 12,500 people have participated in these education events supported by volunteer colleagues from local branches.

Find out more in the Company's Corporate Responsibility Report, available at **rentokil-initial.com/responsible-delivery**

Corporate Governance

Section features

Chairman's Introduction

Dear Shareholder

2016 has been a particularly busy year for the business, culminating in our proposed joint venture with Haniel to combine our Workwear and Hygiene operations in Benelux, Sweden and CEE with CWS-boco. I am pleased with our achievements this year and the successful manner in which the Board and the executive team have worked together to accomplish this significant step in the Company's development.

> **"The Company's RIGHT WAY plan, which was set out in 2014, continues to be delivered effectively."**

John McAdam, Chairman

Our values

Creating the right culture

Service
We are passionate about delivering excellent service to every customer.

Relationships
Great relationships are the bedrock of our business.

Teamwork
Our business is all about great teamwork.

Strategy

The Board has once again allocated a considerable portion of its time to addressing the long-term strategic aims of the Company, in particular with regards to the ongoing Group structure and the ability to deliver consistent progress against our financial targets. The Company's **RIGHT WAY** plan, which was set out in 2014, continues to be delivered effectively, and Andy and his executive team completed an impressive 41 acquisitions and four disposals during the year. To ensure we as a Board are able to have sufficient understanding and oversight of the business, the practice of conducting annual 'deep dives' with the executive teams of the five geographic regions has continued and proven an informative and effective process. More information on this can be found on page 58.

The Board also held its annual strategy away day in November, providing the opportunity to focus solely on the strategy of the Company and each of its core businesses. It gives us ample time to properly address our areas of interest, concern and the strategic plan for the next three years (2017 to 2019). The key areas covered are discussed in more detail on page 55.

Diversity

The Board is always mindful of diversity and we believe that a diverse company, in all regards not just gender, provides a more balanced, effective and innovative organisation with a broader skill set from which to draw. The Board is currently 25% female and we aim to achieve the recommendation under the Davies Review to reach 33% women on the Board by 2020. The Board has also reviewed the Hampton-Alexander Review on women in leadership positions and further information on this can be found in my introduction to the Nomination Committee Report on page 67. Details of employee engagement and diversity can be found in the Corporate Responsibility section on page 40.

The Board currently operates under the diversity policy which applies to Rentokil Initial plc and its subsidiaries. However, in light of the changes being made to the Disclosure and Transparency Rules in relation to board diversity policy reporting, we intend to review this in 2017 and to adopt a separate policy if this is felt to be appropriate.

During the year, we have also reviewed the new requirements under the gender pay reporting legislation and have undertaken a trial review which will also be used to inform our talent planning as detailed below. The Company intends to report fully with the requirements next year. Further information on diversity can be found in the Nomination Committee Report on page 69 and in our Corporate Responsibility Report which can be found on our website.

Health, safety and environment

I am very pleased to be able to report that we have once again reduced our rate of lost time accidents and level of working days lost, which have reduced by 19% and 20% respectively, building on a similarly significant decrease in 2015. We now have a clear majority of our businesses operating at world class levels of safety, with one of our UK manufacturing sites, Dudley Industries, achieving 2,000 days without an accident. We are never complacent on health and safety and regrettably, as detailed on page 43, general improvements throughout 2016 did not mean the year was without incident. There has been a noticeable increase in major incidents whilst working at height, three fatalities from collisions with our service vehicles and a fatality in North America after a member of the public broke in to an apartment that we were fumigating. We have accelerated our training programmes and review of driving safety, working at height and fumigation where we have robust processes but where the activities necessarily involve a heightened level of potential risk. We are also upgrading aspects of our post-acquisition processes in this area, to implement our industry-leading standards more quickly and effectively in acquired businesses, since we have identified some issues in North America in companies that had only recently joined the Group. We continue to make health and safety our top priority and will challenge the leadership team to maintain a constant focus on the safety of our colleagues and customers.

With regards to the environment, the Company successfully achieved its target of a 10% reduction in emissions. The 2011-2016 target was met in 2015, a year early. As a result, the Board has set a new emission target for an overall reduction in emissions of 20% from 2016 to 2020. Full details on this can be found in the Corporate Responsibility section on page 44.

Talent

Succession planning has been identified as a key area of focus in previous Board evaluations. As such, with the help of the Company Secretary, I have tried to ensure that as a Board, we are allocating sufficient time and resources to succession planning and talent development. We now have a more rigorous talent development strategy that is focused on the key challenges our business faces in succession planning, in particular development of operational management, fast-track talent and increasing diversity in our executive teams. As usual, the Nomination Committee's focus has been on the composition of the Board and on refreshing the Board's range of skills. In addition, as a business we need to ensure that there is a pipeline of executive talent in place for the future and that the appropriate skills are available to allow the Company to remain both competitive and progressive. More information on this is contained in the Nomination Committee Report on page 68.

This year, we also wanted to feature some of the key ways that we attract, develop, inspire and retain our Rentokil Initial colleagues in the Annual Report. These can be found in the Corporate Responsibility section on pages 40 and 41.

Board changes

There was one change in the Board composition during the year as Peter Bamford stepped down as a Non-Executive Director and member of the Nomination and Audit Committees at the Company's Annual General Meeting (AGM) in 2016. Chris Geoghegan was appointed to the Board as a Non-Executive Director in June and brings with him extensive general management and commercial experience as well as broad non-executive experience.

Further information on the Board's succession planning and recruitment processes in 2016 and early 2017 can be found in the Nomination Committee Report on pages 67 to 70. Details of the induction that new Non-Executive Directors such as Chris Geoghegan undertake following their appointment are contained in the Corporate Governance Report on page 55. In accordance with the UK Corporate Governance Code, Chris Geoghegan will be subject to election by shareholders at the Company's AGM on 10 May 2017, being the first such meeting since his appointment.

It is intended that Alan Giles will step down as a Non-Executive Director and the Senior Independent Director at the conclusion of the Company's AGM. He will also resign as Chairman of the Remuneration Committee and as a member of the Audit and Nomination Committees at this time. Alan has served as a Non-Executive Director for over 10 years and I would like to thank him for his significant contribution to the Company during his time on the Board. I would further like to thank all the Board members for their ongoing support and challenge, and for the input and value they continue to bring to both the boardroom and the Company.

Compliance

I am pleased to confirm that the Company has once again fully complied with the UK Corporate Governance Code and further information can be found on page 51. A revised and updated version of the Company's Code of Conduct was published in 2016, which was accompanied by the roll-out of online training across our global business using our U+ learning management platform. Further details on the Code of Conduct can be found in the Corporate Responsibility section on page 40 and in our Corporate Responsibility Report on the Company's website.

In addition, the Board approved a Modern Slavery Act statement in relation to the business during 2016 which can also be found on the Company's website. The introduction of the EU Market Abuse Regulation in July 2016 meant that a review of the Company's share dealing code and procedures was also undertaken during the year and as a result the Board adopted a new share dealing policy and code to ensure full compliance. The Board have also been considering the proposed changes in legislation brought in by the EU Audit Directive and EU Audit Regulation as detailed in the Audit Committee Report and we are confident that we will be able to report our full compliance in 2017.

Yours faithfully

John McAdam
Chairman
22 February 2017

Read our Corporate Responsibility Report at
rentokil-initial.com/responsible-delivery

Read our Code of Conduct at
rentokil-initial.com/responsible-delivery/code-of-conduct

Read our Modern Slavery Statement at
rentokil-initial.com/responsible-delivery/policies

Board of Directors

John McAdam, Chairman
N

Appointed: May 2008

Skills and experience

John brings to the Group a deep and strategic understanding of a wide range of industry sectors gained from his career with Imperial Chemical Industries plc (ICI) and Unilever over more than 30 years and his other Board and advisor appointments. John joined ICI following its acquisition of Unilever's Specialty Chemicals Companies in 1997 and was then appointed Chief Executive of the Group in 2003. Prior to joining ICI, John spent 24 years with Unilever where he held a number of senior management positions. John was Senior Independent Director at J Sainsbury plc from 2005 to 2016 and a Non-Executive Director of Sara Lee Corporation in America from 2008 to 2012 and Severn Trent Plc from 2000 to 2005. John received a B.Sc. honours degree in Chemical Physics at Manchester University and later gained a Ph.D. before becoming a research fellow.

Current external commitments

- Chairman, United Utilities Group PLC
- NED, Rolls-Royce Holdings plc (to May 2017)
- NED and SID, Electra Private Equity PLC

Andy Ransom, Chief Executive

Appointed: May 2008

Skills and experience

Andy joined Rentokil Initial in 2008 as the Executive Director of the global Pest Control business with functional responsibility for Corporate Development, M&A, Legal, Company Secretariat, Risk and Health & Safety. He was appointed Chief Executive of Rentokil Initial plc in October 2013. Andy has broad commercial experience gained in senior executive positions and legal roles. Andy joined Rentokil Initial from ICI where he held various positions as a senior lawyer and head of the mergers and acquisitions team since 1987. In 2005, he was appointed to the executive management team as Executive Vice President, Mergers & Acquisitions, General Counsel and Company Secretary. He also had operational responsibility for ICI's Regional and Industrial Division. During his career with ICI he spent several years working in its businesses in the US and Canada. Andy is a graduate of the University of Southampton and a qualified solicitor.

Current external commitments

- Director and Trustee of Street League

Jeremy Townsend, Chief Financial Officer and Chief Information Officer

Appointed: August 2010

Skills and experience

Jeremy joined Rentokil Initial as Chief Financial Officer in 2010 and, in addition, became Chief Information Officer in November 2013. He previously worked at Mitchells & Butlers, where he joined as Deputy Finance Director in June 2005 before becoming Finance Director in February 2008. He was previously employed by J Sainsbury plc where he held various finance roles including Group Financial Controller, Corporate Finance Director and Strategy Director. Prior to Sainsbury's, Jeremy worked in audit and corporate finance at Ernst & Young LLP. Jeremy has a degree in Management Sciences from Manchester University and is a Fellow of the Institute of Chartered Accountants of England and Wales.

Current external commitments

- Member of the Accounting Council of the Financial Reporting Council
- NED, parkrun Trading Limited and parkrun Global Limited

Richard Burrows, Non-Executive Director
N R

Appointed: January 2008

Skills and experience

Richard worked at Irish Distillers in various areas of the business before being appointed Chief Executive in 1978, and Chairman/CEO in 1991. He held this position for nine years before being appointed joint Chief Executive of Irish Distillers' parent company Pernod Ricard in 2000, from which he retired in 2006. Richard also served as the Governor of the Bank of Ireland from 2005 to 2009. He has significant international business experience ranging from leading successful branded manufacturing and service businesses in the drinks industry to banking and financial services roles. Richard attended Wesley College, Dublin (Ireland) and is a Fellow of the Institute of Chartered Accountants of Ireland.

Current external commitments

- Chairman, British American Tobacco p.l.c.
- NED, Carlsberg A/S (Denmark)
- Chairman, Craven House Capital plc

Chris Geoghegan, Non-Executive Director
A N R

Appointed: June 2016

Skills and experience

Chris was on the Board of Directors of BAE Systems plc from 2000 until 2007, where he worked as Joint Chief Operating Officer. Chris has also worked in a series of senior executive roles at Airbus and British Aerospace over a 34 year executive career and has a wealth of commercial experience of complex, international companies. He is a former Chairman of e2v technologies plc and Hampson Industries plc, and former Senior Independent Director of Kier Group plc and Volex plc. Chris is a Council Member and past president of the Society of British Aerospace Companies and a Fellow of the Royal Aeronautical Society.

Current external commitments

- NED and SID, SIG plc

Alan Giles, Non-Executive Director
A N R

Appointed: May 2006 and became Senior Independent Director in January 2015

Skills and experience

Alan previously served as CEO of HMV Group plc, Chairman of Fat Face Group Limited, Managing Director of Waterstones and Executive Director of WH Smith PLC and Book Tokens Limited. He has also held several Non-Executive Director positions at the Office of Fair Trading, Somerfield plc and Wilson Bowden plc. He brings strong listed company experience to the Board as well as extensive commercial and strategic service industry experience, having led two major retail brand businesses through significant periods of change.

Current external commitments

- NED, Perpetual Income & Growth Investment Trust plc
- NED, Competition and Markets Authority
- Chairman, Advisory Board at the Oxford Institute of Retail Management
- Associate Fellow, Saïd Business School, Oxford University
- Honorary visiting professor, Cass Business School

Board of Directors

Angela Seymour-Jackson, Non-Executive Director
N R

Appointed: March 2012

Skills and experience
Angela was Managing Director of the Workplace Division at Aegon UK plc from December 2012 until January 2016. Prior to this, Angela was Chief Executive Officer of RAC Motoring Services from 2010 until 2012. Previous roles also include Distribution Director at Aviva UK Life and Distribution Director at Norwich Union Insurance. She has extensive executive and business experience in motoring and insurance services and also has valuable knowledge of service focused organisations with a strong track record of improving customer care. Angela has a Master's degree in Marketing and is a Member of the Chartered Institute of Marketing and the Chartered Insurance Institute.

Current external commitments
- Deputy Chairman and SID, Gocompare.com Group plc
- NED, Henderson Group plc
- NED, esure Group plc
- Senior Adviser to Lloyds Banking Group (Insurance)

Julie Southern, Non-Executive Director
A N

Appointed: July 2014

Skills and experience
Julie 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. She was Chief Commercial Officer of Virgin Atlantic Limited between 2010 and 2013, responsible for the commercial strategy of Virgin Atlantic Airways and Virgin Holidays. Prior to this, Julie was Chief Financial Officer of Virgin Atlantic Limited for 10 years from 2000 to 2010. She has also held a number of additional senior financial roles including Group Finance Director at Porsche Cars Great Britain and Finance and Operations Director at HJ Chapman & Co Ltd. Julie is a former Non-Executive Director of gategroup Holding AG and brings valuable listed company experience gained at her former and current roles. Julie is a Chartered Accountant, having trained with Price Waterhouse and has a BA (Hons) in Economics from Cambridge University.

Current external commitments
- NED, NXP Semi-Conductors N.V. (NASDAQ)
- NED, DFS Furniture plc
- NED, Cineworld Group plc
- NED, Stagecoach Group plc

RETIRED IN 2016

Peter Bamford, Non-Executive Director
A N

Appointed: July 2006
Retired: May 2016

Skills and experience
Peter is currently Chairman of SuperGroup plc and was previously Chairman of Six Degrees Holdings Limited from 2011 to 2015. Peter was a Director of Vodafone Group Plc from 1998 to 2006 where he held senior executive roles, including Chief Marketing Officer, Chief Executive of Northern Europe, Middle East and Africa and Chief Executive of Vodafone UK. Prior to this he held senior positions with WH Smith PLC, Tesco Plc and Kingfisher Plc. He also served as the Chairman of PRS for Music Limited and Brandtone Holdings Limited (Ireland). He brought extensive experience to the Board, particularly in brand development and marketing.

COMPANY SECRETARY

Daragh Fagan, Group General Counsel & Company Secretary

Appointed: July 2014

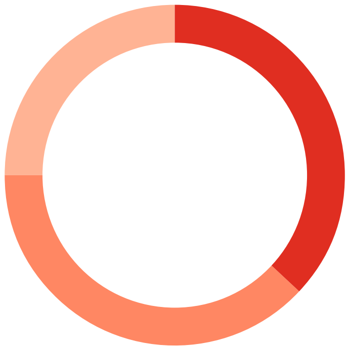
Skills and experience
Daragh joined Rentokil Initial as Group General Counsel in September 2013 and, in addition, became Company Secretary in July 2014. Daragh has extensive in-house legal and company secretarial experience in major listed multinational corporations, including those with significant businesses in emerging markets. Daragh joined Rentokil Initial from Thomson Reuters where he was General Counsel, Europe & Asia, and prior to that General Counsel, EMEA of Reuters Group plc. Before joining Reuters, he spent 10 years working in the oil and gas industry for the Italian multinational Eni SpA, after qualifying as a solicitor at Herbert Smith. Daragh has a Master's degree in History from Cambridge.

Current external commitments
- None

Key
- A Audit Committee Member
- N Nomination Committee Member
- R Remuneration Committee Member
- ● Committee Chair

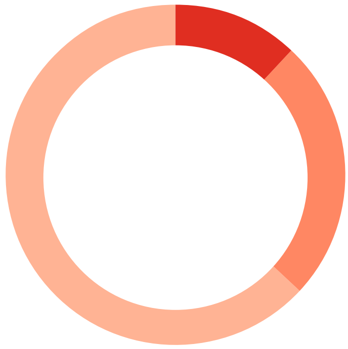
NED – Non-Executive Director
SID – Senior Independent Director

Age of Directors



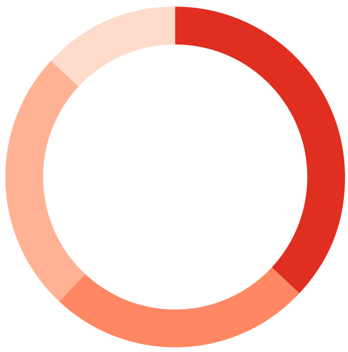
45-55	37%
55-65	38%
65-75	25%

Board composition



Chairman	12%
Executive Directors	25%
Independent Non-Executive Directors	63%

Professional background



Finance and accountancy	37%
Marketing	25%
Science	25%
Law	13%

Executive Leadership Team

Paul Cochrane, Managing Director, Asia

Appointed: March 2016

Skills and experience
Paul joined Rentokil Initial in 1990 as Branch Manager of the Initial Hygiene business in New Zealand. He later became Managing Director of Initial Hygiene New Zealand & Fiji, Managing Director of Ambius in the UK, Managing Director of Initial Hygiene Pacific (Australia, New Zealand and Fiji) and then Senior Vice President of Rentokil Initial Asia before becoming Regional Managing Director for Asia. Paul has a diploma in Business from the University of Auckland and a Trade Certificate of Automotive Engineering from Manukau Technical Institute in New Zealand.

Jürgen Höfling, Managing Director, Europe

Appointed: October 2014

Skills and experience
Jürgen joined Rentokil Initial in 2014 as Managing Director for Europe. He has significant experience in senior positions in the logistics sector and in sales and marketing, principally from 14 years at Deutsche Post and DHL International. He also has international management consultancy experience gained as the Founding Partner of Theron Management Advisors, an international management consultancy. He is a German national and fluent in English, French and German. Jürgen has an Integration & Marketing degree from the Wharton School, University of Pennsylvania.

John Myers, Managing Director, North America

Appointed: October 2013

Skills and experience
John joined Rentokil Initial in 2008 as President and Chief Executive of the Pest Control division in North America. Previously John served as Vice President (VP) of Business Development, Group VP, VP of Business Strategy and as Senior VP of Sales at Cintas Corporation. Prior to that, he was President and Chief Executive at Bio Quest LLC. John has a diverse business background, with extensive sales, marketing and business strategy experience. He is a graduate of the University of Vermont where he earned a Bachelor's degree in Business Administration. Additionally, he earned an MBA from Mercer University in Atlanta.

Phill Wood, Managing Director, UK & Rest of World

Appointed: October 2013

Skills and experience
Phill joined Rentokil Initial in 2006 as Managing Director Europe (Pest Control), to then be appointed as Managing Director of the Pest Control division in UK and Ireland in 2009. He has been Managing Director of UK & Rest of World since October 2013. Prior to joining Rentokil Initial Phill held a number of top management positions at Lex Services/RAC plc where he served for 15 years. Phill has extensive commercial and business development experience. He is a Chartered Management Accountant and holds a first class Bachelor's degree (Hons) in Management Science from Loughborough University.

Vanessa Evans, Group Human Resources Director

Appointed: January 2016

Skills and experience
Vanessa joined Rentokil Initial in January 2016 as Group HR Director. Vanessa has had a successful career with some of the world's best known consumer brands. She brings valuable business experience and expertise in human resources management. She joined from RSA Group plc where she was Group HR, Communications and Customer Director. Prior to that Vanessa was Global HR Director at Lego and Head of UK HR at GAP. She is a Fellow of the Chartered Institute of Personnel and Development and holds a Bachelor's degree (Hons) in Geography from Bulmershe College, University of Reading.

Alain Moffroid, Managing Director, Pacific

Appointed: March 2016

Skills and experience
Alain joined Rentokil Initial in 2013 as Managing Director of the Pest Control and Hygiene division in the Pacific. He joined from Unilever where he held the role of Vice President Customer Development, Unilever Asia and Africa, following a number of senior positions with Unilever Australasia. He has significant experience in marketing, sales and business development acquired during 23 years with Unilever in Europe, Asia and Pacific. He is a dual national Belgian/Australian and is fluent in English, French and Dutch. He holds an MSc Business from the Solvay Business School, University of Brussels.

Stewart Power, Chief Marketing Officer

Appointed: March 2014

Skills and experience
Stewart 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 BOC Group plc spending seven years in strategy, marketing and sales roles. He has broad experience in marketing and strategy, and holds an MBA from London Business School and a Bachelor's degree in Physics from Imperial College, University of London. He is a member of the Chartered Institute of Marketing.

Andy Ransom, Jeremy Townsend and Daragh Fagan are also members of the Executive Leadership Team. Their biographical information can be found on pages 48 and 49. The Chief Executive chairs the Executive Leadership Team.

Corporate Governance Report

Statement of compliance

The principal governance framework applying to the Company is the UK Corporate Governance Code, published in September 2014 (the Code). A revised Code was published in April 2016 which applies to accounting periods beginning on or after 17 June 2016 (the 2016 Code). This contained some minor amendments to section C3, which is the Code Principle regarding Board arrangements for the application of corporate reporting and risk management and internal control principles, as well as the relationship with the Company's auditors. The 2016 Code will not apply to the Company until the financial year ending 31 December 2017.

The Company has complied throughout 2016 with the requirements of the Code. The Corporate Governance Report, in addition to the Audit, Nomination and Remuneration Committee Reports, details how the Company has applied the main principles of the Code.

Code Principles regarding Leadership and Effectiveness → See the Corporate Governance Report on pages 46 to 60 and the Nomination Committee Report on pages 67 to 70.

Code Principles regarding Accountability → See the Corporate Governance Report on pages 46 to 60 and the Audit Committee Report on pages 61 to 66.

Code Principles regarding Remuneration → See the Directors' Remuneration Report on pages 71 to 86.

Code Principles regarding Relations with Shareholders → See the Corporate Governance Report on pages 59 and 60.

Further key areas which set out our approach to applying the Code can be found in the Annual Report as detailed below.

- → See our business model, value generation and strategy in our Strategic Report on pages 1 to 33.
- → See our approach to risk management and internal control on page 58 and in our Risk and Uncertainties section on pages 34 to 39.
- → See our Directors' Report on pages 151 to 153.
- → See the statement of Directors' responsibilities on page 153.

In addition, although not yet required to, the Company has fully complied with the requirements of the 2016 Code and details of how the Company has adhered to the amended elements contained in the 2016 Code are disclosed in the Audit Committee Report on pages 62 and 65. The Code and the 2016 Code are published by the Financial Reporting Council (the FRC) and their full texts are available on its website at **frc.org.uk**.

The role of the Board

The Board's role is to govern the Company within a framework of prudent and effective controls that enables risk to be assessed and managed. It operates to ensure that the Company is delivering excellent operational performance and innovative services for its customers in order to create sustainable, long-term value for shareholders. The Board sets the Company's strategic aims, based on recommendations made by the Chief Executive, and ensures that sufficient resources are available for the successful execution of these aims. The Board is kept abreast of performance and of any major developments affecting the business by reports from the Chief Executive and Chief Financial Officer at each Board meeting. The Board strives to operate in an ethical and transparent manner at all times and sets the tone for the Company from the top.

Details of the governance framework within which the Board operates to discharge its responsibilities can be found on pages 57 and 58. This framework along with clearly communicated authority guidelines provides the Board with confidence that the appropriate decisions are being taken at the appropriate levels and further allows the Board to ensure that its obligations to the Company's shareholders and other stakeholders are being met.

Board experience

Sector	Board experience (percentage)	Total
Professional services	0–75	75%
Engineering/aerospace	0–75	75%
Retail	0–63	63%
Financial services	0–63	63%
Manufacturing/operations	0–63	63%
Hospitality/food processing	0–50	50%
Technology	0–25	25%

Board composition and roles

The Board currently comprises a Non-Executive Chairman, two Executive Directors and five Non-Executive Directors. They are advised and supported by the Group General Counsel & Company Secretary and their key responsibilities are set out in the table below.

Chairman
John McAdam

- Leading and managing the Board.
- Setting the agenda and managing the Board's time.
- Ensuring effective communication with shareholders and other stakeholders.
- Director induction, training and development.
- Building a well-balanced Board, considering succession planning and its composition.
- Performance evaluation of the Board and Chief Executive.

Chief Executive
Andy Ransom

- Recommending and executing strategies and strategic priorities.
- Managing operational and financial performance, including monthly performance reviews with all regions and identifying and managing risks to delivery of strategy.
- With the Chief Financial Officer, explaining performance to shareholders.
- Chairing the Executive Leadership Team and Investment Committee (see page 58).
- Executive management capability and development.
- Overall development of Group policies and communicating the Company's values.
- Responsibility for all corporate responsibility matters which are reviewed at least annually by the Board and by the Executive Leadership Team.

Chief Financial Officer & Chief Information Officer
Jeremy Townsend

- Supporting the Chief Executive in developing and implementing strategy.
- Supporting the Chief Executive in managing the operational and financial performance of the Group.
- With the Chief Executive, explaining performance to shareholders.
- Chairing the Group Risk Committee and Disclosure Committee (see page 58).
- Recommending appropriate financing, treasury and distribution arrangements.
- Executing the agreed IT strategy.

Senior Independent Director
Alan Giles

- Leading the Non-Executive Directors' appraisal of the Chairman.
- Working 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.
- Chairing the Nomination Committee when it is considering succession to the role of Chairman of the Board.

Independent Non-Executive Directors
Richard Burrows
Chris Geoghegan
Alan Giles
Angela Seymour-Jackson
Julie Southern

- Contributing independent challenge and rigour.
- Assisting in the development of the Company's strategy.
- Ensuring the integrity of the financial information, controls and risk management processes.
- Monitoring the performance of the Executive Directors against agreed goals and objectives.
- Advising and being a sounding board for Executive Directors and senior management.

Company Secretary
Daragh Fagan

- Secretary to the Board and each of its Committees, reporting directly to their Chairmen.
- Assisting the Chairman and Senior Independent Director in their evaluation of the Board's effectiveness.
- Advising the Board and its Committees on governance matters and managing effective corporate governance and compliance arrangements for the Board and the Group.
- Facilitating Board induction and development programmes.

Full details of all Board members who served during 2016 can be found on pages 48 and 49.

The division of responsibilities between the Chairman and Chief Executive is set out in writing. 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.

A Nomination Committee comprising all the Independent Non-Executive Directors and chaired by the Chairman has responsibility for managing the appointment process to ensure a formal, rigorous and transparent procedure for appointing Directors. Pro-forma letters of appointment and Directors' service contracts are available for public inspection at **rentokil-initial.com**. Further information can be found in the Nomination Committee Report on pages 67 to 70.

The Board considers 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 appropriate balance is maintained.

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 prior agreement of the Chairman before proceeding. This also 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 48 and 49. 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.

During the year, the Board considered the external commitments of all of its Directors and is satisfied that these do not conflict with their duties and time commitments as Directors of the Company. Changes to the commitments of all Directors are reported to the Board. Directors regularly review a conflicts register and any conflicts identified are submitted to the Board for consideration and, as appropriate, authorisation in accordance with our Articles of Association and the Companies Act 2006. No material conflicts have been declared. Further details of this process can be found in the Nomination Committee Report on page 70. Details of the Directors' share interests in the Company can be found in the Remuneration Report on page 81.

Corporate Governance Report

Independence of Board members

The independence of Directors is reviewed as part of the individual Director performance evaluation process, to ensure that all Non-Executive Board members retain the necessary independence of judgement. This continues to be reflected in constructive challenge to the executive team and senior management at Board and Committee meetings, and during informal interaction outside those meetings.

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 Richard Burrows and Alan Giles, who have served as Directors for nine years and ten years respectively, the Board benefits from their considerable experience and knowledge resulting from the length of service as well as from their wider business experience. The Board continues to consider both Non-Executive Directors as independent. Despite this, Alan Giles has decided to step down from the Board following the conclusion of the Company's AGM on 10 May 2017.

All the remaining Non-Executive Directors, other than the Chairman, have also 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.

Meetings and attendance

Board meetings

The Board met 10 times during the year, all of which were scheduled meetings, and a Committee of the Board met five times in relation to the release of financial results, trading updates and the approval of the joint venture with Haniel in December.

The membership and attendance at Board meetings during 2016 is shown opposite.

Whilst Chris Geoghegan joined the Board on 28 June 2016, he was unable to attend the first Board meeting following his appointment as a Non-Executive Director due to commitments arranged prior to his appointment. This Board meeting was held in Charlotte, North Carolina and was accompanied by site visits to the former Steritech offices and a commercial customer's premises, as detailed on page 55. As in all cases where a Director is unable to attend a Board or Committee meeting, Chris received copies of all papers and the Chairman sought his views and provided a briefing on outcomes from both the meeting and the site visit.

Board meeting attendance 2016

John McAdam
Attendance 100%
Attended: 10
Potential: 10

Andy Ransom
Attendance 100%
Attended: 10
Potential: 10

Jeremy Townsend
Attendance 100%
Attended: 10
Potential: 10

Peter Bamford[1]
Attendance 100%
Attended: 4
Potential: 4

Richard Burrows
Attendance 100%
Attended: 10
Potential: 10

Chris Geoghegan[2]
Attendance 75%
Attended: 3
Potential: 4

Alan Giles
Attendance 100%
Attended: 10
Potential: 10

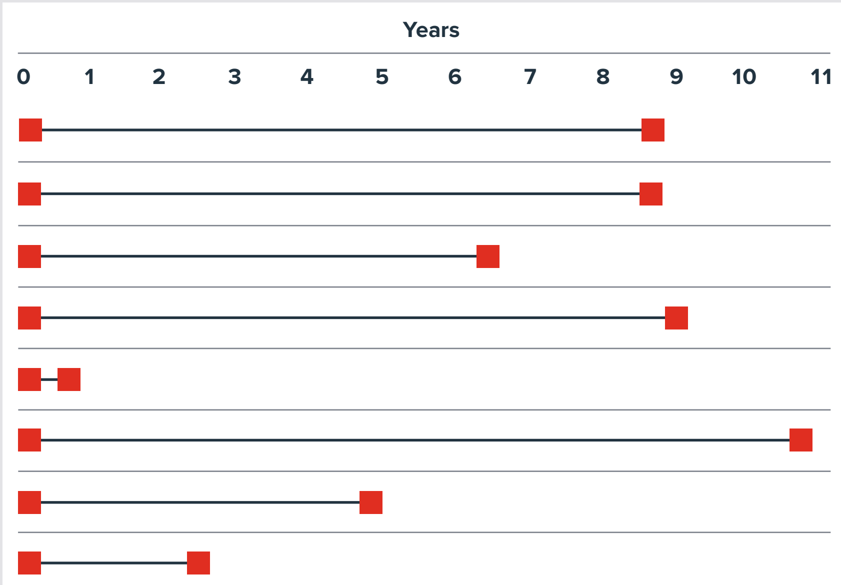
Angela Seymour-Jackson
Attendance 100%
Attended: 10
Potential: 10

Julie Southern
Attendance 100%
Attended: 10
Potential: 10

1. Peter Bamford resigned from the Board on 11 May 2016.
2. Chris Geoghegan was appointed to the Board on 28 June 2016.

Directors' tenure at 22 February 2017

Name	Date Appointed
John McAdam	14 May 2008
Andy Ransom	1 May 2008
Jeremy Townsend	31 August 2010
Richard Burrows	14 January 2008
Chris Geoghegan	28 June 2016
Alan Giles	18 May 2006
Angela Seymour-Jackson	5 March 2012
Julie Southern	21 July 2014

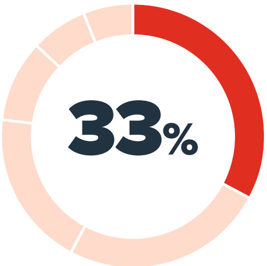


Board activities in 2016

The Chairman's introduction highlights some of the key areas of focus for the Board in 2016. In addition to these, the Board receives regular updates on the Group's financial results, and receives reports from the Chief Executive and Chief Financial Officer at each meeting as standing items. Each Board meeting starts with a review of health and safety performance. The Board also receives reports from the Chairmen of the Nomination, Remuneration and Audit Committees following each committee meeting.

Further details of the main activities of the Board undertaken during 2016 can be found below.

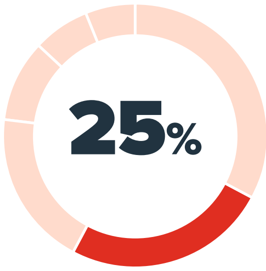
Strategy



- Regional presentations
- Strategy away day
- Review of non-core businesses
- Talent strategy and succession review
- Diversity and inclusion strategy
- Innovation

Read more about our innovation on pages 4 and 5.

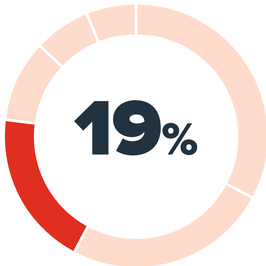
Operations



- Regional presentations and customer visit
- Overseas site visit
- Approval of the 2016 Annual Operating Plan
- Key contract wins

Read more about our key contract wins on page 2.

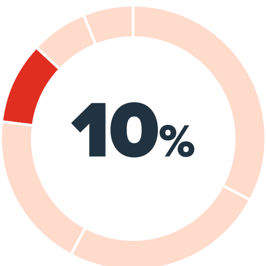
Financial



- Approval of the 2015 financial statements
- Review of the Interim Results and Q1 and Q3 Trading Updates
- Dividend treatment and recommendation/approval
- Review of financial performance
- Approval of treasury policies and funding
- Investor relations

Read more in our Financial Review on pages 91 to 93.

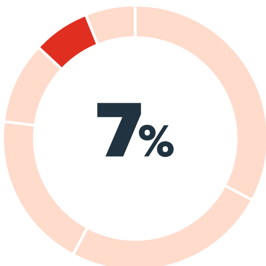
Mergers and acquisitions (M&A)



- Performance review of completed acquisitions including delivery of integration plans
- Oversight of M&A pipeline
- Major acquisitions (above £10m)
- Joint venture with Haniel

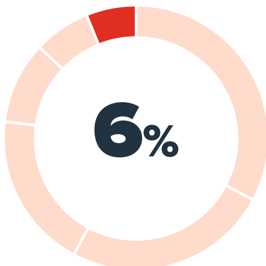
Read more about our value-enhancing M&A on page 3.

Governance



- Board evaluation
- Approval of the 2015 Annual Report and 2016 Notice of Meeting
- Approval of 2015 Corporate Responsibility Report
- Governance manual and review
- Conflicts of interest
- Policies and procedures under the Market Abuse Regulation
- Setting 2018 Board calendar
- Forward-looking governance review
- Disclosure obligations

Monitoring and oversight



- Safety, health and environment reports
- Review of key risks and internal controls
- Review of KPIs
- Reports from the Committee chairs
- Review of material disputes
- Going concern
- Viability statement

Read more about our KPIs on pages 32 and 33.

Corporate Governance Report

Board site visit
As in previous years, one scheduled Board meeting involved a visit to one of the Company's overseas operations, and in 2016 it was to the US, which had become the largest business in the Group by revenue following the acquisition of Steritech in 2015. At the end of June, the Board visited the Company's business in Charlotte, North Carolina where the Directors undertook a tour of the head office, which had been acquired with Steritech. The Board had the opportunity to meet the extended management team of the business and conducted a detailed review of the business in North America generally, which had last been visited in 2013. The Board received several presentations, with particular focus being given to the brand standards auditing business acquired as part of the Steritech group, and the strategic 'Best of Breed' plan in place to advance the North American business over the next four years. The Board also visited the premises of a commercial customer, Chef Charles Catering, to see how a brand standards audit is conducted.

Board strategy review
In addition to Board and Board Committee meetings, the Board undertakes an annual strategy 'away day' each year. This is structured to follow a scheduled Board meeting and is spread over the course of two days. The agenda for the strategy away day is agreed in advance, often including specific strategic issues which have been raised at previous Board meetings, or requested by the Board. In 2016 the strategy away day focused on executing the next phase of the Company's strategy, the three-year financial plan and the strategy for the key businesses of Pest Control, Hygiene and Workwear. There were also reviews of strategic plans for brand standards, plants and premium scenting, as well as market perspectives on the Company from our brokers and a review of the portfolio.

The Board was pleased to see how the strategy set in 2014 was delivering successfully and at the strategy day was encouraged to see the priorities and ambition being articulated in the next phase of the strategy. In 2017, the Board will continue to meet with the senior management teams from all five regions as part of the annual scheduled 'deep dive' into each business.

Board performance, training and development

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.

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 and Board papers from the prior year;
- key policies and procedures and governance information about the Company, including the role of the Board, Board and Executive Committees, Chairman and Chief Executive; and
- 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 Executive Leadership Team and senior management;
- visits to sites within the UK and/or overseas, including opportunities to spend time with frontline staff in the course of their duties; and
- meetings with the auditor, financial advisors and corporate brokers.

Case study – Site visit in South Africa

As part of his induction as a Non-Executive Director, Chris Geoghegan visited the Cape Town offices of Rentokil Initial for a day in November 2016. The Rentokil Initial South Africa business incorporates Pest Control, Hygiene and Ambius, and all three of these businesses have premises in Claremont, Cape Town. Chris started his visit with a tour of all three, meeting Initial Branch Manager, Louw Moller, and Pest Control and Ambius Branch Manager, Sedick Williams.

Walking through the Hygiene business, Chris spent some time with Louw in the storeroom, discussing the measures the branch has put in place to combat stock loss and the excessive use of refills. In Ambius, Chris was taken through the greenhouse where plants are stored and potted and had a discussion with Sedick around the challenges of a 'live' product. He was also taken to see the large accounts receivable team, and the Customer Support Centre; a team of 14 who handle the bulk of Rentokil's residential pest control enquiries.

He finished the afternoon with a business review session with David Lewis, the Managing Director of Rentokil Sub-Saharan Africa, and Nombeko Langeni, HR Director. This session had a particular focus on our colleagues at Rentokil Initial and Broad-Based Black Economic Empowerment, which is an issue unique to South Africa.

Training and development
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.

Performance evaluation
A comprehensive evaluation of the Board, its Committees and each of the Directors is carried out annually, a process led by the Chairman and supported by the Company Secretary. This was once again undertaken in 2016 using an external independent facilitator, Lintstock. Lintstock is a specialist corporate governance consultancy and has no commercial dealings, or any other connection, with the Group, other than for the provision of corporate governance services to the Board and the provision of software to manage the Company's insider lists requirements under the Market Abuse Regulation.

The evaluation process involves a customised online questionnaire and commentary, moderated by Lintstock and capable of being benchmarked against peers and previous years' responses. The evaluation is initiated immediately following the strategy away day with responses collated and analysed by year end. There are then reviews of the results with the Chairman, committee chairs, Senior Independent Director and individual Directors ahead of a group discussion at the Board meeting in February.

The performance evaluation in 2016 covered the Board's composition, including aspects relevant to the current and prospective shape of the business, its effectiveness and cohesiveness, the allocation of its time, the quality of the information and support provided to it, and an assessment of its performance in conducting risk oversight, talent reviews and a number of other topics previously identified as of key relevance. As in 2015, this year's review included an assessment of the strategy away day. 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 2016 review at its meeting in February 2017, as detailed below.

	2015 actions	Progress	2016 actions
Operational business reviews	Continuing with deep dive reviews of all five regional businesses, the core categories and key functions; implementing reviews of the control environment with regional Finance Directors at the Audit Committee or with its Chairman. The Board plans to visit North America in June 2016.	As detailed on page 55, the Board site visit in 2016 was in Charlotte, North Carolina. All five regions provided in-depth reviews with an additional review of Latin America also undertaken during 2016. Further information is on page 58.	• Focus on the performance of the business in France. • Monitor portfolio and growth strategy; maintain regional deep dive programme.
Risk oversight	Continuing the progress in this area, and considering key or new risks in depth, such as emerging markets or cyber security; monitoring key operational risks such as the integration of Steritech and other North American acquisitions in 2015, and performance of the Workwear business (especially in France and Benelux).	The Audit Committee received an in-depth update on cyber security which was then reported to the Board (see page 61). The Board reviewed the status of acquisitions on two occasions during the year, including their risks. The strategy away day included a focus on quality strategy on Workwear and reviewing progress against key indicators.	• Review the effectiveness of the additional support for the North America finance team. • Review internal controls in the light of broader M&A growth strategy. • Review scope of Audit Committee Terms of Reference to consider whether to include certain non-financial controls and risks.
Succession planning and talent management	Maintain focus on refreshing the Board's range of skills as new appointments are made, and succession planning for Executive and Non-Executive Directors; extending the membership of the Nomination Committee to include all Non-Executive Directors. Spending additional time on Executive succession and talent development.	All Non-Executive Directors are now members of the Nomination Committee as detailed in the Committee's Report on page 68, where information on succession planning is also provided. A new talent strategy has been approved during the year, with details provided in the Nomination Committee Report on page 68.	• Nomination Committee review of Board and executive succession. • Aim for exposure of key Executive Director and ELT succession candidates to the Board. • Review progress and performance of talent pools and talent strategy. • Review diversity performance including gender pay reporting.

Governance framework

Audit Committee

Provides effective financial governance with oversight of the Group's financial and narrative reporting, risk management and the external and internal audit process.

Find out more on pages 61 to 66.

Remuneration Committee

Reviews and recommends to the Board the executive remuneration policy and determines the remuneration packages of the Executive Directors and senior management.

Find out more on pages 71 to 86.

Nomination Committee

Ensures the correct balance, structure and composition of the Board and its Committees, and reviews Board and executive succession planning and diversity.

Find out more on pages 67 to 70.

The Board of Directors

Collectively responsible for the governance of the Company, the Board ensures that it is effective at undertaking its duties through the use of clear authority and reporting governance structures.

Chief Executive

Manages the overall performance of the business and, with senior management, implements the Group's strategies and values.

Senior management

The day-to-day operational management of the Company.
– Executive Leadership Team
– Senior Leadership Forum
– category boards

Find out more on page 58.

Management Committees

Appointed by the Board with specific remits to authorise within their approved limits.
– Disclosure Committee
– Group Risk Committee
– Investment Committee
– Treasury Committee

Find out more on page 58.

Matters reserved for the Board and delegated authorities

To ensure a clear division of responsibilities at the top of the Company between the running of the Board and the executive responsibility for running the Company's business, the Board has set out in writing matters which are specifically reserved for its decision. The matters reserved for the Board and the terms of reference of each of its Committees, which are reviewed annually (most recently on 7 December 2016), are available on the Company's website at **rentokil-initial.com/investors/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.

Management committees

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 other matters.

Group Risk Committee

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 and the Director of Risk & Internal Audit as well as 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 Audit Committee and the Board in assessing the risks the Group is prepared to take and monitoring emerging risks; and
- determining internal responsibility for appropriate mitigating strategies.

Copies of the minutes of the Group Risk Committee are provided to the Audit Committee. Further information on the Board's approach to risk can be found below.

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. It also conducts post-acquisition reviews (PARs) of completed M&A transactions and reviews material litigation quarterly.

Treasury Committee

The Board has established a Treasury Committee, comprising the Chief Financial Officer and four other senior functional executives in order to delegate authority within specified limits for critical aspects of treasury operations. The Committee reviews and approves capital structure and financing strategy as well as risk and cash management within set thresholds.

Senior management and category boards

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 its five regions and the heads of the Finance & IT, Human Resources and Marketing & Innovation functions, as well as the Group General Counsel & Company Secretary. They meet regularly to review safety, performance, operational plans and actions, governance and risk management. Biographical information on the Executive Leadership Team is provided on page 50.

Senior Leadership Forum

The Chief Executive has also established the Senior Leadership Forum comprising the 26 most senior operational and functional colleagues globally who meet to share progress and discuss a range of issues that are critical to the operational performance of the Group as a whole. The forum meets on a monthly basis (other than in August).

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 Control and Hygiene category board being chaired by the Chief Executive, while the Workwear board is chaired by the Managing Director, Europe.

Monitoring and oversight

Strategic process

The Executive Directors and senior management closely monitor progress against the Company's strategy and this is communicated to the Board at each meeting by the Chief Executive and the Chief Financial Officer's reports. All Board members attend an annual strategy away day and details of this can be found on page 55. In addition, the Board receives detailed presentations from the Regional Managing Directors of the Company and their Finance Directors over the course of the year. These review the operations and strategy of the region, highlight specific areas of progress or challenge, review the financial and control environment, and present the opportunity for the Board to challenge management on any area. In 2016, as in 2015, the Board received an additional 'deep dive' review on our emerging business region of Latin America.

Board review of risk management and internal control

The Board has overall responsibility for maintaining sound systems of risk management and internal control that are both fully effective and ensure compliance with the Code on internal control and risk management. Risks are considered in the context of long-term strategic and emerging threats, and shorter-term risks to the delivery of the annual operating plan. The Board has also assessed the viability of the Group over a period of three years, and the potential impact of the principal risks and stress testing financial forecasts for severe but plausible scenarios, and the anticipated effectiveness of mitigating actions. 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. The principal risks identified can be found in the Risks and Uncertainties section on pages 34 to 39, along with the Company's viability statement.

The framework of risk management and internal control described in the Audit Committee Report on page 65 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. Review of its effectiveness is achieved through regular and transparent management reporting, the governance processes and external and internal assurance processes, and in the Audit Committee and Board's annual review of strategy and operational risks.

The Board has conducted a review of the effectiveness of the system of internal control for the year ended 31 December 2016 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 Financial Statements;
- the process is regularly reviewed by the Board; and
- the process operates in accordance with the Code.

Corporate Governance Report

Fair balanced and understandable

The Directors' statement on 'fair, balanced and understandable' can be found on page 153. The requirement under the Code to provide a fair, balanced and understandable assessment of the Company's position and prospects in its external reporting is considered throughout the process of producing the Annual Report and Financial Statements. In order to provide the information necessary to comply with this requirement, the Board places particular reliance on the conclusions and recommendations arising from the Audit Committee's review of the Annual Report and Financial Statements, further details of which can be found on page 63. In addition, the Board has oversight and takes into account the following elements:

- the Chairman and Chief Executive provide input and agree on key elements to be included which set the tone and balance of the Strategic Report;
- all contributors to the Annual Report are made aware of the requirement for content to be fair, balanced and understandable;
- regular review meetings are held with the appropriate senior management to ensure consistency of the whole document;
- extensive review and verification processes are undertaken by the appropriate departments and senior managers to ensure the accuracy of the content; and
- additional independent internal reviews are undertaken to ensure that any perceived lack of clarity, balance or understanding in the Annual Report is identified.

Engagement with shareholders

The Board fulfils its obligations of accountability to shareholders through clear and open reporting on current performance and plans for the future, engagement with shareholders and investor representative bodies, and taking into account the views expressed by shareholders. Details of substantial share interests notified to the Company are contained on page 152.

Formal reporting

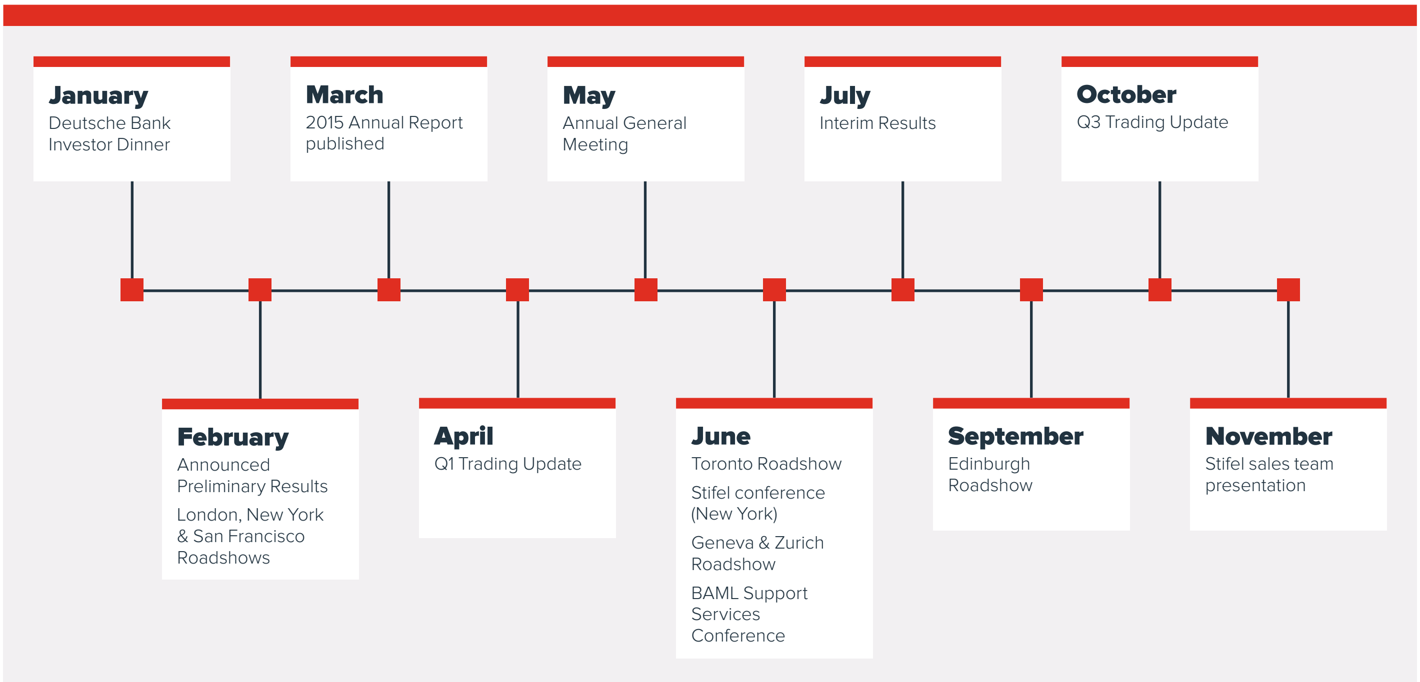
The Company publishes a half yearly unaudited interim statement at the end of July or early August as well as audited financial statements which are announced in February and circulated to shareholders in early April. Whilst no longer mandatory, the Company continues to provide quarterly trading updates each year in April and October. We will continue to keep under review our quarterly reporting practice, and seek shareholders' views on the benefits of doing so.

As at the year end, almost 87% of the Company's shareholders were electing to obtain 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 (a copy of the Annual Report costs almost £20 to print and post). Shareholders who elect to receive electronic communications can revert to paper communications at a future time, if they so wish. The Company annually writes to its new shareholders to inform them that they will receive their shareholder communications electronically unless they elect otherwise.

Aside from the Annual Report, the Company's website **rentokil-initial.com** contains information on the Company's operations and services. The Investor section contains information on past results and publications, press releases and analyst presentation material as well as dividend history. It also contains information to help shareholders manage their holdings, including providing the contact details of our Registrar, who manages all share administration on the Company's behalf.

Additional information for investors can be found on pages 154 and 155.

Shareholder engagement in 2016



Shareholder communications

The Board places great importance on communications with shareholders, also recognising 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 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.

The Company strives to ensure that investors and other interested parties have a transparent and effective dialogue with the Company. As such, the Chairman, Chief Executive and Chief Financial Officer make themselves available to shareholders at all appropriate times. In addition, 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 Senior Independent Director met with the Investment Association as part of their follow up consultation on the recommendations of the Executive Remuneration Working Group in April 2016. After a detailed shareholder consultation exercise in the fourth quarter of 2015, the Senior Independent Director did not attend any meetings with individual investors during the year as there were no requests for him to do so. It is felt, however, that he has previously attended sufficient meetings to have developed a balanced understanding of the issues and concerns of our major shareholders. It is intended that the new Remuneration Committee Chairman and the new Senior Independent Director, to succeed Alan Giles, will make themselves available for meetings with investors once appointed as part of a planned induction to the roles.

The Company maintains 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, and through exchanges with shareholder representative organisations. Investor roadshows are conducted after full-year and interim results, involving extensive investor meetings on each occasion, as well as opportunities for private client investor presentations across the UK. The Chief Financial Officer, supported by the Group Financial Controller & Treasurer, also regularly meets with and hears the views of representatives of the debt capital markets.

Formal presentations are also held after full-year and interim results, to which investors and sell- and buy-side analysts are invited. These presentations are webcast 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 as are recordings of meetings.

Annual General Meeting

The Board welcomes the opportunity to enter into dialogue with both private and institutional shareholders at the Annual General Meeting (AGM) and view it as an opportunity to engage with all our shareholders on the performance of the business they own.

The 2017 AGM will be held at 12 noon on 10 May 2017 in the Ascot Suite at the Hilton London Gatwick Airport, South Terminal Gatwick Airport, Gatwick, RH6 0LL. A separate Notice of Meeting, containing an explanation of the items of special business, has been sent to shareholders and is available on the Company's website. In accordance with the Code, the Directors (other than Chris Geoghegan, who has been appointed during 2016 and so, in accordance with the Code, will be subject to election by shareholders at the AGM, being the first such meeting since his appointment) are subject to annual re-election by shareholders and will, therefore, be stepping down and seeking re-election at the AGM. The Board recommends to shareholders the election of Chris Geoghegan and re-election of the other Directors on the basis that they are all effective Directors of the Company and demonstrate the appropriate level of commitment to the role. As Alan Giles plans to retire from the Board at the 2017 AGM he will not be put forward for re-election.

Biographical information in respect of the Directors as well as information as to why the Board believes the Directors should be re-elected can be found in the Notice of Meeting.

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 afterwards 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 as soon as possible following the meeting.

John McAdam
Chairman
22 February 2017

Find out more at
rentokil-initial.com/investors

Read the 2017 Notice of Annual General Meeting at
rentokil-initial.com/investors/shareholder-centre

Audit Committee Report

Dear Shareholder

As in previous years, the Audit Committee focused on financial reporting and financial control and worked closely with the Group's Internal Audit function in relation to risk management and compliance.

In 2016 the Committee also devoted specific attention to the M&A growth strategy and the increase in the scale and complexity of the business in North America in particular. It was reassuring to see good progress in the integration of the Steritech acquisition which, as we had indicated in our 2015 report, had a significant impact on the scale of the Company's Pest Control business in the region. This was important given the need to integrate the 17 acquisitions in the North America region which were completed in 2016. The US is now sufficiently material to the Group that we enhanced the scope of the external audit from 2016 onwards. Additional resource and capability has also been added to the North America finance team to ensure that, despite the increasingly complex finance systems and trading environment, our business there will continue to perform well, and report and forecast effectively.

"During the year, the Committee also focused on cyber risk as an area of growing importance."

Julie Southern
Chairman of the Audit Committee

Although we were disappointed at the record-keeping failure that led to a health and safety prosecution in our New Zealand Hygiene business, the overall control environment continues to mature and strengthen and it was pleasing to see reduced levels of breakdowns in internal controls than was the case in 2015 in Mexico, Netherlands and Australia. For further details, see the Group's approach to risk management and control on pages 65 and 66.

There were changes to the membership of the Committee during the year as Peter Bamford stepped down in May 2016. I would like to thank him for his contribution as a member over the last nine years. I would also like to welcome Chris Geoghegan who joined the Committee in June 2016. I am pleased to report that I believe that the Audit Committee continues to have the necessary balance of skills, experience, professional qualifications and knowledge as detailed on page 62.

As I mentioned in last year's report, a planned external review of the effectiveness of the internal audit function was carried out in the second half of 2015 by Grant Thornton LLP. The majority of the findings were positive and in the first half of 2016 the Committee continued to examine the outcomes of this review and the subsequent actions taken.

Due to the reforms of the audit market created by the EU Audit Directive and EU Audit Regulation, the Committee undertook a detailed review of the Company's policy on the provision of non-audit services by the external auditors in 2016. This was subsequently updated to ensure full compliance by 1 January 2017 and is available to view on the Company's website.

As in previous years, the Committee reviewed the methodology followed by the Company to identify the principal risks facing the business and the adequacy of the mitigating actions. During the year, the Committee also focused on cyber risk as an area of growing importance, both as a general business matter but also in view of the Company's investment in technology and innovation in its services and service delivery, as can be seen on page 5. The Board and Committee effectiveness reviews undertaken in 2015 identified consideration of key or new risks such as cyber risk as an action for 2016. As a result, the Audit Committee received an in-depth review by the Global Head of IT Security of the current cyber risks faced by the Company and of progress in putting in place actions to minimise the risks, and will continue to receive periodic updates on progress against these actions and further initiatives in this area.

The Committee received in-depth reviews of three of the five regions from the Regional Finance Directors, who presented on the risk and control environment in their region, with particular focus on financial reporting controls and the quality of the finance organisation, specific control issues and key priorities for the finance function. This practice continues to provide a high level of insight for the Committee into the businesses in these regions and to allow the opportunity to challenge senior management on processes and any perceived risks. We will continue to obtain these helpful reviews in 2017.

Julie Southern
Chairman of the Audit Committee
22 February 2017

Role of the Audit Committee

The Audit Committee assists the Board in its oversight and monitoring of financial reporting, risk management and internal controls. The Audit Committee's focus is to review and challenge in these areas both with management and with internal and external auditors.

The Audit Committee:

- Monitors the integrity of the annual and interim results, including a review of the significant financial reporting judgements contained therein. The Directors' statement of responsibilities for preparing the Annual Report and Financial Statements can be found in the Directors' Report on page 153.
- Keeps the Company's internal financial controls and internal control and risk management systems under review.
- Reports to the Board on its activities and provides the Board with an independent assessment of the Group's accounting affairs and financial position to enable it to meet the UK Corporate Governance Code (the Code) requirement to present a fair, balanced and understandable assessment of the Company's position and prospects.
- Monitors and reviews the effectiveness of the Company's internal audit function.
- Establishes and oversees the Company's relationship with the external 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.
- Reviews correspondence from regulators in relation to the Company's financial reporting and, if appropriate, reviews management's response.
- Monitors matters raised pursuant to the Company's whistleblowing arrangements.

Terms of reference

The Committee's terms of reference were reviewed by the Committee in 2016 and the Board approved a number of minor 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 and have been updated to reflect changes brought in under the EU Audit Regulation and EU Audit Directive, and are available on the Company's website.

Composition and attendance of the Audit Committee

The Committee met four times during the year and the members of the Committee and their attendance during 2016 are detailed below.

Audit Committee meeting attendance 2016

Julie Southern (Chairman)
Attendance 100%
Attended: 4
Potential: 4

Peter Bamford[1]
Attendance 100%
Attended: 1
Potential: 1

Chris Geoghegan[2]
Attendance 100%
Attended: 3
Potential: 3

Alan Giles
Attendance 100%
Attended: 4
Potential: 4

1. Peter Bamford resigned from the Board on 11 May 2016.
2. Chris Geoghegan joined the Committee on 28 June 2016.

During the year Peter Bamford retired and Chris Geoghegan was appointed as a member of the Audit Committee.

Julie Southern, Chairman of the Audit Committee, is a Chartered Accountant and is considered to have relevant and recent financial experience. Peter Bamford, Alan Giles and Chris Geoghegan have extensive commercial and operational experience in overseeing the financial affairs of substantial business undertakings and the Audit Committee as a whole is considered to have competence relevant to the sector in which the Company operates. Full biographical details of the members of the Audit Committee are contained on pages 48 and 49. All Audit Committee members are independent Non-Executive Directors. The Committee did not find it necessary to seek external advice during the year, other than through its usual dialogue with the external auditor.

Meetings of the Committee are attended by the Company Chairman, the Chief Executive, the Chief Financial Officer, the external auditor, the Director of Risk & Internal Audit and the Company Secretary. Other company executives attend meetings periodically such as the Group Financial Controller & Treasurer, the Group Tax Director and the Regional Finance Directors. The Committee meets at least once per year separately with the Company's auditor, KPMG LLP, and the Director of Risk & Internal Audit without executive management present. The Chairman of the Committee reports to the Board at the next Board meeting on the activity of the Committee and any matters of particular relevance to the Board in the conduct of its work.

Activities of the Audit Committee in 2016

In 2016, the Audit Committee considered the following key areas:

Internal controls and risk

- The effectiveness of the internal control and risk management framework including an assessment by the external auditor of the Company's risk management framework relative to peer group companies to ensure that best practices are applied where relevant.
- The statement to shareholders on 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. This included a specific review of cyber security.
- Review and enhancement of relevant policies and procedures including the Group authority schedule, tax and treasury policies.
- Group reporting processes and the central control environment, including the review of Group Risk Committee minutes.
- The conclusions and themes emerging from the internal audit investigations conducted during the year and approval of the plans for 2017 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 and interim financial statements.
- 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 below, including discussions with the auditor without executives present.
- A review of the Company's policy on the provision of non-audit services by the auditor and compliance with the policy.
- The audit strategy for the 2016 audit including the key areas of focus, materiality levels, scope and coverage including the decision to enhance the US audit scope.
- An analysis setting out the basis on which KPMG LLP continued to meet the appropriate professional standards of independence as auditor to the Company.

Read the Audit Committee terms of reference at **rentokil-initial.com/investors/governance**

Audit Committee Report

Accounting and financial reporting

- The annual and interim financial statements, together with the significant financial reporting judgements relating to each statement.
- Reviews of material litigation and disputes.
- Reviews with Regional Finance Directors including the control environment in their businesses.
- A review of and recommendation to the Board in relation to the going concern analysis and the viability statement.

Significant accounting judgements

After discussion with both management and the auditor, the Committee has determined the key issues of accounting judgement affecting the financial statements and therefore providing the potential for material misstatement in the 2016 Annual Report. The significant areas of focus considered and actions taken are set out below. These issues have been discussed and reviewed by the Committee during the year, notably at the review of the interim results and at the review and agreement of the audit plan for 2017.

	Significant matter	Action taken
Deferred tax assets recognised on unused tax losses	The Group holds substantial deferred tax assets recognised on unused tax losses. The amount recognised is highly judgemental and is based on future profitability which is inherently uncertain, and involves judgement in determining the forecast period.	Where 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 reviews the position at the half-year and year-end balance sheet dates supported by papers from the Director of Tax and is satisfied that the assumptions supporting the valuations are appropriate and that the assets are reasonably stated in the financial statements.
Tax provisions	The Group holds a number of provisions for tax contingencies in relation to various potential claims from tax authorities, which require significant judgements and estimates in relation to tax risks. The complexity is increased as a result of the large number of tax jurisdictions in which the Group operates, and the time taken for tax matters to be agreed with the relevant authorities.	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. As noted above, the Committee reviews the position at the half-year and year-end balance sheet dates supported by papers from the Group Tax Director and is satisfied that the assumptions supporting the valuations are appropriate and that the liabilities are reasonably stated in the financial statements.
Valuation of intangible assets	The Group carries material balances for intangible fixed assets arising on acquisitions, and due to the acquisition programme makes material additions to these balances each year. Annual impairment tests are based on value-in-use calculations which require significant judgements in relation to the inputs used, including forecast growth rates and discount rates. Management is required to perform annual tests for impairment of goodwill balances over £1m as well as other acquired intangible assets when there are indicators of impairment.	The Group's intangible assets are grouped into cash-generating units (CGUs) for the purpose of assessing the recoverable amount (usually a country business unit). Impairment tests are carried out using a centrally provided model. 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. 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.
Acquisition accounting	The Group makes a large number of material acquisitions each year, many of which require the valuation of acquired intangible assets such as brands, customer lists and goodwill. The calculations for valuing these assets on acquisition are subject to significant judgement and estimation about the future performance of the acquired business, such as forecast termination rates, discount rates and growth rates. The Group utilises the allowances for provisional accounting within the standards where appropriate, and there is judgement required during this period as to whether the adjustments relate to the pre- or post-acquisition period.	At each balance sheet date, management provides the Audit Committee with a summary of M&A activity in the period, including updates to provisional accounting as well as details of new acquisitions. The Committee reviews the accounting treatment of certain aspects of significant acquisitions, including determination of the consideration paid, the identification and valuation of acquired intangible assets and a review of provisional opening balance sheets.

Internal audit

The Group has an internal audit team led by the Director of Risk & Internal Audit. Where justified by the need for local language or technical expertise in particular markets, the team draws additional resources from external practices although this was not required in 2016. The Committee also has the benefit of the output from the financial controls testing carried out by the Company's auditor, KPMG LLP. The Director of Risk & 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.

During the year, internal audit continued 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 2015 has been completed in full. The common themes, and related recommendations, arising from the 26 audits and investigations completed or in progress considered by the Committee covered:

- key financial controls;
- entertainment and expenses;
- authority schedules;
- compliance with Group insurance requirements;
- IT general controls and entity level controls;
- pricing strategy;
- sales and customer account management;
- customer contract management;
- stock and warehousing;
- operational effectiveness;
- business continuity management; and
- compliance with the Code of Conduct, anti-corruption policy, and policies for reporting serious incidents.

Internal audit continued to implement the recommendations of the 2015 Grant Thornton report on specific IT processes, with reviews during 2016 of information governance, information security, IT supplier and contract management, global data centres (including data backup and restore processes), and software development for enterprise applications.

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 notes that the majority of audit recommendations are completed in the agreed time frame.

None of the failures identified in the control environment by internal audit or any of the recommendations resulting from individual audits represented a systemic underlying issue. The overall work of the internal audit function is supportive of the Committee's and the Board's view that the financial and operational controls environment, set out in the Risks and Uncertainties section on page 34, is working adequately. The Board's statement on the effectiveness of risk management and internal control can be found on page 58.

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 Audit Committee and meets with the Committee without executive management present. The main engagement with the Committee in 2016 has been over the audit and publication of annual and periodic financial statements, and advising on the reporting requirements relating to significant acquisitions and disposals. 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 regularly reviews the amount and nature of non-audit work performed by the auditor to ensure that the auditor's independence is not compromised and in 2016 updated the Company's policy to ensure full compliance with the EU Audit Directive and EU Audit Regulation. Any engagement fee on permitted services in excess of £10,000 requires the approval of the Chairman of the Audit Committee and any engagement fee in excess of £250,000 requires the approval of the Committee. A copy of the policy on engagement of the auditor's service is available at **rentokil-initial.com**. There was no significant non-audit service engagement during 2016.

Fees for audit-related services incurred during the year amounted to £0.2m (2015: £0.1m) and fees for non-audit services incurred during the year amounted to £0.7m (2015: £0.6m), representing 37% of the total audit fees. Details of the fees paid for audit services, audit-related services and non-audit services can be found in Note A8 to the Financial Statements.

Disclosure of information to the auditor

The Committee monitors the process leading up to the preparation of the 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 153.

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 2015 audit was completed and all milestones reached, and 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 preparation of Group and local statutory accounts for the 2015 calendar year, drawing input from the Chief Financial Officer, the Director of Risk & 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 35 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; and
- effectiveness of the financial controls testing process.

The Committee considered the comprehensive findings of the review, none of which were 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 demonstrated that the audit performance was effective and at a similar level to the previous year.

Auditor independence and objectivity
In concluding that KPMG LLP should be proposed for reappointment as auditor at the Annual General Meeting (AGM) in May 2017, 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 of the auditor 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. In accordance with the UK Competition and Market Authority Order (the Order), the Company will be required to appoint an auditor pursuant to a competitive tender process by 2019. In order to allow sufficient time for the process to be undertaken thoroughly and fairly and to allow an adequate transition between external auditors if required, the Audit Committee would expect that it will complete the competitive tender process in 2017 with the audit of the 2018 accounts to be undertaken by the newly-appointed auditor.

In addition, KPMG LLP are required to rotate the audit partner responsible for the Group audit every five years. The current lead audit partner, Paul Sawdon, has served since 2013 and will, therefore, rotate after the 2017 year end.

The Committee continues to review the auditor appointment and the need to tender the audit, ensuring compliance with the Order. Accordingly the Company confirms its compliance with the provisions of the Order for the financial period ending 31 December 2016.

The Committee has recommended to the Board that KPMG LLP be reappointed for the financial year ending 31 December 2017 under the current external audit contract and the Directors will be proposing the reappointment of KPMG LLP and the setting of its fees at the Company's 2017 AGM.

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. The Board's statement on risk management and internal control is set out in the Corporate Governance Report on page 58.

The identification and management of risk is fully integrated into the development of the Group's strategy and 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 principal 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; and
- 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 as previously described.

The Audit Committee receives regular reports from the Chief Financial Officer and the Director of Risk & 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 re-ocurrence; and
- periodic reports from regional and Group finance executives, and internal audit.

The number of control breakdowns across the Group remains low, with those which do occur having no or limited impact on Group performance. In 2016 and early 2017 the Audit Committee reviewed:

- A control breakdown in the New Zealand business relating to the maintenance of immunisation records for technicians. Due to poor record-keeping the business was unable to confirm whether or not a technician had been immunised against Hepatitis B in 2008, and as such was in breach of the local WorkSafe regulations. The business was fined and has since put in enhanced processes to prevent a re-ocurrence.
- In part due to the complex finance systems and trading environment in 2016, the North America finance team was unable at times to forecast accurately the underlying performance of the business. There were no material errors in the reporting of performance and the business performed well in the year despite the forecasting errors. Having identified the problem, additional resource and capability has been added to the North America finance team to mitigate the risk in this area.

During 2016 the Audit Committee also reviewed progress in remedying control breakdowns first reported in 2015:

- Failure in the financial control environment in Mexico – the former Finance Director left the business and a full review of financial statements and financial controls has been carried out by the new Finance Director. The review of financial statements resulted in a one-off charge to the Income Statement in 2016, and a follow-up review by Internal Audit in 2016 found that the financial control weaknesses identified in 2015 had been substantially rectified.
- A fraud by the former Sydney branch manager in Australia including collusion with colleagues and a customer – the branch manager was prosecuted at the Company's instigation and convicted. Additional controls to prevent a re-ocurrence have been put in place across all branches in Australia, and lessons learned were shared more broadly with senior management.
- Fraud at our Ureco subsidiary in the Netherlands involving production of false credit notes – the matter was investigated and staff dismissed. The Ureco subsidiary has subsequently been sold. Work on the investigation has yet to conclude.

There is a Group Risk Committee composed of key functional and operational senior managers which considers the risk framework and key risks. Further details of its composition, scope and responsibilities are set out on page 58.

Specific programmes are in place 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. The use of U+ has proved to be highly effective in accelerating delivery and monitoring of training on the revised Code of Conduct in 2016. Full details can be found in the Corporate Responsibility Report on the Company's website.

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.

Governance and compliance

The Audit Committee has responsibility for reviewing the Company's procedures for handling compliance with the Company's Code of Conduct, including its anti-corruption policy and confidential reporting (whistleblower) arrangements. The Code of Conduct, a fundamental commitment to comply with all applicable legal requirements and with high ethical standards, can be found on the Company's website. During the year, the Committee reviewed assurance of the compliance procedures in place and the degree to which mandatory training has been undertaken by senior management relating to the Code of Conduct, which was revised and reissued in 2016. The Committee is also informed of feedback from senior management who are required to provide an annual Letter of Assurance confirming compliance with key Group policies, including the Code of Conduct, and the dissemination of these policies to their respective country and functional teams.

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. Further information on the Speak Up programme can be found in the Corporate Responsibility Report on the Company's website. During the year, the Committee received a report on control incidents arising via the Speak Up programme as well as from other sources. The Committee also periodically reviews 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.

Audit Committee effectiveness

In November 2016, 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 of the Audit Committee
22 February 2017

Read our Corporate Responsibility Report at
rentokil-initial.com/responsible-delivery

Read our Code of Conduct at
rentokil-initial.com/responsible-delivery/code-of-conduct

Nomination Committee Report

“During 2016 we were once again able to appoint an individual who could contribute and work effectively with the existing Board members.”

John McAdam
Chairman of the Nomination Committee

Dear Shareholder

The Nomination Committee’s key objective is to make sure that the members of the Board have the appropriate balance of skills, knowledge and experience to govern the Company in an ethical and transparent manner and to ensure that the Board is effective in discharging its responsibilities.

The Committee has overall responsibility for succession planning and for leading the process for new appointments to the Board and senior management. In addition, the Committee is responsible for assessing the composition, diversity, experience, knowledge, skills and independence of the Board. It recommends the appointment of new members to the Board as well as providing recommendations to the Board in respect of the reappointment of Directors each year. The Nomination Committee also has oversight of the Company’s policy and procedures with regard to managing conflicts of interest.

During 2016, the Nomination Committee met four times and recommended the appointment of Chris Geoghegan to the Board as a Non-Executive Director following the resignation of Peter Bamford in May. I am satisfied that the process undertaken worked efficiently and that we were once again able to appoint an individual who could contribute and work effectively with the existing Board members. We are undertaking a similar process to find a successor to Alan Giles following his planned retirement at the conclusion of the 2017 AGM. As part of this process, the Committee has reviewed the current composition of the Board and considered any areas of professional or sector experience which may be currently underrepresented, such as business-to-business (B2B) services experience or technology, or which could be considered advantageous as the business continues to grow, such as specific international experience in key markets like North America.

There has been a considerable amount of corporate governance guidance published during 2016 which the Board is keeping abreast of and will report against in the future as appropriate. However, two publications of particular interest to the Nomination Committee were the Hampton-Alexander Review on gender balance in FTSE leadership and the Parker Review on the ethnic diversity of UK boards. The Committee considered both during the year and more information on this can be found below. One of the key recommendations of the Hampton-Alexander Review is for companies to disclose the number of women on the Executive Leadership Team and in the direct reports to the Executive Leadership Team and we have complied with this on page 69.

Yours faithfully

John McAdam
Chairman of the Nomination Committee
22 February 2017

Role of the Nomination Committee

The Committee has delegated authority from the Board as set out in its terms of reference. The terms of reference of the Committee were reviewed by the Committee during 2016 and are available at **rentokil-initial.com**. The primary purpose of the Committee is to ensure that a regular, rigorous and objective evaluation of the structure, size, composition and balance of skills, knowledge and experience of the Board is undertaken, 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 of the Nomination Committee are circulated to all Directors where appropriate.

Membership and attendance

Since February 2016, the composition of the Nomination Committee was changed to include all Non-Executive Directors. This was done in order to ensure that all Directors are able to provide input and help determine the future composition of the Board. The Committee met formally four times during the year. The members of the Committee during 2016 and their attendance at Committee meetings can be seen below.

Nomination Committee meeting attendance 2016

John McAdam (Chairman)
Attendance 100%
Attended: 4
Potential: 4

Peter Bamford[1]
Attendance 100%
Attended: 2
Potential: 2

Richard Burrows
Attendance 100%
Attended: 4
Potential: 4

Chris Geoghegan[2]
Attendance 50%
Attended: 1
Potential: 2

Alan Giles
Attendance 100%
Attended: 4
Potential: 4

Angela Seymour-Jackson
Attendance 100%
Attended: 4
Potential: 4

Julie Southern
Attendance 100%
Attended: 4
Potential: 4

1. Peter Bamford resigned from the Board on 11 May 2016.
2. Chris Geoghegan joined the Committee on 28 June 2016.

As detailed on page 53, Chris Geoghegan was unable to attend a Nomination Committee meeting held shortly after his appointment due to a conflict with a pre-existing commitment. The Committee Chairman seeks the views of any director unable to attend a meeting and provides a briefing on outcomes. All Committee members are provided with material for all meetings, whether or not they are able to attend.

Activities of the Nomination Committee in 2016

Key items discussed by the Nomination Committee included:

- the appointment of Chris Geoghegan;
- a review of Board succession planning, including key skills and experience to prioritise in the search for new Directors, and formulation of a forward multi-year succession plan;
- a review and selection of executive search consultants to assist with the recruitment of new Directors;
- a review of the Committee's constitution;
- a review of the Committee's effectiveness which was externally facilitated by Lintstock, an independent corporate governance consultancy;
- 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; and
- 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.

More detailed information is provided below, where appropriate.

Succession planning and talent development

Both the Nomination Committee and the Board recognise that strategic, thoughtful and practical succession planning is critical to the long-term success of the Company. The Committee looks to bring new energy, challenge and oversight to the Board and to reflect the business strategy and operational goals in appointments. The Board is ultimately responsible for succession planning for Executive and Non-Executive Directors and senior management, with the Committee having oversight and making recommendations as required. Whilst Board and senior manager succession planning has been a regular feature of both the Nomination Committee and the Board for the last few years, the Board recognises that the critical importance of having the right leadership and talent in place means that additional time should be allocated to executive succession and talent development. This was incorporated into the Board agenda in 2016.

During 2016, the Board received a presentation from the Group HR Director on talent strategy. This reviewed the current succession pipeline to Executive Leadership Team and Senior Leadership Forum roles as well as wider talent development priorities. Descriptions of these groups can be found in the Corporate Governance Report on page 58. The Board approved a new talent strategy and approach to ensure that talent activity is focused on the key priorities of the organisation, namely fuelling succession into key operational and leadership roles in the short and medium term and retaining critical talent and specialists. Talent pools were established to help identify successors for roles in the Executive Leadership Team and Senior Leadership Forum, to improve the succession pipeline for senior operational management, and to identify and accelerate the development of fast-track talent. It is intended that identified members of the talent pools will be offered development that focuses on individual needs and stretches people in the areas required for their next role within the Company. Further details of the Rentokil Initial Diversity and Inclusion Programme offered to colleagues can be found in the Corporate Responsibility Report on the Company's website. Talent pools will be reviewed annually ensuring new participants can be identified and existing participants evaluated, resulting in a comprehensive talent review that is presented to the Board annually, mapping successional candidates and opportunities across all senior roles within the business.

Nomination Committee Report

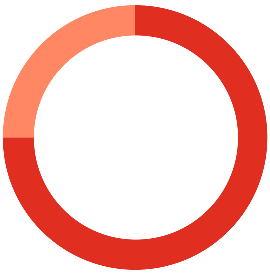
Appointment process to the Board

The Nomination Committee has responsibility for managing the appointment process to ensure a formal, rigorous and transparent procedure for appointing directors. In order for the Board to discharge its duties and responsibilities effectively, it must comprise a diverse group of individuals whose skills and experience are gained in a variety of backgrounds. Successful candidates must demonstrate independence of mind and integrity, and must enhance the overall effectiveness of the Board. Appointments are considered objectively, regardless of gender, ethnicity or other personal characteristics, and are made on merit. Pro-forma letters of appointment and Directors' service contracts are available for public inspection at **rentokil-initial.com**.

The process of appointing new directors to the Board is usually supported through the use of an external recruitment consultant. The process typically commences with the selection of a suitable recruitment consultant, who will be briefed on the skill sets and candidate experience being sought. The recruitment consultant 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 Leadership Team roles.

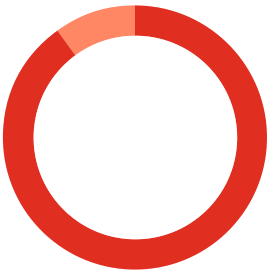
In 2016, this process was undertaken in the search for a replacement director following the resignation of Peter Bamford at the AGM in May 2016. Odgers Berndtson, an external executive search consultancy with no other connections with the Company, were engaged by the Company to undertake the recruitment process. Following a formal, rigorous and transparent process, the Nomination Committee recommended to the Board that Chris Geoghegan be appointed as a Non-Executive Director.

Board Gender (%)



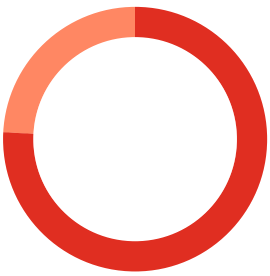
Male	75%
Female	25%

Executive Leadership Team Gender (%)



Male	90%
Female	10%

Executive Leadership Team Direct Reports[1] Gender (%)



Male	76%
Female	24%

Diversity

The Board remains of the firm view that in order to secure the best talent for the Board, or 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. 25% of Board members are female and the Company aims to meet the recommendation made in the final Davies Review and in the Hampton-Alexander Review on improving gender balance in FTSE leadership, which set a target of 33% female board representation by 2020. The Nomination Committee will also keep under consideration the recommendation made in the Hampton-Alexander Review that FTSE 350 companies should aim for a minimum of 33% women's representation across their Executive Committee and in the direct reports to the Executive Committee by 2020. Currently Rentokil Initial has one woman on the Executive Leadership Team (ELT) and 18 in the direct reports to the Executive Leadership Team[1]. This represents 10% and 24% respectively. Further details on the composition of Rentokil Initial colleagues are provided in the Corporate Responsibility section on page 44.

The Nomination Committee and Board are already addressing the relative lack of diversity, both inherent and acquired, in the senior management of the Company, and to this end the Board received a presentation from the Group HR Director on diversity and inclusion during the year providing an update on the current strategy. Several initiatives are being undertaken to implement change. For instance, one element of the diversity and inclusion strategy is to improve female representation in operations and sales roles in order to build the number of women undertaking frontline management roles and, therefore, the pipeline of women to middle and senior management roles. In addition, female key talent have the opportunity to undertake a coaching programme to improve their skills and support those in transition. Diversity and inclusion is now a theme in all Leadership Development Programmes and will also feature in the Talent Pool Programmes.

As a company, we will 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. We always endeavour to make sure that the very best person is recruited, promoted and retained in the business and that everyone is measured and rewarded based on merit alone. The Nomination Committee will continue to work to ensure that diversity and inclusion remains a business priority and that improvements already made in this area continue.

Rentokil Initial has a Group-wide policy on diversity and recruitment, which applies up to and including Board level. In 2017, the Nomination Committee will consider whether it is more appropriate to adopt a separate Board diversity policy rather than continue to operate under the Group-wide diversity policy. The Nomination Committee and Board will also consider the outcome of the consultation of the Parker Review on ethnic diversity in UK boards.

1. Executive Leadership Team (ELT) Direct Reports includes those individuals reporting to members of the ELT who are defined as senior managers, with responsibility for planning, directing or controlling the activities of the Company, or a strategically significant part of the Company. Non-managerial and administrative staff who report to the ELT have not been included.

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 merits. Since the procedure was introduced a number of potential situational conflicts have been authorised after review by the Chairman, with support from the Company Secretary. The Board maintains a register of authorisations granted and the scope of any approvals given, which is circulated to Board members prior to each meeting.

Conflicts are divided into 'transactional' conflicts arising from a specific matter and 'situational' conflicts arising from appointments on other boards or through some other ongoing relationship. All of the approvals given have been situational, none of which is subject to any specific limitation or condition. 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 Company has not encountered any 'transactional' conflicts involving Directors that would require a Director to be excluded from any part of the Board's activities.

Under its terms of reference the Nomination Committee has responsibility to review the current schedule of authorisations with a view to considering whether they remain appropriate or whether they should be revoked or otherwise limited. In addition, this review, which is undertaken annually, also considers the process for considering and, if appropriate, authorising potential conflicts of interests. In 2016, the process for the disclosure of any perceived conflicts upon the appointment of a new Director was reviewed and updated. All authorisations given were considered appropriate and none were revoked or otherwise limited.

Nomination Committee effectiveness

The Nomination Committee has conducted a performance evaluation of each Non-Executive Director seeking re-election and concluded that their performance, both individually and in aggregate, continues to be effective and that each demonstrates commitment to the role. In addition, the Committee conducted a review of how it operates, which concluded that the Committee had operated effectively in 2016. The Committee noted that in 2017 Board and executive succession would continue to be a high priority on its agenda, as the Board's composition changes and the scale and complexity of the Company's business continues to develop.

John McAdam

Chairman of the Nomination Committee

22 February 2017

Read the Nomination Committee terms of reference at
rentokil-initial.com/investors/governance

Directors' Remuneration Report

Dear Shareholder

On behalf of the Board I am pleased to present the Directors' Remuneration Report for the financial year ended 31 December 2016.

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

Part 1 contains details of the activities of the Remuneration Committee during 2016.

Part 2 contains details of remuneration received by Directors during 2016.

Part 3 contains details of how we will implement the Directors' Remuneration Policy during 2017.

Part 4 contains a summary of the 2016 Directors' Remuneration Policy approved at the 2016 Annual General Meeting (AGM).

Parts 1, 2 and 3 (together the Directors' Remuneration Report) will be the subject of an advisory vote at the 2017 AGM.

"The business performed well in 2016, delivering strong financial performance and an increase in shareholder value."

Alan Giles
Chairman of the Remuneration Committee

Remuneration review
Following extensive consultation, the Committee undertook a review of the Company's executive remuneration arrangements, which resulted in changes to our Performance Share Plan (PSP) and the new Directors' Remuneration Policy (the Remuneration Policy) which was approved by 97.4% of shareholders who voted at the Company's AGM on 11 May 2016.

A summary of the Directors' Remuneration Policy can be found in Part 4 on page 86 and is available in full on the Company's website at **rentokil-initial.com**. The new policy came into effect from 11 May 2016 and is intended to apply for a period of three years.

The changes to the Remuneration Policy which were approved at the 2016 AGM were:

- the elimination of an individual performance modifier for future PSP awards for Executive Directors in order to simplify the plan and to align them with all executives below Board level;
- an increase in Executive Directors' required minimum shareholdings;
- the introduction of clawback for both the PSP and annual bonus on a prospective basis; and
- the introduction of flexibility to pay up to 20% of salary for achieving threshold levels of performance in the annual bonus plan (this was not implemented in 2016 and will not be implemented in 2017).

Summary of remuneration strategy
The remuneration strategy of the Company is to provide a package that:

- attracts, motivates and retains the best employees;
- rewards the fulfilment of the business plan of the Company against the annual strategic and operational goals;
- motivates and incentivises delivery of exceptional performance over the long term; and
- aligns management with shareholders' interests.

Key decisions in 2016
The business performed well in 2016, delivering strong financial performance and an increase in shareholder value, as well as executing effectively on our strategic intent and ensuring that strong controls were in place to mitigate and manage risk. This strong performance is reflected in the outturns from the annual bonus and PSP schemes.

The 2016 annual bonus had two performance gateways based on profit and cash generation, both of which were surpassed. The level of bonus achievement was determined by Ongoing Operating Profit and Ongoing Revenue performance, which was then overlaid with an individual performance modifier. As outlined elsewhere in the Annual Report, financial performance during 2016 in the form of revenue, profit and cash flow performance has shown strong and consistent progress. The Committee reviewed the financial performance in 2016 against the annual bonus targets and determined that the Chief Executive, Andy Ransom, and the Chief Financial Officer, Jeremy Townsend, should both receive a bonus of 69.30% of base salary. In respect of the individual performance modifier, Andy Ransom was awarded a performance rating of 5 taking his overall bonus to 86.62% of salary, and Jeremy Townsend was awarded a performance rating of 4, taking his overall bonus to 76.23% of salary.

During 2016 the 2013 PSP award, based on relative TSR only, was tested and achieved upper quartile performance which resulted in 100% of the award vesting, subject to the individual performance modifier. More detail is set out on page 78.

As set out in previous Directors' Remuneration Reports, the 2014 PSP award and all subsequent awards, contain two performance measures rather than the previous, single TSR performance measure. Performance of the 2014 PSP will be measured one-third using EPS (measured over three financial years to 31 December 2016) and two-thirds relative TSR (measured over a three-year period ending 30 March 2017). The inclusion of the EPS measure, whose performance period ends in the reporting year 2016, means the 2014 PSP has been included in the single total figure table for 2016, as required by The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the Regulations). Based on the Company's performance for the period in respect of the 2014 PSP award, vesting is anticipated to be at 100%. The 2014 PSP award is based on the actual EPS result as at 31 December 2016 and an estimated TSR result based on average performance in the fourth quarter of 2016.

The 2016 single total figure table for the Executive Directors contains both the retrospective 2013 PSP award that vested in April 2016 and the estimated, prospective 2014 PSP award that does not vest until March 2017. It is important to highlight that only one cycle of PSP awards actually vested during 2016 and that this 'doubling up' of awards is a consequence of including the 2014 PSP award in the 2016 single total figure table due to the change in performance measures between 2013 and 2014 PSP awards. From 2017 onwards, the single total figure table will revert to the standard approach whereby only one PSP award cycle is included for each financial year.

The following chart illustrates the 2016 single total figure for remuneration for each of the Executive Directors including and excluding the 'doubling up' effect of the inclusion of the 2014 award that does not vest until March 2017. The 2016 single total figure excluding the estimated value of the 2014 PSP award provides a consistent comparator with the 2015 single total figure as both include the value of one vested PSP award cycle.

Key decisions in 2017

With effect from 1 January 2017, Andy Ransom's salary was increased by 1% to £735,564 and Jeremy Townsend's salary was increased by 1% to £472,860. The increases received by the Executive Directors were below the overall annual cost of labour increase which was set at 2% for the UK.

Finally, I will be standing down as Chairman of the Remuneration Committee at the AGM in May 2017 and I will be succeeded by Chris Geoghegan, who joined the Committee during 2016 and will have spent almost a year on the Remuneration Committee before taking over as Chairman, in line with the Investment Association's Principles of Remuneration. We welcome Chris, who has brought to the Committee extensive general management and commercial experience working in international markets, as well as broad non-executive experience in construction and support services. I would like to thank our shareholders for their support and constructive challenge over the past five years.

I hope you will find the information in this report clearly explains the remuneration approach taken by Rentokil Initial and enables you to understand how it links to our strategic business priorities with the short- and longer-term targets linked to delivery of the Company's business plan.

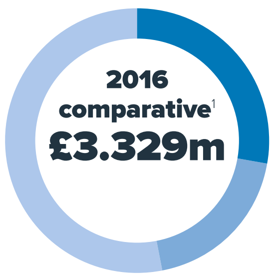
As always I welcome any comments you may have and look forward to seeing shareholders at the 2017 AGM.

Yours faithfully

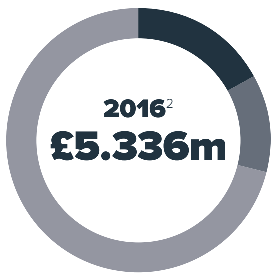
Alan Giles
Chairman of the Remuneration Committee
22 February 2017

Executive Director total remuneration

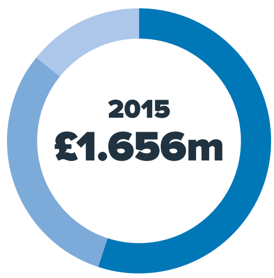
Andy Ransom



Total fixed pay	28%
Bonus	19%
PSP	53%

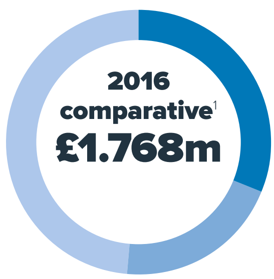


Total fixed pay	17%
Bonus	12%
PSP	71%

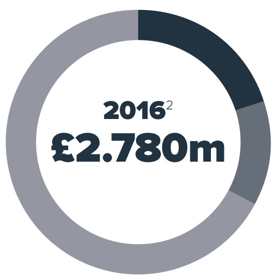


Total fixed pay	55%
Bonus	31%
PSP	14%

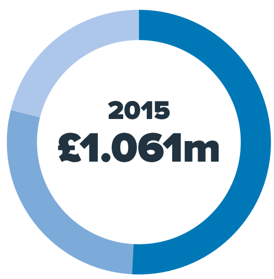
Jeremy Townsend



Total fixed pay	31%
Bonus	20%
PSP	49%



Total fixed pay	20%
Bonus	13%
PSP	67%



Total fixed pay	51%
Bonus	28%
PSP	21%

1. Excluding 2014 PSP.
2. As disclosed in the single total figure table on page 76.

Directors' Remuneration Report

Part 1 – Directors' Annual Remuneration Report

Introduction

This report explains how the Remuneration Policy was implemented and shows the alignment between the Company's strategy, remuneration framework and performance as well as the payments to Directors for 2016. As shown in the table below there is strong linkage between the financial performance of the Company and the Directors' incentive schemes. It also explains how the Remuneration Policy has been implemented in the year ended 31 December 2016 and how it will be implemented for 2017. Details of remuneration in 2016 are set out first, followed by the approach for 2017.

2016 at a glance summary

Component	Strategic objectives	Andy Ransom Chief Executive	Jeremy Townsend Chief Financial Officer
Single total figure for 2016 (page 76)			
Base Salary		£728,280	£468,180
Benefits			
Pension		£182,070	£70,227
Other benefits		£19,700	£16,534
Bonus payment for 2016 (page 77)			
Free Cash Flow gateway: £105m	Strong Free Cash Flow of £156.4m	–	–
Ongoing Operating Profit: 50% weighting	Achieve greater profitability with target of high-single-digit annual Ongoing Operating Profit growth – achieved 12%.	£182,434	£117,279
Ongoing Revenue: 50% weighting	Drive higher Ongoing Revenue with target of mid-single-digit annual Ongoing Revenue growth – achieved 12.1%.	£322,264	£207,170
Annual bonus individual performance modifier[1]	Objective assessment of the Executive Directors' performance against specific individual objectives set for the year.	125% based on a performance rating 5	110% based on a performance rating 4
Total bonus payable		£630,873	£356,894
PSP awards vesting in 2016 (page 79)			
2013 PSP award			
TSR: 100% weighting	Drive growth and enhance shareholder value	Upper quartile performance – TSR test satisfied in full	Upper quartile performance – TSR test satisfied in full
PSP individual performance modifier (max 200%)		102.55%	98.84%
Total vested 2013 PSP award (includes dividend equivalent shares at vest)		902,256 shares	486,218 shares
Value of 2013 PSP award at vesting		£1,768,523	£856,230
Growth in shareholder value between grant and vesting (share price growth plus dividends)		£1.49 billion	
2014 PSP award[2]			
EPS: 33.3% weighting	Improve profitability	Maximum EPS growth target exceeded – EPS test satisfied in full	Maximum EPS growth target exceeded – EPS test satisfied in full
TSR: 66.7% weighting	Drive growth and enhance shareholder value	Upper quartile performance estimated– TSR test estimated to be satisfied in full	Upper quartile performance estimated– TSR test estimated to be satisfied in full
PSP individual performance modifier (max 200%)		126.53%	119.13%
Estimate of total vested 2014 PSP award (includes estimated dividend equivalent shares at vest)		Estimated 912,792 shares	Estimated 460,397 shares
Estimated value of 2014 PSP award at vesting		£2,006,226	£1,011,907
Shareholding as % of salary (page 82)			
Guideline 200% of salary for Chief Executive and 150% for Chief Financial Officer		441% of salary	229% of salary

1. The individual performance modifier is applied to the outturn of the financial element of the bonus based on an objective assessment of the Executive Directors' performance against specific individual objectives set for the year. The individual performance modifiers for the Chief Executive and Chief Financial Officer include aspects as follows: People, Customers, Safety, Systems, Governance & Control and Key Strategic Projects, see page 77 for further details.
2. The inclusion of the EPS measure in the 2014 PSP award, and for all subsequent awards, whose performance period ends in the reporting year 2016, means the 2014 PSP has been included, on an estimated basis, in the single total figure table for 2016, in line with the Regulations. Therefore the 2016 single total figure table for the Executive Directors contains both the retrospective 2013 PSP award that vested in April 2016 and the estimated, prospective 2014 PSP award that does not vest until March 2017.

Changes to the remuneration policy for 2017

There are no changes proposed. Introduction of flexibility to pay up to 20% of salary for achieving threshold levels of performance in the annual bonus plan was introduced as part of the new Remuneration Policy in 2016; however for 2017 threshold payments will remain at 10% of salary.

A summary Remuneration Policy table is detailed on page 86.

Component	Strategic objectives	Andy Ransom Chief Executive	Jeremy Townsend Chief Financial Officer
Base Salary (page 84)		£735,564	£472,860
Benefits			
Pension		£183,891	£70,929
Other benefits		£19,700	£16,534
Annual bonus payment for 2017 (page 84)			
Free Cash Flow: £130m target	Strong Free Cash Flow	The maximum core bonus opportunity remains at 100% of basic salary. This can be further increased or decreased by an individual performance modifier. A cap of 120% of salary is applied to the overall bonus opportunity for Executive Directors.	
Ongoing Operating Profit: 50% weighting	Achieve greater profitability with target of high-single-digit annual Ongoing Operating Profit growth.		
Ongoing Revenue: 50% weighting	Drive higher Ongoing Revenue with target of mid-single-digit annual revenue growth.		
Bonus individual performance modifier	Objective assessment of the Executive Directors' performance against specific individual objectives set for the year.		
PSP awards for 2017 (page 85)			
EPS: 33.3% weighting	Improve profitability	Maximum award 200% of basic salary	
TSR: 66.7% weighting	Drive growth		
	Enhance shareholder value		

Remuneration Committee responsibilities

The Committee's main responsibilities are developing and setting the Group remuneration policy and overseeing its application. It determines and agrees the executive remuneration policy with the Board and approves individual remuneration arrangements for the Chairman, Executive Directors and members of the Executive Leadership Team, including arrangements relating to those joining and leaving the business. It reviews executive performance and strives to ensure that remuneration structures align the interests of management with those of shareholders and operate in the best long-term interests of the Company.

The Committee oversees contractual terms on termination affecting Executive Directors and members of the Executive Leadership Team, and seeks to ensure that any payments made are both fair to the individual and to the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

The Committee also oversees the Company's incentive schemes including the operation and effectiveness of performance measures and targets in both annual bonus plans and in the PSP. It also lends oversight to major changes in employee remuneration in the Group.

Finally it has responsibility to report to shareholders on remuneration matters and to select and appoint advisors to the Committee.

Terms of reference

The Remuneration Committee's terms of reference include all matters indicated by the Code and best practice governance principles and they set out its authority and duties clearly. The terms of reference are reviewed and approved annually by the Board and are available on the Company's website. The Committee gives full regard to the matters set out in the UK Corporate Governance Code.

Membership and attendance

Following Chris Geoghegan's appointment in June 2016, the Committee comprised four independent Non-Executive Directors during the year. Each of the Committee members has significant senior level experience of setting and monitoring remuneration matters in large, complex international businesses, 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 in the matters to be decided by the Committee, other than as a shareholder. No member of the Committee has any conflict of interest in carrying out their role on the Committee 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.

Alan Giles will stand down as Chairman of the Remuneration Committee in May 2017 and will be replaced by Chris Geoghegan.

Remuneration Committee meeting attendance 2016

Alan Giles (Chairman)
Attendance 100%
Attended: 5
Potential: 5

Richard Burrows
Attendance 100%
Attended: 5
Potential: 5

Chris Geoghegan[1]
Attendance 100%
Attended: 2
Potential: 2

Angela Seymour-Jackson
Attendance 100%
Attended: 5
Potential: 5

1. Chris Geoghegan joined the Committee on 28 June 2016.

Activities of the Remuneration Committee

The key activities of the Committee during 2016 are detailed below.

- Finalisation and approval of a new revised Directors' Remuneration Policy.
- Approval of the following for Executive Directors and the Executive Leadership Team:
  – base salaries for 2016;
  – bonus outcomes for 2015 and bonus structure for 2016; and
  – proposed 2016 PSP awards and targets.
- Approval of the 2015 Directors' Remuneration Report.
- Consideration of reward arrangements for key executives below Executive Director level, and appointment terms for the Executive Leadership Team.
- Finalisation of changes to the structure of the PSP following engagement with shareholders and approval of the new 2016 PSP rules.
- Review of the malus policy and implementation of a clawback policy in 2016.
- Approval of the vesting of the 2013 PSP award as a result of performance targets being met.
- Annual performance review of the Committee.

Between the end of 2016 and February 2017, the Committee also undertook the key activities detailed below.

- Approval of the following for Executive Directors and the Executive Leadership Team, in the context of remuneration in the wider employee population:
  – base salaries for 2017;
  – bonus outcomes for 2016 and bonus structure for 2017; and
  – proposed 2017 PSP awards and targets.
- Full review of market practice on remuneration and governance issues in conjunction with remuneration advisors.
- Approval of the 2016 Directors' Remuneration Report.

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 Remuneration Committee

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

- Deloitte LLP (Deloitte)
- Willis Towers Watson Ltd (Willis Towers Watson)
- Vanessa Evans – Group HR Director
- Daragh Fagan – Group General Counsel & Company Secretary
- Debra Hayes – Group Reward, Pension & Benefits Director

Deloitte is 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 £15,530. Deloitte also provided services to the HR and Company Secretarial teams in their roles 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, although they are one of a number of advisors to the Company in such areas. 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.

Willis 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. Willis Towers Watson also advises the Company on UK pension scheme matters. The Committee is satisfied that neither the quantum nor the nature of services provided by Willis Towers Watson to the Company which are unrelated to remuneration matters represent a conflict of interest over the firm's role as advisors to the Committee.

The Group HR Director has direct access to the Chairman of the Committee and together with the Group Reward, Pension & Benefits 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.

Read the Remuneration Committee terms of reference at **rentokil-initial.com/investors/governance**

Part 2 – Directors' Annual Remuneration Report 2016

Directors' remuneration in the year to 31 December 2016

Single total figure for the remuneration of Executive Directors

Details of the remuneration received by the Executive Directors in 2016 are outlined in the Chairman's letter on page 72. **The single total figure table below contains two cycles of share awards, as detailed in Note 3.** The table below has been audited.

		Fixed pay			Variable pay		
	Year	Base salary £'000	Benefits[1] £'000	Pension[2] £'000	Bonus £'000	PSP[3,4] £'000	Total £'000
Andy Ransom, Chief Executive	**2016**	**728**	**20**	**182**	**631**	**3,775**	**5,336**
	2015	714	19	179	506	238	1,656
Jeremy Townsend, Chief Financial Officer	**2016**	**468**	**17**	**70**	**357**	**1,868**	**2,780**
	2015	459	17	69	296	220	1,061

1. Executive Directors are provided with life assurance, permanent health insurance and a company car or a car allowance. The value of the taxable benefits is included under 'Benefits' in the above table. There were no other taxable benefits paid to Executive Directors in 2016.
2. 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.
3. In compliance with reporting regulations, as explained on page 72, the 2016 single total figure includes both the 2013 PSP awards which vested in 2016 and the 2014 PSP awards which are due to vest in March 2017 as both awards have performance periods ending in this reporting year. By comparison, the 2015 figure only contains the value of one cycle of PSP awards granted in 2012. The 2013 PSP grant had one performance condition of TSR over a three-year period to 29 April 2016. The 2014 award has two performance conditions: one-third EPS (measured over three financial years to 31 December 2016, which has been met) and two-thirds relative TSR (measured over a three-year period ending 30 March 2017, which has been recognised based on the conditions having been substantially met and no decline expected). The actual value of the 2014 PSP will be restated next year once the final performance outcome and the share price at date of vesting are known. For the 2014 PSP, share price at vesting was estimated as the average of the Company's share price over the last financial quarter of 2016, giving a price of 219.79p. Full details can be found in the 2013 and 2014 awards vesting table on page 79.
4. The PSP award of £3,774,748 for Andy Ransom is comprised of £1,768,523 for the 2013 PSP and £2,006,226 for the 2014 PSP award, out of which £907,104 and £943,376 respectively reflects enhanced shareholder value (share price growth and dividends) over the vesting period. The PSP award of £1,868,137 for Jeremy Townsend is comprised of £856,230 for the 2013 PSP and £1,011,907 for the 2014 PSP award, out of which £419,190 and £475,824 respectively reflects enhanced shareholder value (share price growth and dividends) over the vesting period.

Annual bonus plan

2016 bonus outcome

The Committee reviewed the 2016 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 2016 bonus plan are set out on page 77. The table on page 73 shows the alignment between our strategy and remuneration framework.

Individual performance is accounted for using an individual performance modifier, which is linked to the Group's performance and development review process. Further details are set out below. Bonuses earned reflect the performance of the constituent businesses which make up the overall Group performance as well as achievement against specific personal objectives.

For any bonus to be payable to an Executive Director, two gateway conditions had to be met. Both conditions were met as follows:

- Gateway condition: the Company must achieve at least 95% of a profit target of £259.35m. The outturn was £259.39m.
- Gateway condition: the Company must achieve Free Cash Flow generation of £105.0m. The outturn was £156.4m.

As both gateway conditions were satisfied, Executive Directors' bonuses were determined by Ongoing Operating Profit (before restructuring costs) and Ongoing Revenue performance plus an individual performance modifier. To support the delivery of profitable growth in 2016 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. To provide this focus, the following co-efficients were applied to the revenue generated from the quadrants as described in the Strategic Report on page 16.

Quadrant	Co-efficient 2016
Emerging	1.51
Growth	1.1
Protect & Enhance	0.7
Manage for Value	0.4

Performance ratings are linked to Executive Directors' bonuses through the individual performance modifier as set out in the table below which is applied to the outturn of the financial element of the bonus. An individual performance modifier is applied to bonus payments for all global senior managers based upon objectives and behaviours, as it is for Executive Directors. Objectives in the individual performance modifier include such areas as People, Customers, Safety, Systems, Governance & Control and Key Strategic Projects.

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

1. The maximum individual performance modifier that can be applied to the bonus is 125%. However, for the Executive Directors or members of the Executive Leadership Team the annual bonus is capped at 120% of salary.

The performance rating for the Chief Executive was 5 resulting in a 125% modifier applying to bonus. The performance rating for the Chief Financial Officer was 4 resulting in an 110% modifier applying to bonus. The assessment of the performance ratings, by the Chairman for the Chief Executive, and by the Chief Executive for the Chief Financial Officer, took into account their key achievements during 2016, as detailed below.

Andy Ransom

- World class safety standards across the Group with long-term accidents and working days lost rates well ahead of target.
- Robust executive and senior manager leadership team succession planning undertaken and talent development pools in place to ensure strong talent pipeline.
- Leveraged employee engagement and communication, resulting in improved employee retention and productivity.
- M&A acquisition plans exceeded across all key targeted growth areas.
- Deployment of six growth levers resulting in improved organic growth across the Group as a whole.
- Steritech (and other North American acquisitions) integration with growth and profit plan delivered or exceeded.
- European Profit Improvement Plan executed in line with plan.
- Investor Relations strategy successfully executed.

Jeremy Townsend

- Steritech profit and synergy delivery at top end of expectations.
- M&A acquisition plans exceeded across all key targeted growth areas.
- Free cash flow stretch target achieved and exceeded.
- Investor Relations strategy successfully executed.
- Service Trak IT software deployed on time and to budget.
- IT security review undertaken and actions detailed and progressing to plan.

The table on page 74 shows the alignment between our strategy and remuneration framework .

Bonus outcomes for 2016 and details of the range around target used to assess performance have been disclosed in the table below.

Annual bonus 2016

	Ongoing Operating Profit (50% weighting)	Ongoing Revenue[1] (50% weighting)	Potential outcome for Andy Ransom	Potential outcome for Jeremy Townsend	Total
Range around target from threshold to maximum	95% to 105%	99% to 101%			
2016 threshold (10%)	£246.4m	£1,927.4m	£72,828	£46,818	
2016 target (50%)	£259.4m	£1,946.9m	£364,140	£234,090	
2016 maximum (100%)	£272.3m	£1,966.4m	£728,280	£468,180	
2016 achievement	£259.4m	£1,961.9m			
2016 performance	100.01%	100.77%			
% bonus achieved before modifier	50.10%	88.50%			69.30%
Andy Ransom Chief Executive					
Bonus (before modifier)	£182,434	£322,264			£504,698
Performance modifier					125%
Bonus outcome for 2016					£630,873
Bonus as % of salary					86.62%
Jeremy Townsend Chief Financial Officer					
Bonus (before modifier)	£117,279	£207,170			£324,449
Performance modifier					110%
Bonus outcome for 2016					£356,894
Bonus as % of salary					76.23%

1. See segment co-efficients on page 76.

Performance Share Plan (PSP) awards

The Executive Directors and senior management population participate in the PSP. The table on page 74 shows the alignment between our strategy and the remuneration framework.

PSP awards included in the single total figure table

In 2014, PSP performance measures were altered from relative TSR only (2013 and previous awards) to a combination of relative TSR and EPS (2014 and subsequent awards). The TSR performance period for the 2013 awards and the EPS performance period for the 2014 awards both end during the 2016 financial year. This means that the 2016 single total figure table includes the value of both the 2013 and 2014 PSP awards with the latter valued on an estimated basis. This 'doubling up' of awards in the 2016 single total figure table is a technical feature for one year only as a consequence of moving to the combined performance measures of EPS and TSR. From 2017 onwards, the single total figure table will contain just one PSP award value as has previously been the case.

In 2013, the Executive Directors were granted a target award of shares which was subject to a single performance measure of relative TSR performance plus an individual performance modifier. If both were met to the maximum level then up to 200% of the target award of shares could vest. Andy Ransom's target award (granted in two separate tranches) was over 826,547 shares worth 120% of salary and Jeremy Townsend's target award was over 460,593 shares worth 100% of salary.

In 2014, the Executive Directors were granted a target award of shares which was subject to two performance measures: relative TSR performance (for two-thirds of the award) and EPS growth (for one-third of the award) plus an individual performance modifier. If all were met to the maximum level then up to 200% of the target award of shares could vest. Andy Ransom's target award was over 680,712 shares worth 120% of salary and Jeremy Townsend's target award was over 364,667 shares worth 100% of salary.

Performance against the performance measures and the modifier is summarised below.

Grant date	Vesting date	Performance condition	Condition definition	Performance period	Threshold[1]	Maximum	Actual/estimated outturn[2]	Vesting	Individual performance modifier[3]
2013 PSP									
30 Apr 2013 and 1 Oct 2013 (for Andy Ransom only)	30 Apr 2016 and 1 Oct 2016 (for Andy Ransom only)	Relative TSR (100% of the total award)	TSR measured against the FTSE 350 Index, excluding financial services, property and primary resources sectors.	30 Apr 2013 – 29 Apr 2016	If median rank is achieved 25% of the award vests.	If upper quartile rank is achieved 100% of the award vests.	90% increase in TSR. Ranked 29th out of 183 comparator companies.	100% vested.	An individual performance modifier is applied as detailed in the notes below. This could increase vesting to a maximum of 200% or reduce to zero.
2014 PSP									
31 Mar 2014	31 Mar 2017	Relative TSR (66.67% of the total award)	TSR measured against the FTSE 350 Index, excluding financial services, property and primary resources sectors.	31 Mar 2014 – 30 Mar 2017	If median rank is achieved 25% of the award vests.	If upper quartile rank is achieved 100% of the award vests.	88% increase in TSR. Ranked 12th out of 183 comparator companies.	100% of the TSR element of the award is on track to vest in March 2017.	An individual performance modifier is applied as detailed in the notes below. This could increase vesting to a maximum of 200% or reduce to zero.
		EPS[4] (33.33% of the total award)	Annualised EPS growth.	1 Jan 2014 – 31 Dec 2016	17% p.a. for 25% of the EPS element to vest.	23.1% p.a. for 100% of the EPS element to vest.	25.9% p.a.	100% of the EPS element of the award to vest.	

1. Vesting is on a straight-line basis between median and upper quartile performance for the TSR element of the award. No awards vest for below median performance. Vesting is on a straight-line basis between threshold, target and maximum for the EPS element of the award. No awards vest for below threshold performance.
2. The estimated outcome of the TSR element of the 2014 PSP has been based on average performance in the fourth quarter of 2016.
3. For Executive Directors, the effect of the individual performance modifier, as set out in the table below, would be to reduce the level of award that would otherwise vest to zero if an individual failed to reach threshold performance levels under the annual bonus in each of the three years of the performance period. Likewise it can have the effect of increasing vesting to a maximum of 200% if maximum bonus performance was achieved in each of the three years of the performance period and the performance measures were met in full.

Achievement against annual bonus in respect of each financial year (average over performance period)	Below Threshold	Threshold	Target	Maximum
Individual Performance Modifier	0%	50%	100%	200%

For the 2013-2016 PSP cycle, the bonus performance across the three years was 51.3% of maximum for the Chief Executive and 49.4% of maximum for the Chief Financial Officer. The performance modifier had the effect of reducing the maximum opportunity payout from 200% to 102.55% for the Chief Executive and 98.84% for the Chief Financial Officer.

For the 2014-2017 PSP cycle, the bonus performance across the three years was 63.3% of maximum for the Chief Executive and 59.6% of maximum for the Chief Financial Officer. The performance modifier had the effect of reducing the maximum opportunity payout from 200% to 126.53% for the Chief Executive and 119.13% for the Chief Financial Officer.

4. The EPS targets for 2014 were revised upward from 14% at threshold and 20% at maximum to reflect material acquisitions and disposals.

Directors' Remuneration Report – Part 2

The aggregate number of shares vesting in 2016 is summarised in the table below. The table also includes the additional number of shares relating to dividends accrued throughout the performance period which were added to the final awards.

2013 and 2014 PSP awards vesting
The table below has been audited.

	Date of award[1]	On-target award of shares	Proportion of relative TSR target met	Proportion of the EPS target met	Individual performance modifier	Total number of shares post performance conditions	Dividend equivalent shares at vest	Total shares vesting[2]	Value of shares vesting[3, 4]
Andy Ransom (as Executive Director)	30 Apr 2013	468,750	100%	N/A	102.55%	480,703	32,700	513,403	£904,103
Andy Ransom, (as Chief Executive)	1 Oct 2013	357,797	100%	N/A	102.55%	366,920	21,933	388,853	£864,420
Andy Ransom	31 Mar 2014	680,712	100%	100%	126.53%	861,304	51,488	912,792	£2,006,226
Jeremy Townsend	30 Apr 2013	460,593	100%	N/A	98.84%	455,250	30,968	486,218	£856,230
Jeremy Townsend	31 Mar 2014	364,667	100%	100%	119.13%	434,427	25,970	460,397	£1,011,907

1. An additional allocation of up to a maximum of 458,716 shares was awarded to Andy Ransom on 1 October 2013 in accordance with the Remuneration Policy for award to Chief Executives, whereby the target level of award was based on 120% of salary.
2. The 2013 and 2014 PSP share awards are entitled to dividend equivalent shares between date of grant and date of vest calculated on the close of business share price on the date on which the dividend was paid. These are included in the total shares vested in 2016.
3. The value of the vested awards under the 2013 PSP was calculated using the closing share price at date of vesting, which on 30 April 2016 was 176.1p and on 1 October 2016 was 222.3p.
4. For the 2014 PSP, share price at vesting was estimated as the average of the Company's share price over the last financial quarter of 2016, giving a price of 219.79p.

The 2013 PSP share awards are also entitled to receive additional dividend equivalent shares at exercise based upon the value of dividends paid during the period between the date of vest and the date one month before the award is exercised. The value of these shares does not form part of the single total figure for the remuneration of Executive Directors.

Long-term incentives granted during the year

On 12 May 2016, Andy Ransom and Jeremy Townsend were both granted an award of shares under the PSP worth 200% of salary.

The number of shares that vest will be two-thirds based on relative TSR performance and one-third based on an EPS performance:

- Relative TSR performance measure – 25% of this element of the award will vest if Rentokil Initial's performance at the end of the three-year performance period is positioned at median against a comparator group of the constituents of the FTSE 350 Index, excluding financial services, property and primary resources sectors, with full vesting for upper quartile TSR performance. Vesting is on a straight-line basis between these two points.
- EPS performance measure – 25% of this element of the award will vest for EPS growth of 9% Compound Annual Growth Rate (CAGR) over the three-year performance period with full vesting for EPS growth of 15% CAGR.

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. Awards to Executive Directors under the 2016 PSP award are set out in the table below.

2016 PSP award
The table below has been audited.

Participant	Date of award	Number of shares awarded	Share price used to determine award	Exercise price	Face value of shares	Date of vest	Performance period end
Andy Ransom	12 May 2016	913,776	159.4p	0.0p	£1,456,560 (200% of salary)	12 May 2019	10 Mar 2019
Jeremy Townsend	12 May 2016	587,427	159.4p	0.0p	£936,360 (200% of salary)	12 May 2019	10 Mar 2019

1. The figures shown for the number of share awards are maximum entitlements and the actual number of shares (if any) which vest will depend on the performance conditions being achieved as set out above. Threshold (minimum) vesting equals 25% vesting. Maximum vesting equals 100% vesting. No PSP shares will vest for below threshold performance.
2. The face value of the award is based on the closing share price of 159.4p on 10 March 2016. This is consistent with the basis used to determine the 'All Employee' 2016 PSP grant on 11 March 2016. The Executive Directors' grant was delayed until 12 May 2016 to allow for the 2016 Performance Share Plan and Remuneration Policy to be approved by shareholders at the 2017 AGM. For reference, the share price on 12 May 2016 was 178p.
3. The awards may be exercised after vesting up to ten years from the date of grant.
4. The TSR condition will be measured over three years to 10 March 2019. The EPS condition will be measured over three years to 31 December 2018.
5. The awards granted were in the form of nil-cost options.

Total PSP awards held by Executive Directors

The table below has been audited.

	Date of award	Share price used to determine award	Scheme interest at 1 January 2016	Shares awarded during 2016	Shares lapsed during 2016	Dividend equivalent shares at vest	Shares available for exercise during 2016	Dividend equivalent shares at exercise	Shares exercised during 2016	Outstanding awards at 31 December 2016	Performance period end
2012 PSP											
Andy Ransom	08/05/12	83.5p	**163,625**	–	–	–	**163,625**	–	–	**163,625**	07/05/15
2013 PSP											
Andy Ransom[3]	30/04/13	96.0p	**937,500**	–	**456,797**	**32,700**	**513,403**	–	–	**513,403**	29/04/16
Andy Ransom[4]	01/10/13	109.0p	**458,716**	–	**91,796**	**21,933**	**388,853**	–	–	**388,853**	29/04/16
Jeremy Townsend[3]	30/04/13	96.0p	**921,186**	–	**465,936**	**30,968**	**486,218**	**6,320**	**492,538**	–	29/04/16
2014 PSP											
Andy Ransom	31/03/14	123.4p	**1,134,520**	–	–	–	–	–	–	**1,134,520**	30/03/17
Jeremy Townsend	31/03/14	123.4p	**729,333**	–	–	–	–	–	–	**729,333**	30/03/17
2015 PSP											
Andy Ransom	31/03/15	135.5p	**1,053,874**	–	–	–	–	–	–	**1,053,874**	30/03/18
Jeremy Townsend	31/03/15	135.5p	**677,490**	–	–	–	–	–	–	**677,490**	30/03/18
2016 PSP											
Andy Ransom	12/05/16	159.4p	–	**913,776**	–	–	–	–	–	**913,776**	10/03/19
Jeremy Townsend	12/05/16	159.4p	–	**587,427**	–	–	–	–	–	**587,427**	10/03/19

1. Shares held by Andy Ransom under the 2012 PSP award are vested but unexercised.
2. The PSP 2013 award partially vested on 12 May 2016. Full details can be found in the 2013 and 2014 awards vesting table on page 79.
3. An additional award was made to Andy Ransom on his appointment as Chief Executive on 1 October 2013. This additional sum was to make up his original grant to take account of his increase in salary on appointment. The on-target / maximum that could be achieved in total from his two 2013 awards was 120% / 200% of his enhanced salary. This award partially vested on 1 October 2016.
4. The 2013 PSP awards are entitled to receive dividend equivalents in the form of shares based on dividend payments between the date of grant and vesting. These are included in the total shares at vest. The awards are also entitled to receive dividend equivalents in the form of shares post vest based on dividend payments between the date of vest and the date one month before exercise. These shares are applied at exercise.
5. Andy Ransom has not exercised his 2013 PSP awards during the year. Jeremy Townsend exercised his award on 27 June 2016 at 180.2p and sold 232,307 shares to cover tax and national insurance liabilities. He retained the balance of 260,231 shares which are included in the Directors' shares table on page 82.
6. The performance conditions of the 2013 and 2014 PSP awards are contained on page 78. The 2015 and 2016 PSP Awards have relative TSR and EPS performance measures which apply to two-thirds and one-third of the total awards respectively. Additionally, an individual performance modifier applies to Executive Directors' 2015 PSP awards. The performance period for the TSR element of the 2015 PSP and 2016 PSP awards will be measured to 30 March 2018 and 10 March 2019 respectively. The EPS performance period is to 31 December of the preceding years. The vesting dates of the 2015 PSP and 2016 PSP awards are 31 March 2018 and 11 May 2019 respectively.

Payments for loss of office

There were no payments for loss of office to Directors during 2016.

Single total figure for the remuneration during 2016 of the Chairman and Non-Executive Directors

The table below has been audited.

Chairman and Non-Executive Directors	**Fees 2016 £'000**	Fees 2015 £'000	**Benefits 2016 £'000**	Benefits 2015 £'000	**Total 2016 £'000**	Total 2015 £'000
John McAdam	**350**	350	**20**[1]	20[1]	**370**	370
Peter Bamford[2]	**28**	55	**–**	–	**28**	55
Richard Burrows	**55**	55	**–**	–	**55**	55
Chris Geoghegan[3]	**28**	–	**–**	–	**28**	–
Alan Giles	**75**	75	**–**	–	**75**	75
Angela Seymour-Jackson	**55**	55	**–**	–	**55**	55
Julie Southern	**70**	70	**–**	–	**70**	70

1. The benefit relates to the private use by the Chairman of a Company driver and vehicle.
2. Peter Bamford resigned on 11 May 2016.
3. Chris Geoghegan was appointed on 28 June 2016.

Directors' shareholdings and share interests

The interests of the Directors and their families in the share capital of the Company as at 31 December 2016, or their date of cessation if earlier, and at 31 December 2015, or their date of appointment if later, are set out below. No Director has any beneficial interest in the shares of any of the Company's subsidiaries.

Directors' share interests

The table below has been audited.

	Number of ordinary shares as at 31 Dec 2016	Number of ordinary shares as at 31 Dec 2015
John McAdam	**1,484,824**	1,484,824
Andy Ransom	**1,462,544**	1,462,544
Jeremy Townsend	**488,600**	228,369
Peter Bamford[1]	**38,000**	38,000
Richard Burrows	**25,000**	25,000
Chris Geoghegan[2]	**–**	–
Alan Giles	**12,000**	12,000
Angela Seymour-Jackson	**10,574**	10,574
Julie Southern	**5,000**	5,000

1. Peter Bamford resigned from the Board on 11 May 2016.
2. Chris Geoghegan was appointed to the Board on 28 June 2016.
3. There has been no change to Directors' shareholdings between 31 December 2016 and 22 February 2017.

Executive shareholding requirements

Since 2014, recognising investors' preferences for executive shareholding requirements, the Company has had shareholding guidelines under which Executive Directors have been expected to build (if necessary, over a period of up to five years from appointment) and subsequently maintain, an economic interest in Company shares. It was approved at the 2016 AGM under the current Directors' Remuneration Policy that the guideline would be increased to 200% of annual salary for the Chief Executive and 150% of annual salary for the Chief Financial Officer from 2016. Executive Directors are not expected to sell any exercisable PSP shares, except to pay statutory withholding taxes, until shareholding guidelines have been achieved. The Executive Directors have met the minimum shareholding requirement.

Executive shareholding requirements

Executive Directors	Beneficial interests in shares at 31 Dec 2016	Value of shareholding at 31 Dec 2016[3]	Shareholding as a percentage of salary at 31 Dec 2016	Current shareholding guideline	Interest in PSP share awards at 31 Dec 2016[4]
Andy Ransom – Chief Executive	1,462,544[1]	£3,214,525	441% of salary	200% of salary	4,168,051
Jeremy Townsend – Chief Financial Officer	488,600[2]	£1,073,894	229% of salary	150% of salary	1,994,250

1. Andy Ransom has an interest in 163,625 vested 2012 PSP and 902,256 2013 PSP share awards which he has not yet exercised. These figures are not included in his beneficial interest in shares figure at 31 December 2016 above but are included in the share award table on page 80.
2. Jeremy Townsend exercised his final vested 2013 PSP award on 27 June 2016. He sold a proportion of those shares to meet the associated personal tax liability on the sale. The total post sale amount of the shares is included in his beneficial interests shown above.
3. The share valuation is based on an average share price of 219.79p calculated over the last three months of 2016.
4. PSP share awards take the form of nil cost options and are subject to performance conditions.

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 receives no remuneration.

Jeremy Townsend is a Member of the Corporate Accounting Council of the Financial Reporting Council. He was paid £10,000 during 2016 for fees for his membership of the Corporate Accounting Council (2015: £10,000). Jeremy Townsend also holds a non-executive directorship of parkrun Trading Limited and parkrun Global Limited for which he has received no remuneration since his appointment in July 2016. He is also a director of a business run by a member of his family for which he has 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 an eight-year period

	2009	2010	2011	2012	2013	2013	2014	2015	**2016**
Chief Executive	Alan Brown	Alan Brown	Alan Brown[1]	Alan Brown	Alan Brown[2]	Andy Ransom[2]	Andy Ransom	Andy Ransom	**Andy Ransom[3]**
Single total figure for remuneration	£1,656,000	£989,000	£3,564,971	£1,115,000	£994,396	£401,006	£1,326,045	£1,655,757	**£5,335,672**
Annual bonus payout versus maximum opportunity	71.5%	0%	0%	13.3%	27.0%	28.7%	51.4%	59.1%	**72.2%**
% long-term incentive vesting rates versus maximum opportunity	0%	0%	22%	0%	0%	0%	0%	15.1%	**67.5%**

1. The 2011 single total figure for Alan Brown, the Chief Executive at the time, includes the value of the 2008 Share Incentive Plan of £2,573,971 which was 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 single total figure has been apportioned to reflect payment during these periods.
3. The 2016 single total figure for the Chief Executive, Andy Ransom, includes the value of 513,403 shares under the 2013 PSP award which vested on 12 May 2016 and 388,853 shares under the 2013 PSP award which vested on 1 October 2016 and which were valued at a share price of 176.1p and 222.3p respectively on the date of vesting. These shares are yet to be exercised. In line with the Regulations, the 2016 single total figure also includes the value of 912,792 shares under the 2014 PSP award which is due to vest on 31 March 2017 but has an EPS performance measure ending in the 2016 financial year, and therefore has been included in the 2016 single total figure table.

Directors' Remuneration Report – Part 2

TSR performance over an eight-year period relative to FTSE Index

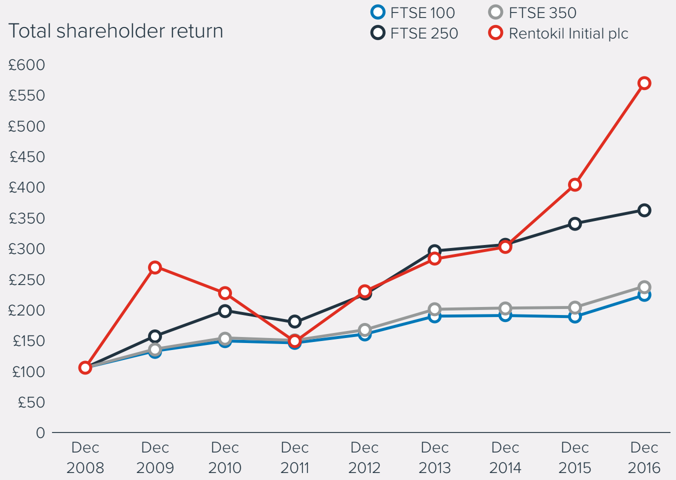
The following graph shows total shareholder return (TSR) over an eight-year period reflecting the holding of the Company's shares, plotted against the FTSE 100 Index, the FTSE 250 Index and the FTSE 350 Index, on a consistent basis with the graph shown last year. The Company has been a constituent of one or more of these indices over the eight-year period that is shown. This chart has been prepared by Deloitte LLP for the Company for inclusion in the Annual Report for the year ended 31 December 2016 and is based on data sourced from Thomson Reuters DataStream and uses spot Return Index data at each year end.

Percentage change in remuneration

The table below sets out a comparison of the change in pay for the Chief Executive for the year ended 2016 compared with 2015 and to all UK employees. The Chief Executive is based in the UK and as such is impacted by the same economic and legislative environments as other UK colleagues.

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.

Rentokil Initial plc's TSR compared against the TSR of FTSE 100, FTSE 250 and FTSE 350 indices over an eight-year period



	Base salary	Annual bonus	Benefits	Total
Chief Executive	2.0% increase	24.6% increase	3.68%	10.08%
All UK employees	0.40% increase	6.66% increase	14.17%	1.73%

1. Base salary includes overtime and premium rate pay.
2. Annual bonus includes our Group Management Bonus Scheme (GMBS) and any other bonus commission or cash incentive but excludes any long-term incentives.
3. Benefits include private healthcare, car allowance (including trade down), cars, fully expensed fuel cards and commercial vans (private use).
4. Pension and retirement benefits are not included in accordance with the Regulations.

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 2016 and 31 December 2015.

	2016 £m	2015 £m	% change
Remuneration paid to all employees of the Group	**£1,054.5**	£825.1	27.8% increase
Distributions to shareholders	**£55.5**	£48.9	13.5% increase

Details of the remuneration paid to all employees can be found in Note A9 to the Financial Statements on page 108. All employees of the Group include Executive Directors (apart from the Chief Executive) but not Non-Executive Directors. Details of the dividends declared and paid during the periods are contained in Note D1 to the Financial Statements on page 132.

Voting at the 2016 AGM

At the Company's last AGM on 11 May 2016, the outcome of the advisory vote in respect of the Directors' Remuneration Report and the binding vote in respect of the Directors' Remuneration Policy as contained in the 2015 Annual Report were as follows.

Approval of the Directors' Remuneration Report

	Votes for	Percentage for	Votes against	Percentage against	Total votes cast	Votes withheld (abstentions)
Directors' Remuneration Policy	1,382,246,241	97.393%	36,998,254	2.607%	1,419,244,495	1,481,537
Directors' Annual Remuneration Report	1,373,705,035	96.805%	45,333,214	3.195%	1,419,038,249	896,576

A vote 'for' includes 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 at the 2016 AGM. 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, the Company 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.

Part 3 – Directors' Annual Remuneration Report

Looking forward 2017

Executive Director base salaries from 1 January 2017

Executive Directors' and senior executives' salaries are reviewed with effect from 1 January each year in accordance with the Remuneration Policy. When reviewing salary levels, the Committee takes into account a number of internal and external factors, including Company performance during the year, external market data and the salary review principles applied to the rest of the organisation to ensure a consistent approach.

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 2017 should be as set out below.

Salary from 1 January 2017

Executive Director	Salary	Effective date
Andy Ransom – Chief Executive	£735,564 (1% increase)	1 Jan 2017
Jeremy Townsend – Chief Financial Officer	£472,860 (1% increase)	1 Jan 2017

Fixed pay for 2017 will be:

	Base salary from 1 Jan 2017 £'000	Estimated benefits (for 2017) £'000	Pension based on salary from 1 Jan 2017 £'000	Total fixed pay £'000
Andy Ransom – Chief Executive	736	20	184	940
Jeremy Townsend – Chief Financial Officer	473	17	71	561

2017 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 2017 for the Executive Directors: 95% of the profit target and a free cash flow gateway of £130m 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% profit/50% revenue for both the Chief Executive and 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 16.

Quadrant	Co-efficient 2017
Emerging	1.39
Growth	1.10
Protect & Enhance	0.60
Manage for Value	0.37

The co-efficients are applied to the total sales in each quadrant.

An individual performance modifier may also increase or decrease the opportunity arising from performance against the revenue and profit targets, as outlined below, to further recognise individual contribution to business performance. This individual performance modifier applies to all colleagues who participate in the Group Management Bonus Scheme (GMBS) and is measured by the Company's performance and the development review process.

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

1. The maximum individual performance modifier that can be applied to the bonus is 125%. However, for the Executive Directors or members of the Executive Leadership Team the annual bonus is capped at 120% of salary.

Bonus targets have not been disclosed looking forward for 2017 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 2016 have been disclosed in the tables on page 77, and the 2017 targets will be disclosed in next year's report.

2017 PSP award

The Executive Directors’ PSP award for 2017 will, as in 2016, be over shares up to a maximum of 200% of base salary. Vesting of this award will be determined by the Company’s performance as follows:

- Two-thirds of the award will be subject to a TSR performance measure relative to the constituents of a FTSE 350 Index, excluding financial services, property and primary resources sectors:
  - 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.
  - 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 that index, the scope and scale of the Company’s international operations, and the diverse nature of companies in the business services sector.
  - 25% of this portion of the award will vest if Rentokil Initial’s performance at the end of the three-year performance period 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.
- One-third of the award will be subject to EPS growth targets:
  - An EPS measure is used to link reward more directly 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 is 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 Company’s continued focus on improving efficiency and reducing costs around restructuring, restructuring costs are included in the EPS calculation in order to incentivise management to maintain focus in this area. Given the international nature of our business, EPS is 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 EPS targets for awards granted in 2017 will be as follows (with a straight-line vesting between these figures):

	Vesting level	Compound EPS growth per annum
Threshold	25% of maximum	6.5% per annum
Maximum	100% of maximum	11.5% per annum

The Committee is satisfied that these targets represent a stretching range in light of all relevant factors, including the current business plan (assuming the joint venture with Haniel completes) and analysts forecasts.

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.

Illustration of remuneration policy for 2017

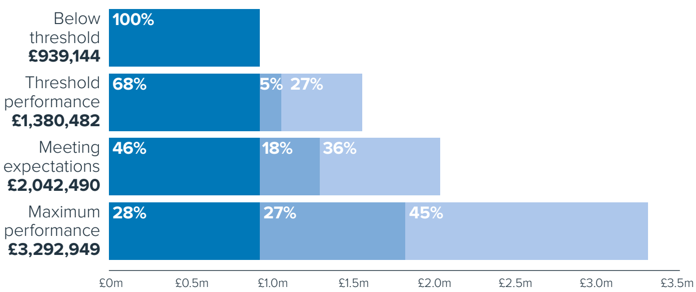
Our remuneration arrangements are designed so that a significant proportion of pay is dependent on the delivery of short- and long-term goals that are aligned with our strategic objectives and the creation of shareholder value.

The following assumptions have been made with regard to levels of payout for certain levels of performance. Assumptions relating to fixed pay are set out in the table on page 84.

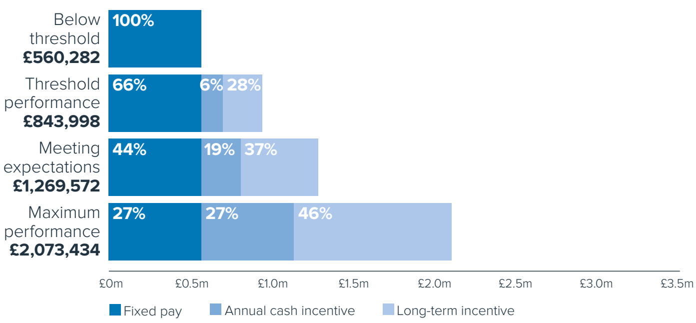
	Annual Bonus Plan	Performance Share Plan
Below threshold performance	0%	0%
Threshold performance	10% of salary[1]	50% of salary (25% of maximum opportunity)
Meeting expectations (on-target performance)	50% of salary	100% of salary (50% of maximum opportunity)
Maximum performance	120% of salary	200% of salary (100% of maximum opportunity)

1. There is the flexibility in the Remuneration Policy to pay up to 20% of salary for achieving threshold levels of performance. This will not be applied in 2017.

Chief Executive



Chief Financial Officer



2017 Non-Executive Directors’ fees

Non-Executive Director fees from 1 January 2017

Position	Fee policy for year beginning 1 Jan 2017[1]
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

1. Fees remain unchanged since 2013. The Chairman’s fee remains unchanged since 2008.

Part 4 – Summary of 2016 Directors' Remuneration Policy

The Directors' Remuneration Policy was approved by shareholders at the Company's AGM on 11 May 2016. The full version of the Remuneration Policy, including all notes to the Remuneration Policy table summarised below, is available on the Company's website.

Key elements of Remuneration Policy – Executive Directors

Purpose and link to strategy	Operation	Levels of payout	Performance measures and periods
Basic Salary			
To attract and retain executives of the calibre required to implement our strategy.	Cash salaries are usually reviewed annually with effect from 1 January. Salaries are set taking into account: • market data 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; and • contribution to overall business performance.	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.	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.
Annual bonus			
To recognise and reward 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 around the beginning of each year for each Executive Director, taking into consideration the underlying performance of the business. Malus and clawback provisions exist.	Bonus payouts start to accrue at: • up to 20% of base salary for meeting threshold levels of performance; • 50% of base salary for on-target level of performance; and • 100% of base salary maximum bonus opportunity (before the application of the individual performance modifier). An individual performance modifier may also increase or decrease the opportunity stated above to further recognise individual contribution to business performance. The maximum payout 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. Performance is tested over a one-year performance period. Financial elements will always include a profit measure and may include one or more of cash and 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.
Performance Share Plan			
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 Executive Directors.	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. Award levels and performance conditions are set to support the business's 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. Malus and clawback provisions exist.	The maximum annual award is normally 200% of base salary for Executive Directors. 25% of the award shall vest for meeting threshold levels of performance. This limit of 200% of salary may be increased to 250% of salary in exceptional circumstances as determined by the Committee. Vested PSP awards may include dividend equivalents (or shares) that accrue by reference to the period between grant and vest or exercise date.	Awards are normally subject to the following two performance measures: • 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. Performance conditions are normally measured over a three-year period.
Pensions			
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.	Contribution of up to 25% of base salary.	None.
Benefits			
To attract and retain executives of the calibre required to implement our strategy.	The main benefits for Executive Directors are: • life assurance; • car or car allowance; • family healthcare; • permanent health insurance; and • relocation benefits.	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.

Alan Giles
Chairman of the Remuneration Committee
22 February 2017

Read our 2016 Directors' Remuneration Policy in full at **rentokil-initial.com/investors/governance**

Independent Auditor's Report to the members of Rentokil Initial plc only

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 2016 set out on pages 94 to 150. 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 2016 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, including FRS 101 Reduced Disclosure Framework; 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, in decreasing order of audit significance, were as follows:

Recognition of UK deferred tax assets on unused tax losses.
Risk vs 2015: ◀▶ (unchanged).

Refer to page 63 (Audit Committee Report) and Note A15 to the Financial Statements.

The risk: The Group has significant recognised deferred tax assets of £22.2m (2015: £26.1m) and unrecognised deferred tax assets in respect of unused tax losses within the UK. There is inherent uncertainty involved estimating both the quantum and probability of relevant future UK taxable profits arising against which unused tax losses can be utilised. This is exacerbated by restrictions over the use of UK tax losses which depends on the nature of the income. In addition losses are spread across several different tax entities.

Our response: In this area our procedures included analysing the judgements applied by the Directors 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 assessing and challenging the key input assumptions (primarily taxable profit forecasts and the term covered by the UK income forecast) by comparison to information derived internally by the Group and taking into account our knowledge and experience of the application of relevant tax legislation, as well as our understanding of changes in the business and the impact of these to the forecasts.

We also assessed whether the Group's disclosures about the recognition of deferred tax assets to changes in key assumptions reflected the associated inherent risks.

Provisions for tax contingencies of £62.9m (2015: £54.5m).
Risk vs 2015: ◀▶ (unchanged).

Refer to page 63 (Audit Committee Report) and Note A14 to the Financial Statements.

The risk: The Group holds a number of provisions for outstanding tax contingencies which arise in the normal course of business. The largest provision relates to a financing structure which have been challenged by tax authorities. The Group operates in a number of tax jurisdictions with the result there are 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 likely outcomes of the tax authority investigations.

Our response: In this area our procedures included the following with the assistance of our own tax specialists: assessed the Group's tax positions, examined its correspondence with the relevant tax authorities and its external tax advisors, and analysed and challenged the assumptions used to determine the level of 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.

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 £736m and £216.7m respectively (2015: £597.3m and £179.2m).
Risk vs 2015 ◀▶ (unchanged).

Refer to page 63 (Audit Committee Report) and Note B3 to the Financial Statements.

The risk: The Group has significant carrying amounts of both goodwill and acquired intangible assets. The goodwill and acquired customer lists and relationships and brands 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, has the potential to significantly affect the impairment testing result.

Our response: In this area our 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 through enquiry of local management and comparison of the previous year forecasts to current year results and challenge of management where there were any significant changes in the business. Our testing of the 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 units and to the current forecast approved by the Board.

We also assessed whether the Group's disclosures of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of intangible assets were adequate.

Acquisition accounting (goodwill additions of £47.1m and other intangible asset additions of £46.2m (2015: £305.7m and £107.8m) (Risk in prior year related primarily to Steritech acquisition)
Risk vs 2015 ◀▶ (unchanged).

Refer to page 63 (Audit Committee Report) and Note B1 to the Financial Statements.

The risk: The Group acquired 41 entities for a total purchase consideration of £107.1m (2015: £386.0m) during the current financial year. The Group is required to make a number of judgements, which focus on the identification and valuation of intangible assets acquired.

In applying a discounted cash flow method to value the acquired customer lists and relationships and brands, the Group makes a number of key assumptions and estimates relating to each class of intangible asset, including: growth and attrition rates, and discount rates. The identification and valuation of acquired intangibles requires judgement and is sensitive to the assumptions used.

Our response: Our procedures included challenging the process for identifying intangible assets, using our experience, market data and information from similar transactions. We considered the methodology and assumptions used to determine the present value of cash flow projections used in deriving the fair values adopted for the recognised intangible assets.

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 (2015: £7.5m), determined with reference to a benchmark of profit before taxation of £208.5m (2015: £159.0m) (of which it represents 4% (2015: 5%)).

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £250,000 (2015: £250,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

The components within the scope of our work accounted for the following percentages of the Group's results:

	Total Group revenue		Total Group profit before tax (absolute)		Total Group assets	
	2016	2015	**2016**	2015	**2016**	2015
Audits for Group reporting purposes	**72%**	50%	**64%**	53%	**65%**	42%
Detailed audit procedures over all significant accounts	**9%**	30%	**23%**	29%	**21%**	45%
Total	**81%**	80%	**87%**	82%	**86%**	87%

This audit work was performed by 16 (2015: 16) audit teams in 16 (2015: 16) different countries covering 112 (2015: 104) reporting units. The work on 73 (2015: 67) of the 112 (2015: 104) components in scope for the Group audit was performed by component auditors and the rest by the Group audit team.

The remaining 19% (2015: 20%) of total Group revenue, 13% (2015: 18%) of total Group profit before taxation (absolute) and 14% (2015: 13%) 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) 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 £3.6m (2015: £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 two (2015: two) component locations (and 14 (2015: 15) components): the US and Germany (2015: France and the Netherlands), to meet with the component auditors and discuss their findings, as well as to assess the audit risk and strategy. The Group team also held discussions with the five (2015: five) Rentokil Initial regional management teams and the audit teams of all components in scope for Group reporting. 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 is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

5. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' viability statement on page 34, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the three years to 31 December 2019; or
- the disclosures in the basis of preparation note to the financial statements concerning the use of the going concern basis of accounting.

6. 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 position and performance, business model and strategy; or
- the significant issues considered by the Audit Committee in the Activities of the Committee in 2016 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' statements, set out on page 153, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on page 51 relating to the Company's compliance with the 11 provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Independent Auditor's Report

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 153, 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 **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 **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

22 February 2017

Financial Statements

Section features

Financial Review

Overview of Group Performance

Ongoing Revenue increased by 12.6% in 2016, comprising Organic Revenue growth of 3.0% and growth from acquired businesses of 9.6%.

Revenue

Ongoing Revenue in Pest Control grew strongly at 25.9% during the year, of which 5.7% was Organic Revenue growth. Ongoing Revenue growth in the Emerging (+18.7%) and Growth (+19.7%) markets was particularly strong, fuelled by acquisitions in Growth markets as well as good Organic Revenue growth in Asia, the UK, Germany and North America. We were encouraged by our performance in our Manage for Value (MFV) markets this year, which grew by 1.3%, reflecting ongoing focus on customer retention. Ongoing Revenue in our Protect & Enhance markets declined slightly by 0.7%, a reflection of ongoing economic and competitive pressures in our European Workwear business, most notably France. Revenue at actual exchange rates increased by 23.2%, reflecting the favourable impact of foreign exchange.

Profit

Ongoing Operating Profit increased by 11.5% in 2016, reflecting growth in North America, the UK, Asia, Pacific and Latin America, but offset by lower profits in France and an increase in central and regional overheads reflecting increased charges for long-term incentive plans as a result of the share price growth in 2016. Adjusted profit before tax at actual exchange rates of £252.1m was favourably impacted by foreign exchange movements of £30.2m, due mainly to the weakening of sterling against the euro and the US dollar in the year. In line with our guidance at the beginning of the year, restructuring costs amounted to £7.1m at CER.

One-off items of £7.9m at CER (2015: £5.4m) primarily relate to the integration costs of the Steritech acquisition (£5.6m) and the costs incurred for the Company's transaction with Haniel of £1.4m. Profit before income taxes at actual rates grew by 31.0% to £208.5m.

Cash (at AER)

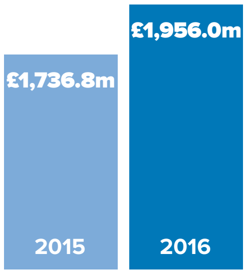
Free Cash Flow from continuing operations amounted to £156.4m in 2016, driven by continued strong operating cash flow and favourable foreign exchange movements. Spend on current and prior-year acquisitions of £109.2m and dividends of £55.5m were largely funded from Free Cash Flow. Net debt increased by £212.1m to £1,238.7m (2015: £1,026.6m), primarily driven by adverse exchange and other movements of £203.7m from the weakness of sterling in the year.

Acquisitions and disposals

In line with our strategy we have continued our M&A programme to pursue targets in higher growth markets and in areas which add local density to our existing operations. The Company acquired 41 highly-targeted, city-based businesses in 2016 (35 in Pest Control, five in Hygiene and one in Other) with combined annualised revenues in the 12 months prior to acquisition of £124m for a consideration of £107m. In North America we have continued to reinforce our presence as the number three player in the world's largest pest control market through the acquisition of 16 pest control businesses, including the July acquisition of Residex (more details of which can be found on page 21). In addition, we have acquired businesses in Australia, Austria, Brazil, Canada, Chile, China, Denmark, French Guyana, Germany, Guatemala, Honduras, Hong Kong, Malaysia, New Zealand, Republic of Ireland, Spain, Switzerland, UK and the US. The integration of all acquisitions is progressing well and Steritech – our largest pest control acquisition to date – exited 2016 with profits at the top end of expectations of c. $30m. In line with our strategy of divesting small, non-core operations, we also disposed of four small operations during the year.

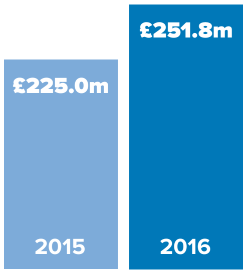
Ongoing Revenue

£1,956.0m



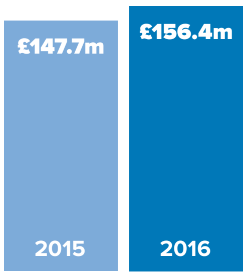
Adjusted operating profit[1] at CER

£251.8m



Free Cash Flow from continuing operations at AER

£156.4m



1. Before amortisation and impairment of intangibles (excluding computer software), one-off items, and net interest credit from pensions.

On 16 December 2016 we signed a joint venture (JV) agreement with Franz Haniel & Cie. GmbH (Haniel) to create a leading provider of workwear and hygiene services in Europe, to be created by transferring our Workwear and Hygiene businesses in Benelux, Sweden and Central and Eastern Europe into CWS-boco (owned by Haniel) while retaining an 18% stake in the JV. Proceeds for the transaction are estimated at €520m (subject to completion adjustments) and the Group will receive an annual dividend of €19m subject to a true-up mechanism on exit. Completion is expected in mid-2017, subject to competition clearance.

We monitor the integration and performance of acquired businesses closely to ensure they meet our financial hurdles and resourcing capabilities. Of the 101 acquisitions completed between 1 July 2013 and 31 December 2016, there is only one small acquisition (representing 0.7% of total spend) delivering expected returns slightly lower than its target hurdle rate. All other acquisitions are delivering expected returns at or above their respective target hurdle level.

Central and regional overheads

The £5.6m increase in central and regional overheads to £68.1m at CER (2015: £62.5m) largely reflects increased charges for long-term incentive plans as a result of the recent share price performance of the Company.

Restructuring costs

In February 2016 we announced that, with the exception of integration costs for significant acquisitions, we will report restructuring costs within operating profit. Integration costs associated with significant acquisitions will be reported as one-off items and excluded from operating profit.

Restructuring costs of £7.1m at CER (2015: £7.9m) consisted mainly of costs in respect of initiatives to deliver operational efficiencies and service quality improvements in Europe and North America.

One-off items

One-off items of £7.9m at CER (2015: £5.4m) primarily relate to the integration costs of the Steritech acquisition (£5.6m). Costs incurred for the Company's transaction with Haniel in 2016 amounted to £1.4m. Details of one-off items are set out in Note A1.

Interest

Net interest payable (excluding the net interest credit from pensions) at actual exchange rates was £38.5m compared to £39.6m in the prior year, a net decrease of £1.1m. The interest reduction was due to the refinancing of the 5.75% £300m bond offset by additional interest on the term loan to fund the Steritech acquisition and the impact of exchange due to the weakening of sterling against the euro and US dollar. The average cost of gross debt for the Group was c. 3.5% for 2016.

Tax

The income tax expense for the year at actual exchange rates was £40.7m on the reported profit before tax of £208.5m. After adjusting profit for the amortisation of intangible assets (excluding computer software), one-off items and the net interest credit from pensions, the Adjusted Effective Tax Rate for the year was 22.3% (2015: 23.6% as restated). This compares with a blended rate of tax for the countries in which the Group operates of 25% (2015: 26%). The lower adjusted tax rate compared to the blended tax rate is principally due to the benefit of previously unrecognised brought forward tax losses being set off against UK profits.

Tax governance

The Group takes a responsible approach to the management of its tax affairs and has a tax policy which is approved by the Board. Our overall strategy is to meet our tax obligations and ensure that long-term shareholder returns are optimised by structuring our business and transactions in a tax efficient manner, taking into account reputational factors. Tax risks are regularly reviewed by the Board and the Audit Committee. Rentokil Initial plc has received a 'low risk' rating from HMRC.

The Group's approach in relation to the management of tax issues is to ensure that:

- we comply with all applicable laws, disclosure requirements and regulations in the territories in which we do business;
- all tax positions adopted are adequately and fairly disclosed in tax filings;
- we have an open and transparent working relationship with HMRC and local tax authorities around the world which complies with the Group's Code of Conduct;
- where disputes arise with tax authorities we seek to reach a resolution as soon as possible in an open and constructive manner;
- where considered appropriate the Group takes advice from professional firms;
- tax risks are appropriately managed in accordance with the tax policy; and
- our tax planning is aligned with the Group's commercial and business activities and the tax treatment of business transactions is optimised.

Net debt and cash flow

Operating cash inflow (£247.4m at AER for continuing operations) was £27.6m higher than 2015 largely due to the increase in Ongoing Operating Profit and receipt of a £7.3m special dividend from our Japanese associate.

Capital expenditure from continuing operations of £221.8m was £40.5m higher than 2015 due to the impact of exchange rate movements and the phasing of certain projects from 2015 into 2016.

Interest payments (including finance lease interest) were £10.4m higher than last year due to the maturity of the £300m bond in Q1 2016, with interest paid annually in arrears together with the additional interest on the term loan to fund the Steritech acquisition and the impact of exchange due to the weakening of sterling against the euro and US dollar. Combined with a £7.9m increase in tax paid, this resulted in Free Cash Flow from continuing operations of £156.4m, an increase of £8.7m on the prior year.

Cash spent on acquisitions totalled £109.2m (including net debt acquired) and the Company made dividend payments of £55.5m in 2016 (a 13.5% increase on the prior year). Foreign exchange translation and other items increased net debt by £203.7m (primarily due to the weakening of sterling against the euro and US dollar), leaving an overall increase in net debt of £212.1m and closing net debt of £1,238.7m.

Net debt is expected to reduce in 2017 as a result of the transaction with Haniel. Proceeds from the transaction are estimated at €520m, subject to cash, debt, working capital and other closing adjustments. 90% of the anticipated proceeds have been hedged at those rates prevailing at the time of agreement to reduce exchange rate risk in relation to the sterling value of the proceeds.

Pensions

At 31 December 2016 the Company's UK defined benefit pension scheme, which is closed to new members, was valued at an accounting surplus of £272.0m on the Company's balance sheet. The Trustee values the scheme on a different basis and the most recent triennial actuarial valuation as at 31 December 2015 is now complete. The Trustee and the Company have agreed that the Scheme is now fully funded on a technical provisions basis. The Trustee has therefore agreed that the annual payments of £3.2m that the Company has been paying into an escrow arrangement each January will not be required going forward. In accordance with the terms of the escrow arrangement, because the Scheme is fully funded on a technical provisions basis, the £9.6m previously held in escrow can be released to the Company with £9m released in February 2017. The funding position will be reviewed at the next actuarial valuation, which is scheduled for 31 December 2018.

Funding

At 31 December 2016 the Group had net debt of £1,238.7m. The Group has over £72m of centrally held funds and £204m of available undrawn committed facilities. The ratio of net debt to EBITDA at the year end was 2.5x. The Company's credit rating was reaffirmed at BBB with a Stable outlook. We are committed to maintaining a BBB rating and, based on our expectations for the coming year and our strong cash flow projections for 2017, we are confident in doing so.

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 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.

Further details on the assessment of the viability and liquidity of the Group is provided in the viability statement on page 34.

Dividend

The Group adopts a progressive dividend policy with dividend payments related to the level of Free Cash Flow available. The Group aims to pay dividends twice a year and the level of each dividend is decided by the Board. When determining the level of dividend each year, the Board considers the following:

- cash generation in the year and forecast future cash generation;
- cash availability at the point of dividend distribution; and
- cash required to invest in capital expenditure and acquisitions.

Dividend growth is set to run ahead of profit growth in the short term (at constant exchange rates), and consequently the level of dividend cover will reduce over time. Dividend cover is currently at 3.2x (2015: 2.7x) using adjusted measures. Free Cash Flow cover is currently at 2.8x (2015: 3.0x).

This policy should ensure we can deliver stable, secure dividend growth for many years to come.

Following an encouraging performance in 2016, and in anticipation of further progress in 2017, the Board is recommending a final dividend in respect of 2016 of 2.38p per share, payable to shareholders on the register at the close of business on 7 April 2017, to be paid on 17 May 2017. This equates to a full year dividend of 3.37p per share, an increase of 15.0% compared to 2015.

Geopolitical events

There have been a number of significant global political events in 2016, including Brexit and the election of Donald Trump as President of the United States. In July 2016 we noted our position as a global business with c. 90% of revenues derived from outside the UK and with minimal cross-border trading. The global economic environment continues to be uncertain with high levels of volatility in exchange and commodity markets and with international trading arrangements potentially subject to significant change. We continue to monitor the potential implications of geopolitical change on our trading and financing environment.
We remain of the view that the defensive nature of our core categories, combined with the geographic location and spread of our operations, place us in a relatively strong position to mitigate such risks going forward and to take advantage of any potential opportunities that the changes may bring.

Outlook for 2017

We are pleased with our performance in 2016. Our organic growth of 3.0% is at its highest level for ten years with Pest Control growing ahead of the global market and Hygiene showing ongoing performance momentum. In addition, we have exceeded our financial targets, growing Ongoing Revenues by 12.6%, Ongoing Operating Profit by 11.5% and delivering £156.4m in Free Cash Flow.

Conditions in France remain difficult and we face continued challenges in reversing margin declines and further improving service productivity. Elsewhere, prospects in the majority of our markets are good and we are confident of making further operational and financial progress in the coming year. In addition, our M&A pipeline looks particularly strong and we anticipate ongoing successful execution of M&A in 2017.

Jeremy Townsend

Jeremy Townsend
Chief Financial Officer and
Chief Information Officer
22 February 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the year ended 31 December

	Notes	2016 £m	2015 £m
Revenue	A1	**2,168.1**	1,759.0
Operating profit	A1	**232.4**	187.8
Finance income	C9	**19.3**	16.3
Finance cost	C8	**(49.4)**	(49.8)
Share of profit from associates, net of tax of £3.4m (2015: £2.7m)	B6	**6.2**	4.7
Profit before income tax		**208.5**	159.0
Income tax expense[1]	A13	**(40.7)**	(34.7)
Profit for the year attributable to the Company's equity holders (including non-controlling interests of £0.3m (2015: £nil))		**167.8**	124.3
Other comprehensive income			
Items that are not reclassified subsequently to the income statement:			
Remeasurement of net defined benefit asset	A10	**21.3**	37.2
Tax related to items taken to other comprehensive income	A15	**4.1**	(5.9)
Items that may be reclassified subsequently to the income statement:			
Net exchange adjustments offset in reserves		**11.4**	3.0
Other items		**(6.1)**	0.2
Total comprehensive income for the year (including non-controlling interests of £0.3m (2015: £nil))		**198.5**	158.8
Earnings per share attributable to the Company's equity holders:			
Basic	A2	**9.19p**	6.83p
Diluted	A2	**9.11p**	6.81p

All profit is from continuing operations.

Non-GAAP measures			
Operating profit		**232.4**	187.8
Adjusted for:			
Amortisation and impairment of intangible assets (excluding computer software)	A1	**43.4**	31.8
One-off items – operating	A1	**8.6**	5.4
Adjusted operating profit[2]		**284.4**	225.0
Finance income	C9	**19.3**	16.3
Add back: Net interest credit from pensions	C9	**(8.4)**	(6.1)
Finance cost	C8	**(49.4)**	(49.8)
Share of profit from associates, net of tax of £3.4m (2015: £2.7m)	B6	**6.2**	4.7
Adjusted profit before income tax[2]		**252.1**	190.1
Basic adjusted earnings per share attributable to the Company's equity holders[2]	A2	**10.73p**	7.98p

1. Taxation includes £32.8m (2015: £30.4m) in respect of overseas taxation.
2. Prior to 2016 restructuring costs were an adjustment in arriving at adjusted profit measures. In 2016 they are no longer adjusted for which is reflected accordingly in a restated 2015.

Consolidated Balance Sheet At 31 December

	Notes	2016 £m	2015 £m
Assets			
Non-current assets			
Intangible assets	B3	**999.6**	818.3
Property, plant and equipment	B4	**416.3**	477.1
Investments in associated undertakings	B6	**17.8**	17.7
Other investments	C4	**0.2**	0.1
Deferred tax assets	A15	**2.0**	2.0
Retirement benefit assets	A10	**272.7**	237.0
Other receivables	A3	**10.8**	8.5
Derivative financial instruments	C5	**–**	1.4
		1,719.4	1,562.1
Current assets			
Other investments	C4	**9.6**	99.3
Inventories	A4	**80.0**	55.7
Trade and other receivables	A3	**383.3**	329.8
Current tax assets		**11.0**	10.5
Disposal group held-for-sale	B2	**177.7**	–
Derivative financial instruments	C5	**1.6**	0.8
Cash and cash equivalents	C3	**160.2**	102.6
		823.4	598.7
Liabilities			
Current liabilities			
Trade and other payables	A5	**(458.5)**	(404.4)
Current tax liabilities		**(71.6)**	(73.3)
Provisions for other liabilities and charges	A6	**(15.3)**	(20.6)
Bank and other short-term borrowings	C7	**(77.4)**	(332.6)
Derivative financial instruments	C5	**(56.8)**	(21.7)
		(679.6)	(852.6)
Net current assets/(liabilities)		**143.8**	(253.9)
Non-current liabilities			
Other payables	A5	**(21.4)**	(15.4)
Bank and other long-term borrowings	C7	**(1,260.4)**	(865.4)
Deferred tax liabilities	A15	**(112.8)**	(112.8)
Retirement benefit obligations	A10	**(30.9)**	(24.1)
Provisions for other liabilities and charges	A6	**(55.2)**	(60.8)
Derivative financial instruments	C5	**(21.8)**	(17.6)
		(1,502.5)	(1,096.1)
Net assets		**360.7**	212.1
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	D2	**18.3**	18.2
Share premium		**6.8**	6.8
Other reserves		**(1,763.5)**	(1,768.8)
Retained earnings		**2,099.0**	1,956.1
		360.6	212.3
Non-controlling interests		**0.1**	(0.2)
Total equity		**360.7**	212.1

The financial statements on pages 94 to 143 were approved by the Board of Directors on 22 February 2017 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 2015	18.2	6.8	(1,772.0)	1,847.2	(0.2)	100.0
Profit for the year	–	–	–	124.3	–	124.3
Other comprehensive income:						
Net exchange adjustments offset in reserves	–	–	3.0	–	–	3.0
Remeasurement of net defined benefit asset/liability	–	–	–	37.2	–	37.2
Effective portion of changes in fair value of cash flow hedge	–	–	0.2	–	–	0.2
Tax related to items taken directly to other comprehensive income	–	–	–	(5.9)	–	(5.9)
Total comprehensive income for the year	–	–	3.2	155.6	–	158.8
Transactions with owners:						
Dividends paid to equity shareholders	–	–	–	(48.9)	–	(48.9)
Cost of share options and long-term incentive plans	–	–	–	2.2	–	2.2
At 31 December 2015	**18.2**	**6.8**	**(1,768.8)**	**1,956.1**	**(0.2)**	**212.1**
Profit for the year	**–**	**–**	**–**	**167.5**	**0.3**	**167.8**
Other comprehensive income:						
Net exchange adjustments offset in reserves	**–**	**–**	**11.4**	**–**	**–**	**11.4**
Remeasurement of net defined benefit asset/liability	**–**	**–**	**–**	**21.3**	**–**	**21.3**
Effective portion of changes in fair value of cash flow hedge	**–**	**–**	**(6.1)**	**–**	**–**	**(6.1)**
Tax related to items taken directly to other comprehensive income	**–**	**–**	**–**	**4.1**	**–**	**4.1**
Total comprehensive income for the year	**–**	**–**	**5.3**	**192.9**	**0.3**	**198.5**
Transactions with owners:						
Dividends paid to equity shareholders	**–**	**–**	**–**	**(55.5)**	**–**	**(55.5)**
Shares issued in the year	**0.1**	**–**	**–**	**–**	**–**	**0.1**
Cost of share options and long-term incentive plans	**–**	**–**	**–**	**5.5**	**–**	**5.5**
At 31 December 2016	**18.3**	**6.8**	**(1,763.5)**	**2,099.0**	**0.1**	**360.7**

Treasury shares of £0.1m (2015: £6.4m) have been netted against retained earnings. Treasury shares represent 4.8m (2015: 3.5m) shares held by the Rentokil Initial Employee Share Trust. The market value of these shares at 31 December 2016 was £10.7m (2015: £5.6m). Dividend income from, and voting rights on, the shares held by the Trust have been waived.

Analysis of other reserves

	Capital reduction reserve	Legal reserve £m	Cash flow hedge reserve £m	Translation reserve £m	Total £m
At 1 January 2015	(1,722.7)	10.4	–	(59.7)	(1,772.0)
Net exchange adjustments offset in reserves	–	–	–	3.0	3.0
Effective portion of changes in fair value of cash flow hedge	–	–	0.2	–	0.2
Total comprehensive income for the year	–	–	0.2	3.0	3.2
At 31 December 2015	**(1,722.7)**	**10.4**	**0.2**	**(56.7)**	**(1,768.8)**
Net exchange adjustments offset in reserves	**–**	**–**	**–**	**11.4**	**11.4**
Effective portion of changes in fair value of cash flow hedge	**–**	**–**	**(6.1)**	**–**	**(6.1)**
Total comprehensive income for the year	**–**	**–**	**(6.1)**	**11.4**	**5.3**
At 31 December 2016	**(1,722.7)**	**10.4**	**(5.9)**	**(45.3)**	**(1,763.5)**

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.

The legal reserve represents amounts set aside in compliance with local laws in certain countries in which the Group operates.

Consolidated Cash Flow Statement For the year ended 31 December

	Notes	**2016 £m**	2015 £m
Cash flows from operating activities			
Cash generated from operating activities	C11	**451.6**	391.4
Interest received		**12.7**	10.2
Interest paid		**(66.0)**	(53.7)
Income tax paid		**(35.8)**	(27.9)
Net cash flows from operating activities		**362.5**	320.0
Cash flows from investing activities			
Purchase of property, plant and equipment		**(186.2)**	(159.2)
Purchase of intangible fixed assets		**(21.0)**	(13.1)
Proceeds from sale of property, plant and equipment		**6.3**	6.7
Acquisition of companies and businesses, net of cash acquired	B1	**(109.2)**	(369.2)
Disposal of companies and businesses		**0.3**	0.8
Dividends received from associates	B6	**10.3**	2.1
Net cash flows from investing activities		**(299.5)**	(531.9)
Cash flows from financing activities			
Dividends paid to equity shareholders	D1	**(55.5)**	(48.9)
Interest element of finance lease payments		**(1.3)**	(0.7)
Capital element of finance lease payments		**(13.7)**	(9.1)
Cash outflow on settlement of debt related foreign exchange forward contracts		**(30.8)**	(2.4)
Net change to cash flow from investment in term deposits		**89.7**	(47.8)
Proceeds from new debt		**242.4**	232.8
Non-controlling interest in acquisition		**–**	0.3
Bond repayments		**(299.0)**	(0.3)
Net cash flows from financing activities		**(68.2)**	123.9
Net decrease in cash and cash equivalents	C10	**(5.2)**	(88.0)
Cash and cash equivalents at beginning of year		**100.5**	194.1
Exchange gains/(losses) on cash and cash equivalents		**10.6**	(5.6)
Cash and cash equivalents at end of the financial year		**105.9**	100.5

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 2016. 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).

The Group uses a number of non-GAAP measures to present the financial performance of the business that are not defined under IFRS. An explanation of these Alternative Performance Measures (APMs), along with a reconciliation to the nearest equivalent IFRS measure can be found in Section E of these notes on page 134.

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 over a period of at least 12 months from the date of approval of the financial statements. For this reason they continue to adopt the going concern basis in preparing the consolidated financial statements (see the Directors' Report on page 151).

Consolidation

(a) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when:

(i) it has power over the entity;

(ii) is exposed or has rights to variable returns from its involvement with the entity; and

(iii) has the ability to affect those returns through its power over the entity.

The Group reassesses whether or not it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of these three elements of control.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Inter-company transactions, balances, and gains and losses on transactions between Group companies are eliminated on consolidation.

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 the income statement. Any interest retained in the former subsidiary is measured at fair value when control is lost. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Please refer to Note B2 for details of disposal groups held for sale.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests which may cause the non-controlling interests to have a deficit balance. Consideration in excess of net identifiable assets acquired in respect of non-controlling interests in existing subsidiary undertakings is taken directly to reserves.

(b) Associates

Associates are those entities in which the Group has significant influence over the financial and operating policies, but not control. Significant influence is usually 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 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 Group's functional and presentation currency.

(b) 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 other comprehensive income. 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.

(c) 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).

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. Section C of these notes discusses accounting for financial instruments.

Financial assets

At initial recognition the Group classifies its financial assets depending on the purpose for which the financial assets were acquired. This classification is re-evaluated at every reporting date and an assessment is made as to whether there is objective evidence that financial assets are impaired. All financial assets are held at amortised cost except for derivatives and certain assets classified as available-for-sale, which are held at fair value. All financial assets are included in current assets unless they are expected to be realised, mature or disposed of after 12 months from the balance sheet date. Financial assets are classified in the following categories:

(a) Financial assets at fair value through the income statement
These assets are often held for trading as they are acquired for the purpose of selling in the short term or part of a portfolio of assets subjected to trading. Derivative assets are always held as financial assets at fair value though the income statement.

(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 goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables include trade and other receivables, and cash and cash 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-derivative financial assets that are either designated in this category or not classified in any of the other categories. Available-for-sale assets are measured at fair-value and changes to market values are recognised in other comprehensive income. On subsequent disposal or impairment, the accumulated gains and losses previously recognised in other comprehensive income are recognised in the income statement. At each balance sheet date the Group assesses whether there is objective evidence that a financial asset or a group of financial assets are 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 other comprehensive income and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(d) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments that the Group intends and is able to hold to maturity. They do not meet the definition of loans and receivables, and are not designated on initial recognition as assets at fair value through the income statement or as available-for-sale.

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.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. Estimates and assumptions 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 resulting accounting estimates will, by definition, seldom equal the related actual results. Sensitivities to the estimates and assumptions are provided, where relevant, in the relevant Notes to the Financial Statements. 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 listed below (please refer to the notes for further detail).

- Estimated impairment of goodwill (Note B3)
- Valuation of acquired intangible assets (Note B3)
- Income taxes and deferred tax asset (Notes A13 and A15)
- Provision for vacant property and environmental restoration (Note A6)
- Retirement benefits (Note A10)

Standards, amendments and interpretations to published standards that are mandatorily effective for the current year

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with effect from 1 January 2016:

- Annual Improvements to IFRSs 2012-2014 cycle – amendments to IFRS 5, 7 and IAS 19, 34
- Investment Entities – amendments to IFRS 10
- Joint Arrangements – amendments to IFRS 11
- Presentation of Financial Statements – amendments to IAS 1
- Property, Plant and Equipment – amendments to IAS 16
- Investments in Associates and Joint Ventures – amendments to IAS 28
- Intangible Assets – amendments to IAS 38

The application of these amendments has had no material impact on the disclosures of the amounts recognised in the Group's consolidated financial statements. Consequently, no adjustment has been made to the comparative financial information at 31 December 2015.

The Group has not early adopted any standard, interpretation or amendment that was issued but is not yet effective.

The Group has considered the impact on the financial statements of relevant forthcoming standards, including IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases (effective 1 January 2018 and 1 January 2019 respectively).

It is expected that substantially all of the Group's revenue will be treated as revenue from contracts with customers under IFRS 15, but the new standard will not require material changes to the timing of revenue recognition. We also expect that certain sales commissions that meet the requirements stated within the standard may need to be recognised as an asset and amortised over the life of the contracts to which they relate. This treatment is not anticipated to materially affect the profit of the Group.

As a result of the changes within the forthcoming standard IFRS 16 Leases, the majority of our existing operating leases will be accounted for as right of use assets, which will be largely offset by corresponding lease liabilities. The assets will be recognised as property, plant and equipment, and the lease liability will increase net debt. It is anticipated that operating expenses will decrease and financing costs will increase as the operating lease expense is replaced by depreciation and interest. Depreciation will be straight-line over the life of the lease but the financing charge will decrease over the lease term. The overall impact on net profit is not expected to be material.

The Group will consider the impact on the financial statements of the forthcoming standard; IFRS 9 Financial Instruments (effective 1 January 2018).

Notes to the Financial Statements

A: Operating

A1. Segment information

Revenue recognition

Revenue comprises the fair value of consideration received from customers for the rendering of services, net of value-added tax (VAT) and other similar sales-based taxes, rebates and discounts, and after eliminating intra-group sales. Non-contract service revenue and contract service 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.

Segment reporting

Segmental information has been presented in accordance with IFRS 8 Operating Segments. 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 Executive Leadership Team responsible for the review of Group performance. The operating businesses within each segment report to the Regional Managing Directors.

Given the international nature of the Group, foreign exchange movements can have a significant impact on regional performance and as a result, the segmental analysis is presented at constant exchange rates (CER). Restructuring costs and central and regional overheads are presented separately as they are not directly attributable to any reportable segment. The basis of presentation is consistent with the information reviewed by internal management. Revenue and profit are from ongoing operations which is defined and reconciled to the nearest equivalent GAAP measure in Section E on page 134.

Revenue and profit from continuing operations

	Revenue 2016 £m	Revenue 2015 £m	**Operating profit 2016 £m**	Operating profit 2015 £m
France	**298.9**	301.8	**40.1**	46.7
Benelux	**190.5**	190.7	**35.6**	34.9
Germany	**175.5**	168.6	**44.9**	43.8
Southern Europe	**62.5**	61.0	**10.7**	10.1
Latin America	**24.1**	19.1	**3.6**	2.8
Europe	**751.5**	741.2	**134.9**	138.3
UK & Ireland	**233.7**	223.6	**44.6**	42.5
Rest of World	**111.6**	106.9	**25.7**	24.7
UK & Rest of World	**345.3**	330.5	**70.3**	67.2
Asia	**118.9**	106.1	**12.4**	9.4
North America	**604.6**	436.5	**81.5**	56.4
Pacific	**135.7**	122.5	**28.4**	25.4
Central and regional overheads	**–**	–	**(68.1)**	(62.5)
Restructuring costs	**–**	–	**(7.1)**	(7.9)
Ongoing operations at constant exchange rates	**1,956.0**	1,736.8	**252.3**	226.3
Disposed businesses	**9.3**	22.2	**(0.5)**	(1.3)
Continuing operations at constant exchange rates	**1,965.3**	1,759.0	**251.8**	225.0
Foreign exchange	**202.8**	–	**32.6**	–
Continuing operations at actual exchange rates	**2,168.1**	1,759.0	**284.4**	225.0
One-off items – operating			**(8.6)**	(5.4)
Amortisation of intangible assets[1]			**(43.4)**	(29.6)
Impairment of goodwill			**–**	(2.2)
Operating profit			**232.4**	187.8

1. Excluding computer software.

Revenue and operating profit relate to the main groups of business category and activity, as described on page 11: 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 regional overheads represent corporate expenses that are not directly attributable to any reportable segment.

Revenue at actual exchange rates (AER) from external customers attributed to the UK amounted to £216.7m (2015: £208.3m), with overseas countries accounting for the balance of £1,951.4m (2015: £1,550.7m). The only countries accounting for more than 10% of revenue from external customers are France, totalling £340.1m (2015: £307.0m), and USA, totalling £642.2m (2015: £417.8m). No customer accounts for more than 10% of total revenue.

Analysis of Ongoing Revenue and Ongoing Profit by business category

	Ongoing Revenue 2016 £m	Ongoing Revenue 2015 £m	Ongoing Operating Profit 2016 £m	Ongoing Operating Profit 2015 £m
Pest Control	**989.2**	786.0	**184.4**	147.5
Hygiene	**446.0**	425.5	**86.1**	82.8
Workwear	**342.7**	347.1	**39.8**	46.5
Other	**178.1**	178.2	**17.2**	19.9
Central and regional overheads	**–**	–	**(68.1)**	(62.5)
Restructuring costs	**–**	–	**(7.1)**	(7.9)
Ongoing operations at constant exchange rates	**1,956.0**	1,736.8	**252.3**	226.3

Analysis of Ongoing Revenue by type

	2016 £m	2015 £m
Contract service revenue	**1,505.9**	1,376.3
Non-contract service revenue	**299.0**	260.7
Sales of goods	**151.1**	99.8
Ongoing operations at constant exchange rates	**1,956.0**	1,736.8

Other segment items included in the consolidated income statement are as follows:

	Amortisation and impairment of intangibles[1] 2016 £m	Amortisation and impairment of intangibles[1] 2015 £m	One-off items 2016 £m	One-off items 2015 £m
Europe	**5.5**	6.9	**0.8**	12.1
UK & Rest of World	**5.3**	6.3	**0.5**	2.6
Asia	**2.4**	1.5	**0.4**	–
North America	**21.7**	14.8	**5.6**	1.4
Pacific	**1.6**	0.4	**0.1**	0.3
Central and regional	**3.1**	1.9	**0.5**	(11.0)
Total at constant exchange rates	**39.6**	31.8	**7.9**	5.4
Foreign exchange	**3.8**	–	**0.7**	–
Total at actual exchange rates	**43.4**	31.8	**8.6**	5.4
Tax effect	**(14.2)**	(9.1)	**(3.0)**	(2.3)
Total after tax effect	**29.2**	22.7	**5.6**	3.1

1. Excluding computer software.

One-off items at constant exchange rates include: £7.5m of acquisition and integration costs, mainly in North America and Europe; £1.4m of costs related to the planned combined entity with Haniel (Note B2); and £2.3m of costs in Europe to settle a legal dispute. These costs are partially offset by £2.3m release of contingent consideration on acquisitions in Spain where performance criteria were not met and £1.3m gain on freehold property disposal and property provision releases, mainly in Central.

At actual exchange rates, one-off items for 2015 include £8.1m for the costs associated with the closure of the Austrian flat linen business, £5.5m for costs associated with the withdrawal from certain other non-core businesses, and £3.1m for acquisition costs (the majority of which were in North America); offset by £10.8m related to the net income from settlement of a legal claim (Central and regional).

A2. Earnings per share

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.

Adjusted earnings per share is earnings per share adjusted for the after-tax effects of one-off items, amortisation and impairment of intangibles[1], and net interest credit from pensions. Adjusted profit and earnings per share measures are explained further in Section E on page 134.

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's potentially dilutive ordinary shares relate to the contingent issuable shares under the Group's long-term incentive share plans (LTIPs) to the extent the performance conditions have been met at the end of the period. These share options are issued for nil consideration to employees if performance conditions are met.

Details of the adjusted earnings per share are set out below:

	2016 £m	Restated[2] 2015 £m
Profit from continuing operations attributable to equity holders of the Company	**167.8**	124.3
One-off items, amortisation and impairment of intangibles[1], and net interest credit from pensions, before tax	**43.7**	31.1
Tax on one-off items of £3.1m (2015: £2.3m), amortisation and impairment of intangibles of £14.1m (2015: £9.1m), and net interest credit from pensions of £(1.6)m (2015: £(1.1)m)	**(15.6)**	(10.3)
Adjusted profit from continuing operations attributable to equity holders of the Company	**195.9**	145.1

Weighted average number of ordinary shares in issue	**1,826.0**	1,819.2
Adjustment for share options and LTIPs	**16.9**	7.5
Weighted average number of ordinary shares for diluted earnings per share	**1,842.9**	1,826.7

Basic earnings per share	**9.19p**	6.83p
Diluted earnings per share	**9.11p**	6.81p
Basic adjusted earnings per share	**10.73p**	7.98p
Diluted adjusted earnings per share	**10.63p**	7.94p

1. Excluding computer software.
2. Restated to reflect restructuring costs now being reported within operating profit.

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. Book value approximates fair value because of the short-term nature of the receivables and the low-interest environment in which they are held. 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. Movements on provisions for impaired trade receivables are recognised within operating expenses in the income statement. Amounts charged to the provision for impairment of trade receivables are generally written off when there is no expectation of recovering additional cash.

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. The Group policy is that credit facilities for new customers are approved by designated managers at regional 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 2016 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.

	2016 £m	2015 £m
Trade receivables	**334.3**	285.4
Less: provision for impairment of trade receivables	**(18.2)**	(15.2)
Trade receivables – net	**316.1**	270.2
Other receivables	**45.7**	39.9
Prepayments	**32.3**	28.2
Total	**394.1**	338.3
Less non-current portion:		
Other receivables	**10.8**	8.5
Current portion	**383.3**	329.8

Analysis of the Group's provision for impairment of trade receivables is as follows:

	2016 £m	2015 £m
At 1 January	**15.2**	16.1
Exchange differences	**2.9**	(0.8)
Acquisition of companies and businesses	**0.9**	0.4
Disposal of companies and businesses	**(0.1)**	–
Additional provision	**8.3**	7.0
Receivables written off as uncollectable	**(5.3)**	(4.7)
Unused amounts reversed	**(1.4)**	(2.8)
Transferred to disposal group held-for-sale	**(2.3)**	–
At 31 December	**18.2**	15.2

The ageing of trade receivables is as follows:

	2016 £m	2015 £m
Not due	**158.7**	107.6
Overdue by less than 1 month	**81.6**	93.0
Overdue by between 1 and 3 months	**40.5**	43.0
Overdue by between 3 and 6 months	**23.1**	17.5
Overdue by between 6 and 12 months	**15.4**	11.8
Overdue by more than 12 months	**15.0**	12.5
Provision for impairment of trade receivables	**(18.2)**	(15.2)
	316.1	270.2

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2016 £m	2015 £m
Pounds sterling	**38.1**	36.2
Euro	**121.0**	135.9
US dollar	**94.6**	54.3
Other currencies	**80.6**	59.0
	334.3	285.4

The reduction in the euro balance is due to the disposal group held-for-sale which holds most of their debtors in euros partially offset by increases in foreign exchange.

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.

	2016 £m	2015 £m
Raw materials	**8.0**	7.6
Work in progress	**1.7**	1.3
Finished goods	**70.3**	46.8
	80.0	55.7

There were no material inventory impairment charges in 2016 and 2015.

A5. Trade and other payables

	2016 £m	2015 £m
Trade payables	**119.8**	93.2
Social security and other taxes	**55.9**	56.3
Other payables	**40.8**	35.9
Accruals and deferred income	**233.4**	203.4
Deferred and contingent consideration	**30.0**	31.0
Total	**479.9**	419.8
Less non-current portion:		
Other payables	**13.7**	12.2
Deferred and contingent consideration	**7.7**	3.2
Total non-current portion	**21.4**	15.4
Current portion	**458.5**	404.4

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 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 a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The rates used are between 0.3% and 0.5% (2015: between 0.9% and 1.4%) for the UK, 0.5% (2015: 0.5%) for Europe and 2.3% (2015: 2.2%) for the US.

Significant judgement is required in determining the worldwide provision for vacant properties and environmental restoration. These provisions tend to be long-term in nature and the 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 forecast on which the provision is based.

	Vacant properties £m	Environmental £m	Self-insurance £m	Other £m	Total 2016 £m	Total 2015 £m
At 1 January	**27.6**	**14.8**	**22.5**	**16.5**	**81.4**	84.3
Exchange differences	**–**	**2.6**	**3.5**	**1.7**	**7.8**	–
Additional provisions	**0.8**	**0.5**	**16.5**	**12.0**	**29.8**	24.8
Used during the year	**(5.1)**	**(2.1)**	**(15.0)**	**(15.1)**	**(37.3)**	(27.8)
Unused amounts reversed	**(3.1)**	**(0.5)**	**(2.6)**	**(1.9)**	**(8.1)**	(5.6)
Acquisition of companies and businesses	**–**	**–**	**–**	**–**	**–**	5.2
Unwinding of discount on provisions	**0.2**	**0.1**	**–**	**–**	**0.3**	0.5
Transferred to disposal group held-for-sale	**–**	**–**	**–**	**(3.4)**	**(3.4)**	–
At 31 December	**20.4**	**15.4**	**24.9**	**9.8**	**70.5**	81.4
Analysed as follows:						
Non-current					**55.2**	60.8
Current					**15.3**	20.6

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 2016 is £1.1m (2015: £1.5m).

Environmental

The Group owns a number of properties in 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 eight years.

Self-insurance

Since 2008 the Group purchases external insurance from a portfolio of international insurers for its key insurable risks, but prior to this the Group self-insured its risks. Provision is still held for self-insured past cover, primarily in relation to third party motor vehicle and employee liability. 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, costs relating to disposed businesses and restructuring costs. Existing provisions are expected to be substantially utilised within the next five years.

A7. Operating expenses by nature

Operating expenses from continuing operations include the following items:

	Notes	2016 £m	2015 £m
Employee costs	A9	**1,054.5**	825.1
Direct materials and services		**375.2**	308.0
Vehicle costs		**94.9**	97.1
Property costs		**57.5**	51.8
Depreciation and impairment of property, plant and equipment		**188.3**	169.7
Amortisation and impairment of intangible assets		**55.9**	42.2
Restructuring costs		**7.9**	7.9
One-off items – operating	A1	**8.6**	5.4
Other operating expenses		**92.9**	64.0
Total operating expenses		**1,935.7**	1,571.2

A8. Audit and non-audit services

	2016 £m	2015 £m
Fees payable to the Company's auditor for the audit of the Parent Company and Group accounts	**0.6**	0.6
Audit of accounts of subsidiaries of the Group	**1.9**	1.6
Audit-related assurance services	**0.2**	0.1
Total audit and audit-related assurance services	**2.7**	2.3
Tax compliance services	**0.1**	0.2
Taxation advisory services	**0.2**	0.1
All other non-audit services	**0.4**	0.3
Total non-audit services	**0.7**	0.6
Total audit and non-audit services	**3.4**	2.9

A9. Employee benefit expense

Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on calculations of achievements of financial performance targets and based on the best estimate of the obligation to employees related to personal 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.

	2016 £m	2015 £m
Wages and salaries	**892.0**	680.5
Social security costs	**129.0**	119.4
Share-based payments	**5.5**	2.2
Pension costs:		
– defined contribution plans	**25.3**	22.0
– defined benefit plans	**2.7**	1.0
	1,054.5	825.1

Average number of people employed by the Group during the year:

	2016 Number	2015 Number
Processing and service delivery	**23,991**	22,076
Sales and marketing	**3,769**	3,468
Administration and overheads	**4,390**	4,248
	32,150	29,792

Emoluments of the Directors of Rentokil Initial plc are detailed below. Further details are also given in the Directors' Remuneration Report on pages 71 to 86.

	Highest paid Director 2016 £000	**Other Directors 2016 £000**	Highest paid Director 2015 £000	Other Directors 2015 £000
Aggregate emoluments excluding share options	**1,254.0**	**781.2**	1,164.7	726.6
Aggregate gains made by Directors on exercise of share options	**–**	**856.2**	–	230.6
Aggregate amount receivable under long-term incentive schemes	**1,456.6**	**936.4**	1,428.0	918.0
Aggregate value of Company contributions to defined contribution pension schemes	**182.0**	**70.2**	178.5	68.9
	2,892.6	**2,644.0**	2,771.2	1,944.1

	2016 Number	2015 Number
Number of Directors accruing retirement benefits:		
– defined contribution schemes	**2**	2
– defined benefit schemes	**–**	–
Number of Directors exercising share options	**2**	2
Number of Directors receiving shares as part of long-term incentive schemes	**2**	2

A10. 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 2015 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 schemes are reappraised annually by independent actuaries based upon actuarial assumptions. Significant judgement is required in determining these actuarial assumptions.

Defined benefit pension plans

A defined benefit pension plan is a plan that estimates the amount of future pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, length of service and compensation.

The asset or liability recognised in the balance sheet in respect of defined benefit pension plans is the fair value of plan assets less the present value of the defined benefit obligation at the balance sheet date. The Group determines the net interest on the net defined benefit asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset. 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 have a credit rating of at least AA, 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, taking into account the adverse effect of any minimum funding requirements.

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 are recognised in finance costs. Remeasurement gains and losses arising from experience adjustments, return on plan assets 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 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.

Rentokil Initial 2015 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 RIPS. The Group has recognised an asset in relation to the RIPS surplus as the Group has an unconditional right to reduce future pension contributions, taking into account the adverse effect of any minimum funding requirements.

Actuarial valuations of the RIPS are usually carried out every three years. At 31 December 2016 RIPS was valued at an accounting surplus of £272.0m (2015: £237.0m) on the Group’s balance sheet. The Trustees of the RIPS value the scheme on a different basis and in the valuation at 31 December 2015 it was agreed that the RIPS is now fully funded. The Trustees have therefore agreed that the annual payments of £3.2m the company has been paying into an escrow arrangement each January will not be required going forward. In accordance with the terms of the escrow arrangement, the balance held in escrow was released back to the company on 16 February 2017. The funding position will be reviewed at the next actuarial valuation, which is expected to be carried out at 31 December 2018.

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 RIPS up to a maximum amount equal to the lowest non-negative amount which, when added to the assets of the RIPS, would result in the RIPS 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.

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

	2016	2015
Weighted average		
Discount rate	**2.6%**	3.8%
Future salary increases	**n/a**	n/a
Future pension increases	**3.4%**	3.3%
RPI inflation	**3.5%**	3.4%
CPI inflation	**2.4%**	2.3%

The defined benefit obligation includes benefits for current employees, former employees and current pensioners. Approximately 40% of the liabilities are attributable to current and former employees and 60% to current pensioners. There have been no significant changes to the membership of the scheme over the year. The scheme duration is an indicator of the weighted-average time until benefit payments are made. For the RIPS as a whole, the duration is around 16 years.

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 RIPS'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 RIPS's liabilities (c.100% of assets).

The current portfolio's return-seeking assets are diversified growth funds (13.6%). Diversified growth funds invest in a range of asset classes including developed market 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 77% gilts and swaps, 9% corporate bonds and the remainder cash. The actual holdings in matching assets are currently higher than the target portfolio. This is monitored on a regular basis, and there are no plans to rebalance at present.

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 RIPS holds a small proportion of growth assets (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 RIPS 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 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.

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.

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:

- 98% of the SAPS S2 All base tables for male pensioners;
- 107% of the SAPS S2 All base tables for female pensioners;
- 108% of the SAPS S2 All base tables for male and female non-pensioners; and
- 96% of the SAPS S2 All base tables for male and female dependent pensioners.

Future improvements are made in line with CMI_2014 Core Projections with a long-term rate of future improvement of 1.75% p.a.

Notes to the Financial Statements

Sensitivity of significant assumptions

	Sensitivity	Impact on retirement benefit obligations[1] Increase £m	Decrease £m
Discount rate	1.0%	195.9	(245.3)
Inflation	1.0%	(128.3)	117.8
Mortality	1 year	(68.1)	67.7

1. A positive figure indicates an increase in assets or a decrease in liabilities.

Pension benefits

The movement in the net defined benefit obligation for all pension schemes over the accounting period is as follows:

	Present value of obligation 2016 £m	**Fair value of plan assets 2016 £m**	**Total 2016 £m**	Present value of obligation 2015 £m	Fair value of plan assets 2015 £m	Total 2015 £m
At 1 January	**(1,232.0)**	**1,444.9**	**212.9**	(1,366.2)	1,532.6	166.4
Current service costs[1]	**(0.5)**	**–**	**(0.5)**	(0.6)	–	(0.6)
Past service costs[1]	**(0.1)**	**–**	**(0.1)**	–	–	–
Administration expenses[1]	**(1.3)**	**–**	**(1.3)**	(2.7)	–	(2.7)
Settlement credit[1]	**–**	**–**	**–**	31.3	(30.5)	0.8
Interest on net defined benefit asset[1]	**(45.1)**	**53.5**	**8.4**	(46.4)	50.7	4.3
Exchange difference	**(8.2)**	**4.1**	**(4.1)**	4.5	(1.4)	3.1
Total pension income	**(55.2)**	**57.6**	**2.4**	(13.9)	18.8	4.9
Remeasurements:						
– Remeasurement gain/(loss) on scheme assets	**–**	**285.9**	**285.9**	–	(45.2)	(45.2)
– Remeasurement loss/(gain) on obligation[2]	**(264.6)**	**–**	**(264.6)**	82.4	–	82.4
– Transfers to disposal group held-for-sale	**4.6**	**(3.2)**	**1.4**	–	–	–
– Other transfers	**–**	**–**	**–**	(0.3)	–	(0.3)
Contributions:						
– Employers	**(0.5)**	**1.5**	**1.0**	(0.7)	1.6	0.9
– Participants	**–**	**0.1**	**0.1**	–	0.1	0.1
– Benefit payments	**60.2**	**(58.8)**	**1.4**	64.0	(63.0)	1.0
– Administration expenses	**1.3**	**–**	**1.3**	2.7	–	2.7
At 31 December	**(1,486.2)**	**1,728.0**	**241.8**	(1,232.0)	1,444.9	212.9
Retirement benefit obligation schemes[3]	**(52.9)**	**22.0**	**(30.9)**	(45.8)	21.7	(24.1)
Retirement benefit asset schemes[4]	**(1,433.3)**	**1,706.0**	**272.7**	(1,186.2)	1,423.2	237.0

1. 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.
2. The actuarial movement on the UK RIPS scheme comprises remeasurement loss arising from changes in demographic assumptions of £18.5m (2015: £nil), remeasurement loss arising from changes in financial assumptions of £238.1m (2015: remeasurement gain £64.6m) and remeasurement losses arising from experience of £2.2m (2015: £18.1m gain).
3. Benefit plans in an obligation position include plans situated in Austria, France, Germany, Hong Kong, Ireland, Italy, Korea, Martinique, Norway, Philippines, South Africa, Trinidad, and UK.
4. Benefit plans in an asset position include plans situated in UK, Australia and Barbados.

Included in the table above is a defined benefit obligation of £1,431.0m (2015: £1,186.2m) and plan assets of £1,703.0m (2015: £1,423.2m) in relation to the UK RIPS scheme. Of the £1,486.2m (2015: £1,232.0m) of obligations, £18.6m (2015: £13.1m) is unfunded.

Total contributions payable to defined benefit pension schemes in 2017 are expected to be between £1m and £2m.

The fair value of plan assets at the balance sheet date is analysed as follows:

	2016 £m	2015 £m
Equity instruments	**234.7**	290.1
Debt instruments – quoted	**1,466.4**	982.9
Debt instruments – unquoted	**11.4**	10.4
Interest and inflation rate hedging instruments	**–**	22.8
Property	**0.3**	0.4
Other	**15.2**	138.3
Total plan assets	**1,728.0**	1,444.9

Where available the fair values of assets are quoted prices (e.g. listed equity, sovereign debt and corporate bonds). In other cases the market value as provided by the fund managers has been used in accordance with IFRS 13 Fair Value Measurement:

– Unquoted debt instruments (Level 2)

– Interest and inflation rate hedging instruments (Level 2).

Other significant assets are valued based on observable market inputs. Other assets primarily consist of cash.

The history for the current and prior periods for the RIPS and other schemes combined is as follows:

	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Present value of defined benefit plan liabilities	**(1,486.2)**	(1,232.0)	(1,366.2)	(1,230.3)	(1,196.4)
Fair value of plan assets	**1,728.0**	1,444.9	1,532.6	1,277.3	1,298.2
Net surplus	**241.8**	212.9	166.4	47.0	101.8
Experience adjustments on plan liabilities	**2.2**	(18.1)	(10.4)	(8.0)	16.1
Experience adjustments on plan assets	**(285.9)**	45.2	(252.9)	35.5	(1.3)

The cumulative actuarial loss recognised in the consolidated statement of comprehensive income was £26.9m (2015: £48.2m).

A remeasurement gain of £21.3m (2015: £37.2m gain) was recognised during the year.

A11. Share-based payments

Share-based compensation

The Group operates one equity-settled share-based long-term incentive plan. 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 shares that vest or 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.

Performance Share Plan

The Company introduced a share-based performance plan in 2006 for senior executives worldwide. The main features of the scheme are as follows:

- For awards made in 2008, the performance conditions are share price performance and an individual performance modifier.
- For awards made in 2012 and 2013, the performance conditions are total shareholder return (TSR) performance and an individual performance modifier. No shares will vest or options become exercisable if the share price does not reach median TSR performance at the end of the three-year performance period relative to the constituents of a comparator group, made up of FTSE 350 companies excluding financial services, primary resource and property sector companies. If TSR performance is above the upper quartile and all participants attain their maximum bonus target over the performance period, the full award will vest or become exercisable.
- For awards made between 2014 and 2016, one third of the award is based on earnings per share (EPS) growth targets as outlined in the relevant year's Directors' Remuneration Report, and two thirds of the award is based on TSR over the three-year performance period as explained above.
- The value of dividends paid during the vesting period are paid on the number of shares that ultimately vest in the form of additional shares.

The total net charge for the year relating to equity-settled share-based payment plans was £5.5m (2015: £2.2m).

A summary of the number of shares in active share option plans is shown below:

Year of grant	Vesting year	Scheme interest at 1 Jan 2016	Shares awarded during 2016	Shares lapsed during 2016	Shares vested during 2016	Outstanding at 31 Dec 2016	Shares exercisable at 1 Jan 2016	Shares vested during 2016	Shares exercised during 2016	Shares lapsed during 2016	Shares exercisable at 31 Dec 2016
2008	2011	–	–	–	–	–	117,248	–	(70,559)	–	46,689
2012	2015	–	–	–	–	–	888,808	–	(129,750)	(3,939)	755,119
2013	2016	9,868,548	603,030	(1,677,953)	(8,793,625)	–	–	8,793,625	(4,896,593)	–	3,897,032
2014	2017	7,447,152	–	(135,499)	–	7,311,653	–	–	–	–	–
2015	2018	7,816,857	196,720	(252,554)	–	7,761,023	–	–	–	–	–
2016	2019	–	7,939,005	(80,917)	–	7,858,088	–	–	–	–	–

1. The table above has been restated to reflect the maximum number of shares granted. In the year the shares vest, shares awarded relate to dividend equivalent shares.

The fair value of the 2016 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 in March 2016, the significant inputs into the model were a share price of 159.4p (2015: 135.5p), an expected share price volatility of 19% (2015:21%), a median share price correlation between the companies in the comparator group of 24% (2015: 27%), and an expected life commensurate with the three-year 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 2016 was £9.4m.

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, and 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 £68.7m (2015: £36.3m). The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016 £m	2015 £m
Not later than one year	**50.8**	37.6
Later than one year and not later than five years	**99.0**	82.4
Later than five years	**9.6**	11.5
	159.4	131.5

Included within the total operating leases figure as at 31 December 2016 is £18.3m in relation to leases that have been committed by the businesses which are intended to be sold as part of the transaction detailed in Note B2.

A13. Income tax expense

Income tax expense for the period includes both current and deferred tax. Current tax expense represents the amount payable on this year's taxable profits and any adjustment relating to prior years. Deferred tax is an accounting adjustment to provide for tax that is expected to arise in the future due to differences between accounting and tax bases. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income. In this case the tax is also recognised in other comprehensive income.

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.

Analysis of charge in the year

	2016 £m	2015 £m
UK corporation tax at 20% (2015: 20.25%)	**2.9**	2.2
Overseas taxation	**30.2**	24.4
Adjustment in respect of previous periods	**7.8**	5.7
Total current tax	**40.9**	32.3
Deferred tax charge	**1.3**	4.6
Deferred tax adjustment in respect of previous periods	**(1.5)**	(2.2)
Total deferred tax	**(0.2)**	2.4
Total income tax expense	**40.7**	34.7

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:

	2016 £m	2015 £m
Profit before income tax	**208.5**	159.0
Tax calculated at domestic tax rates applicable to profits in the respective countries	**46.9**	37.2
Adjustment in respect of previous periods	**6.3**	3.5
Deferred tax recognised on losses	**2.3**	(1.4)
Expenses not deductible for tax purposes – restructuring costs and one-off items	**–**	0.2
Expenses not deductible for tax purposes – interest payable	**1.1**	2.5
Expenses not deductible for tax purposes – other	**3.0**	2.3
Income not subject to tax	**(2.0)**	(2.1)
Overseas financing deductions	**(4.2)**	(1.0)
Utilisation of previously unrecognised tax losses	**(12.2)**	(10.9)
Losses not relieved	**0.8**	0.6
Deferred tax impact of change in tax rates	**(4.3)**	(0.3)
Provisions utilised for which no deferred tax assets were recognised	**(0.6)**	(0.7)
Overseas withholding tax suffered	**0.3**	2.2
Tax on overseas dividends	**1.0**	0.6
Local business taxes	**2.3**	2.0
Total tax expense	**40.7**	34.7

The Group's Effective Tax Rate (ETR) before amortisation of intangible assets (excluding computer software), one-off items and the net interest credit from pensions for 2016 was 22.3% (2015: 23.6% as restated to remove restructuring costs). This compares with a blended rate of tax for the countries in which the Group operates of 25% (2015: 26%). The lower adjusted ETR compared to the blended tax rate is principally due to the benefit of previously unrecognised brought forward tax losses being set off against UK profits. The rate has also been reduced by a £4.3m reduction in the French deferred tax provision due to a planned reduction in French corporate tax rates. The Group's ETR is expected to remain above the UK tax rate due to the proportion of overseas profits which are taxed at a higher rate than UK profits. We expect our ETR for 2017 to be similar to 2016. We are not currently expecting any material change over the medium term although it is possible that tax reforms in the USA might have a significant impact given the growing importance of the Group's US operations.

The Group's tax charge and ETR will be influenced by the global mix and level of profits, changes in future tax rates and other tax legislation, the utilisation of brought forward tax losses on which no deferred tax asset has been recognised, the resolution of open issues with various tax authorities, the ability to benefit from existing financing arrangements, acquisitions and disposals.

In the longer term the Group's adjusted ETR is likely to be similar to the blended tax rate once there is no further benefit from tax losses on which no deferred tax asset is currently recognised as their recoverability is not considered probable, but may become probable in the future.

A14. Current tax liabilities

The Group is subject to income taxes in numerous jurisdictions. The Group is subject to various uncertainties relating to the determination of its tax liabilities where the ultimate tax liability cannot be known until a resolution has been reached with the relevant tax authority or the issue becomes time barred. Issues can take many years to resolve and therefore assumptions on the likely outcome have to be made by management.

Where considered appropriate management establishes provisions for uncertain tax positions on the basis of amounts expected to be paid to the tax authorities. The Group's current tax liabilities reflect management's best estimate of the future amounts of corporation tax that will be settled. Total tax provisions and accruals amounted to £62.9m as at 31 December 2016 (2015: £54.5m). The increase in the tax provision is mainly due to another year's provision in respect of existing identified exposures for which accruals had already been established and adverse foreign exchange movements. Tax accruals can be built up over a number of years but in the year of resolution there could be adjustments to these accruals which could have a material positive or negative impact on the tax charge for a particular year. The settlement of a significant issue could also have a material impact on the amount of cash tax payable in any one year. Significant judgement is required in determining the worldwide provision for income taxes particularly in relation to the pricing of intra-group goods and services as well as debt financing.

The majority of the tax provisions relate to transfer pricing exposures where the Group faces a number of risks in jurisdictions around the world and is subject to audits by tax authorities in the territories in which it operates.

Apart from transfer pricing issues the largest single provision relates to a financing structure where the amount provided is now £18.5m. This is a legacy issue going back to the years 2002 to 2005. The Group is fully provided for the potential tax and interest payable so there should not be an adverse impact on the income statement. It is unclear when this issue will be resolved.

A15. Deferred income tax

Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities in transactions other than a business combination that at the time of the transactions affect neither the accounting nor taxable profit or loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred income tax is determined using tax rates (and laws) that have been enacted (or substantively enacted) at 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.

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 17% (effective from 1 April 2020) are enacted in UK law at the Balance Sheet date. The UK deferred tax liability at 31 December 2016 has been calculated based on the corporation tax rate that is expected to apply when the liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. In recognising the deferred tax asset in respect of UK losses, management have estimated the quantum of future UK taxable profits.

The movement on the deferred income tax account is as follows:

	2016 £m	2015 £m
At 1 January	**(110.8)**	(74.8)
Exchange differences	**(16.6)**	3.2
Acquisition of companies and businesses	**(6.5)**	(31.0)
Transfers to current taxation	**–**	0.1
Credited/(charged) to the income statement	**0.2**	(2.4)
Credit/(charged) to equity	**4.1**	(5.9)
Transferred to disposal group held-for-sale	**18.8**	–
At 31 December	**(110.8)**	(110.8)
Deferred taxation has been presented on the balance sheet as follows:		
Deferred tax asset within non-current assets	**2.0**	2.0
Deferred tax liability within non-current liabilities	**(112.8)**	(112.8)
	(110.8)	(110.8)

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 1 January 2016	**56.6**	**51.8**	**42.1**	**5.5**	**(27.9)**	**(0.9)**	**(16.4)**	**110.8**
Exchange differences	**9.2**	**9.5**	**–**	**–**	**–**	**–**	**(2.1)**	**16.6**
Recognised in income statement	**(4.6)**	**4.4**	**0.7**	**(0.5)**	**(0.3)**	**(1.4)**	**1.5**	**(0.2)**
Recognised in other comprehensive income	**–**	**–**	**(3.3)**	**–**	**–**	**–**	**(0.8)**	**(4.1)**
Acquired in business combinations	**6.5**	**–**	**–**	**–**	**–**	**–**	**–**	**6.5**
Transferred to disposal group held-for-sale	**(4.8)**	**(14.2)**	**(0.2)**	**–**	**0.1**	**–**	**0.3**	**(18.8)**
At 31 December 2016	**62.9**	**51.5**	**39.3**	**5.0**	**(28.1)**	**(2.3)**	**(17.5)**	**110.8**

A deferred tax asset of £22.2m (2015: £26.1m) has been recognised in respect of UK losses carried forward at 31 December 2016. This amount has been calculated by estimating the future UK taxable profits, 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 £135.3m have not been recognised as at 31 December 2016.

At the balance sheet date the Group has tax losses of £229.6m (2015: £236.7m) on which no deferred tax asset is recognised. Of the losses £36.1m (2015: £29.3m) will expire at various dates between 2017 and 2035. In addition, there are capital losses carried forward of £277.1m (2015: £277.1m) on which no deferred tax asset is recognised. Other deferred tax assets relating to gross temporary timing differences of £9.0m (2015: £9.1m) 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.

Notes to the Financial Statements

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. 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 under IAS 38 Intangible Assets. The intangible assets arising on acquisition are goodwill, customer lists and relationships, and brands. Goodwill represents the synergies, workforce and other benefits expected as a result of combining the respective businesses. Deferred and contingent consideration is 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 are charged to the income statement as incurred and presented as one-off items.

During the year the Group purchased 100% of the share capital or trade and assets of 41 companies and businesses. The total consideration in respect of these acquisitions was £107.1m and the cash outflow from current and past period acquisitions, net of cash acquired, was £109.2m.

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

	2016 £m	2015 £m
Purchase consideration:		
– Cash paid	**82.9**	360.0
– Deferred and contingent consideration	**24.2**	26.0
Total purchase consideration	**107.1**	386.0
Fair value of net assets acquired	**(60.0)**	(80.3)
Goodwill from current year acquisitions	**47.1**	305.7

Deferred consideration of £9.5m and contingent consideration of £14.7m is payable in respect of the above acquisitions. Contingent consideration is payable based on a variety of conditions including revenue and profit targets being met. Both deferred and contingent consideration are payable over the next four years. The Group incurred acquisition-related costs of £1.9m. The Group has included the contingent and deferred consideration based on the fair value of the consideration at the acquisition date.

The provisional fair value[1] of assets and liabilities arising from acquisitions in the year are as follows:

	2016 £m	2015 £m
Non-current assets:		
– Intangible assets[2]	**46.2**	107.8
– Property, plant and equipment	**4.0**	5.9
Current assets[3]	**39.7**	19.7
Current liabilities	**(23.3)**	(18.9)
Non-current liabilities[4]	**(6.6)**	(34.2)
Net assets acquired	**60.0**	80.3

1. The provisional fair values will be finalised in the 2017 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 £38.3m (2015: £96.2m) of customer lists and relationships and £7.9m (2015: £11.6m) of other intangibles.
3. Includes trade and other receivables of £24.1m (2015: £18.6m) which represents the gross and fair value of the assets acquired.
4. Includes (£6.4m) of deferred tax relating to acquired intangibles (2015: £31.0m).

The cash outflow from current and past acquisitions are as follows:

	2016 £m	2015 £m
Total purchase consideration	**107.1**	386.0
Consideration payable in future periods	**(24.2)**	(26.0)
Purchase consideration paid in cash	**82.9**	360.0
Cash and cash equivalents in acquired companies and businesses	**(2.2)**	(0.1)
Cash outflow on current period acquisitions	**80.7**	359.9
Deferred consideration paid	**28.5**	9.3
Cash outflow on current and past acquisitions	**109.2**	369.2

From the dates of acquisition to 31 December 2016, these acquisitions contributed £70.2m to revenue and £8.0m to operating profit.

If the acquisitions had occurred on 1 January 2016 the revenue and operating profit of the Group would have amounted to £2,237.2m and £233.8m respectively (as reported: £2,168.1m and £232.4m).

B2. Disposal group held for sale

The Group classifies a non-current asset or a disposal group as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale, and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent remeasurement although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

On the 16 December 2016 the Group announced an agreement to form a combined entity with the CWS-Boco businesses of Haniel & Cie. GmbH. Under the terms of the arrangement, the Group will contribute its Workwear and Hygiene operations in ten countries principally in the Benelux and Central and Eastern Europe (the disposal group). As consideration, the Group will receive c.€520m in cash and a c.18% share in the combined entity, both subject to completion adjustments. Completion of the transaction is subject to clearance of competition authorities. The Group's interest in the combined entity will be recognised as an investment in associate. The assets and liabilities of the disposal group have been classified as held for sale and are set out the table below.

Net assets of disposal group held for sale

	2016 £m	2015 £m
Assets held-for-sale		
Property, plant and equipment[1]	163.1	–
Intangible assets	36.7	–
Inventories	2.0	–
Trade and other receivables	46.7	–
Liabilities held-for-sale		
Trade and other payables	(43.5)	–
Provisions	(3.4)	–
Retirement benefit obligations	(1.4)	–
Deferred and current tax	(22.5)	–
Net assets held-for-sale	177.7	–

1. Within the total property, plant and equipment is £4.8m in relation to two properties not included in the disposal to Haniel, but are held for sale to different third parties.

B3. Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, where applicable.

A breakdown of intangible assets is as shown below:

	Goodwill £m	Customer lists and relationships £m	Brands £m	Product development £m	Computer software £m	Total 2016 £m	Total 2015 £m
Cost							
At 1 January	623.4	539.4	45.1	12.2	86.7	1,306.8	902.2
Exchange differences	124.7	98.6	8.3	–	8.2	239.8	(10.5)
Additions	–	–	–	6.0	15.0	21.0	13.1
Disposals/retirements	–	–	–	–	(7.8)	(7.8)	(8.4)
Acquisition of companies and businesses	51.2	38.5	7.8	–	0.1	97.6	413.9
Disposal of companies and businesses	–	–	–	–	–	–	(3.5)
Transferred to disposal group held-for-sale	(33.0)	(85.3)	(1.1)	–	(11.2)	(130.6)	–
At 31 December	766.3	591.2	60.1	18.2	91.0	1,526.8	1,306.8
Accumulated amortisation and impairment							
At 1 January	(26.1)	(381.4)	(23.9)	(3.2)	(53.9)	(488.5)	(470.9)
Exchange differences	(4.2)	(69.3)	(4.2)	–	(5.5)	(83.2)	13.5
Disposals/retirements	–	–	–	–	6.4	6.4	7.6
Disposal of companies and businesses	–	–	0.1	–	–	0.1	3.5
Impairment charge	–	–	–	–	–	–	(2.2)
Amortisation charge	–	(36.9)	(3.8)	(2.8)	(12.4)	(55.9)	(40.0)
Transferred to disposal group held-for-sale	–	84.2	0.6	–	9.1	93.9	–
At 31 December	(30.3)	(403.4)	(31.2)	(6.0)	(56.3)	(527.2)	(488.5)
Net book value							
At 1 January	597.3	158.0	21.2	9.0	32.8	818.3	431.3
At 31 December	736.0	187.8	28.9	12.2	34.7	999.6	818.3

Notes to the Financial Statements

The main categories of intangible assets are as follows:

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	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 with finite useful lives:

(a) Customer lists and relationships
Customer lists and relationships are acquired as part of business combinations. Separate values are not attributed to internally generated customer lists or relationships.

(b) Brands
Brands are acquired as part of a business combinations. 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.

(c) Product development
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.

Other development expenditure is recognised as an expense as incurred. Research expenditure is recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have been capitalised are amortised from the date the product is available.

(d) Computer software
Costs (including employee and software development costs) that are directly associated with the production of identifiable and unique software products controlled by the Group which are expected to generate economic benefits exceeding cost beyond one year, are recognised as intangible assets. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring it into use.

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Intangible assets – indefinite useful lives

Goodwill

	2016 £m	2015 £m
France	**9.0**	7.7
Benelux	**4.3**	13.8
Germany	**–**	25.1
Other Europe	**45.1**	24.2
Europe	**58.4**	70.8
UK & Ireland	**17.8**	17.5
Rest of World	**17.0**	15.8
UK & Rest of World	**34.8**	33.3
Asia	**36.2**	23.7
North America[1]	**549.4**	425.9
Pacific	**57.2**	43.6
Total	**736.0**	597.3

1. Includes £529.9m (2015: £179.7m) relating to the US Pest Control CGU. In 2016 the Steritech CGU was combined with US Pest Control CGU as the businesses became fully integrated. Steritech had a goodwill balance of £235.3m in 2015.

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 and is recognised in intangible assets. Goodwill on the acquisition of associates is included in investments in associates.

Impairment tests for goodwill

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash-generating units (CGUs) identified according to country of operation and reportable business unit. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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 approved by management, which is prepared as part of the Group's normal planning process. Cash flows for years two to 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. At 31 December 2016 impairment testing shows that there are no reasonable scenarios under which an impairment would be required.

The key assumptions used by individual CGUs for value-in-use calculations were long-term growth rates of between 0.9% and 5.0% (2015: 1% and 5%) and pre-tax discount rates of between 8% and 13% (2015: 8% and 15%). The key assumptions used by the US Pest Control CGU were a long-term growth rate of 2% (2015: 2%) and a pre-tax discount rate of 13% (2015: 12%). 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.

B4. 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.

A breakdown of property, plant and equipment is shown below:

	Land and buildings £m	Service contract equipment £m	Other plant and equipment £m	Vehicles and office equipment £m	Total 2016 £m	Total 2015 £m
Cost						
At 1 January	**136.2**	**634.9**	**231.1**	**201.6**	**1,203.8**	1,220.8
Exchange differences	**24.4**	**115.4**	**39.4**	**43.2**	**222.4**	(67.3)
Additions	**3.5**	**153.1**	**14.5**	**30.7**	**201.8**	167.8
Disposals	**(2.0)**	**(133.3)**	**(8.1)**	**(27.6)**	**(171.0)**	(123.1)
Acquisition of companies and businesses	**–**	**0.3**	**0.7**	**11.6**	**12.6**	5.7
Disposal of companies and businesses	**–**	**–**	**–**	**–**	**–**	(0.1)
Transferred to disposal group held-for-sale	**(65.7)**	**(346.5)**	**(84.4)**	**(33.8)**	**(530.4)**	–
At 31 December	**96.4**	**423.9**	**193.2**	**225.7**	**939.2**	1,203.8
Accumulated depreciation and impairment						
At 1 January	**(44.1)**	**(393.6)**	**(163.4)**	**(125.6)**	**(726.7)**	(715.3)
Exchange differences	**(9.1)**	**(75.0)**	**(28.6)**	**(28.0)**	**(140.7)**	41.5
Disposals	**0.9**	**131.2**	**7.8**	**25.5**	**165.4**	116.7
Disposal of companies and businesses	**–**	**–**	**–**	**–**	**–**	0.1
Impairment	**–**	**–**	**–**	**–**	**–**	(7.4)
Depreciation charge	**(4.5)**	**(134.6)**	**(15.2)**	**(34.0)**	**(188.3)**	(162.3)
Transferred to disposal group held-for-sale	**30.0**	**252.6**	**57.5**	**27.3**	**367.4**	–
At 31 December	**(26.8)**	**(219.4)**	**(141.9)**	**(134.8)**	**(522.9)**	(726.7)
Net book value						
At 1 January	92.1	241.3	67.7	76.0	477.1	505.5
At 31 December	**69.6**	**204.5**	**51.3**	**90.9**	**416.3**	477.1

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.

Finance 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:

	2016 £m	2015 £m
Vehicles and office equipment	**38.3**	24.0
Other plant and equipment	**0.4**	0.2
	38.7	24.2

B5. Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2016 £m	2015 £m
Property, plant and equipment	**17.0**	17.3
Intangible assets	**0.8**	1.4
	17.8	18.7

B6. Investments in associated undertakings

	2016 £m	2015 £m
At 1 January	**17.7**	14.4
Exchange differences	**4.2**	0.7
Share of profit[1]	**6.2**	4.7
Dividends received	**(10.3)**	(2.1)
At 31 December	**17.8**	17.7

1. Share of profit is net of tax of £3.4m (2015: £2.7m).

The Group's interest of 49% in its principal associate, which is unlisted, was as follows:

	Assets 2016 £m	**Liabilities 2016 £m**	**Revenue 2016 £m**	**Profit 2016 £m**	Assets 2015 £m	Liabilities 2015 £m	Revenue 2015 £m	Profit 2015 £m
Nippon Calmic Ltd (Japan)	**31.4**	**(12.8)**	**43.5**	**6.2**	28.2	(9.6)	32.8	4.7

Notes to the Financial Statements

C: Financing

C1. Financial risk management

The Group operates a central treasury function which manages cash, borrows on behalf of the Group, and provides finance to Group companies in their local currencies. Treasury activity is governed by a Treasury Committee, which is chaired by the Chief Financial Officer.

The main financial risks faced by the Group are set out below.

(a) Liquidity risk

The Group is committed to ensuring it has sufficient liquidity to meet its business needs, and appropriate reserves to cover operational underperformance or dislocation in the financial markets. The Group's policy is to have headroom of unrestricted cash and available committed facilities of at least £150m and the Treasury Committee manages financing requirements and associated headroom at least 12 months forward.

The Group has a Revolving Credit Facility (RCF) with 12 relationship banks, a Term Loan and a number of bilateral committed credit facilities (see Note C6 for details). All of these facilities contain covenants that require EBITDA: Net Interest to 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. Compliance with financial and other covenants is reviewed regularly and financial covenants are reported to the lenders under the facilities semi-annually. The Group remains compliant with its covenants.

The Group targets a Standard & Poor's (S&P) investment grade credit rating for debt issuance of BBB over the medium term. In line with S&P liquidity ratio requirements, debt maturities are financed at least 12 months in advance using available headroom or by new debt issuance. Management maintains an active dialogue with S&P as well as the Group's relationship banks to ensure that any changes to the Group's financing and acquisition strategies are understood.

At 31 December 2016 the Group's earliest maturity was the €50m bond due March 2018. The Group had unrestricted cash of £71.9m and £204.4m of available commitments under its credit facilities, giving combined headroom of £275.9m to meet this obligation (2015: £502.0m of combined headroom).

All of the Group's bonds issued under its Euro Medium-Term Note (EMTN) Programme, contain a coupon step-up which increases the coupon payable by 1.25% in the event that the Group is downgraded to BB+ or below (sub-investment grade). The Group's EMTNs may be recalled by their investors at par in the event of a change of control of the Group. They may also be recalled within 120 days if the Group's debt is downgraded below investment grade, or if the rating is withdrawn and the rating agency confirms in writing, either publicly or to the Group or the Trustee, that the rating action occurred either wholly or in part due to a change of control.

(b) 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 credit sales are only made to customers with an appropriate credit history. The Group operates in some territories where there is increased exposure to trade credit risks and in those territories the Group puts in place appropriate measures to manage its credit risk exposure.

In order to protect the liquid assets and funding relationships of the Group, management aims to maintain banking relationships with counterparties that carry a long-term credit rating of at least A-. In countries where no banks are rated A- or above, balances are monitored monthly and kept to a minimum. In addition, funds held with all counterparties are subject to limits. All exposures are monitored daily and reported to the Treasury Committee each month. The Group also monitors the creditworthiness of its lenders to ensure available commitments under its facilities are available as needed.

At 31 December 2016 the Group had a total of £11.0m of cash held on bank accounts with banks rated below A- by S&P's of which £3.4m was covered by the German Government's 'Bankverband'. The highest concentration with any single bank not covered by a government guarantee was £1.8m.

(c) Market risk

– Interest rate risk

The Group seeks to manage interest rate risk to ensure reasonable certainty of its interest charge whilst allowing an element of risk exposure consistent with the variability of its cash flows. Interest rate risk is managed by the use of fixed interest debt and interest rate derivatives, which are approved in advance by the Treasury Committee. The Group policy is to fix a minimum of 50% of its estimated future interest rate exposures (excluding pensions) for a minimum period of 12 months forward. The Treasury Committee reviews this exposure monthly.

A hypothetical 1.0% increase in euro and sterling interest rates would reduce the market value of the Group's bond liabilities by £36.2m at 31 December 2016 (2015: £32.0m). The income statement impact is £nil as changes in interest rates do not change the expected cash flows on the bonds.

The Group had outstanding bond debt issues at 31 December 2016 with a fair market value of £845.1m (2015: £1,016.4m). This exceeds the book value of £763.0m (2015: £972.3m) as a result of reductions in interest rates in the UK and Europe and improved investor credit appetite. There are no circumstances where the Group would be obliged to pay the fair market value. The Group could however decide to redeem some or all of its bonds early and the fair market value is indicative of the price that would be required to do so.

– Foreign exchange risk

The Group's worldwide operations generate profits and cash flows in foreign currencies. Sales and purchases are typically denominated in the currency of the country in which they are transacted, and the Group's cross-border procurement is considered insignificant. Sterling procurement and central costs mean that foreign currencies constitute more than 100% of Group adjusted profit before interest, tax and amortisation (APBITA) at approximately 111%.

The Group's primary exposure to foreign exchange risk is in relation to the translation of assets and liabilities, and the Group aims to hold debt in currencies that match its forecast foreign currency profits and investments. FX derivatives are used to manage foreign currency exposures in excess of £0.5m that are not covered by debt or assets in the same (or another highly-correlated) currency. The Treasury Committee monitors foreign exchange exposures on a monthly basis. Dealing in foreign exchange products is controlled by dealing mandates approved by the Treasury Committee and all FX transactions are covered by ISDA documentation.

The most significant foreign currency groups are euros and US dollars, which make up 54% and 28% of Group APBITA respectively.

At 31 December 2016 the Group's net debt was approximately 57% euro (2015: 57%), reflecting that it is the Group's principal cash flow exposure; and 48% US dollars (2015: 44%), reflecting the size of the US market and the Group's strong growth and investment in this region. This is offset by 5% of cash in other currencies. The translation of the interest element of euro and US dollar debt provides a partial income statement offset to the translation of earnings.

The Group calculates the impact on the income statement and other comprehensive income of a 10% movement in foreign exchange rates. The Group's principal foreign currency exposure is to euro. A 10% movement in £/€ would result in a £14.0m increase/decrease (2015: £13.3m) in adjusted operating profit, offset by a £2.1m decrease/increase (2015: £1.9m) in interest payable. For US dollars, a 10% movement in £/$ would result in a £7.2m increase/decrease (2015: £4.2m) in adjusted operating profit, offset by a £0.8m decrease/increase (2015: £0.9m) 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.

(d) 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 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 support the Group's strategy. 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.

(e) Treasury risk

The Group's treasury activities are governed by a treasury policy, which is reviewed and approved by the Board on an annual basis. The treasury policy covers all activities associated with managing the above risks. The policy requires that financial instruments are only utilised to manage known financial exposures and speculative derivative contracts are not entered into. The treasury policy requires that treasury must approve opening and closing of all bank accounts, and that funds transfers and other payments are only made in accordance with bank mandates. To ensure an appropriate control environment exists in the treasury function, duties are segregated between front and back office teams. In addition a number of controls are in place to protect against potential cyber security risks.

C2. Net debt

Closing net debt comprises:

	Notes	**2016 £m**	2015 £m
Cash and cash equivalents	C3	**160.2**	102.6
Other investments – loans and receivables	C4	**9.6**	99.3
Fair value of debt-related derivatives		**(70.7)**	(30.5)
Bank and other short-term borrowings		**(77.4)**	(332.6)
Bank and other long-term borrowings		**(1,260.4)**	(865.4)
Total net debt		**(1,238.7)**	(1,026.6)

The currency of debt is as follows:

	2016	2015
Euro debt (principally bonds)	**57%**	57%
US dollar debt (principally cross-currency swaps)	**48%**	44%
Other cash	**(5%)**	(1)%
Total net debt	**100%**	100%

The proportion of the Group's debt denominated in US dollars increased during the year due to further investments in US dollar assets.

C3. 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.

Included within cash at bank and in hand is £25.2m (2015: £12.3m) 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.

The Group operates pooling arrangements whereby cash balances and overdrafts held within the same bank are offset to give a net balance which is included within cash and cash equivalents on the balance sheet. These cash and bank overdraft figures before netting are shown in the table below:

Offsetting financial assets and liabilities

	Gross amounts before offsetting £m	Gross amounts set- off £m	Net amounts presented £m
At 31 December 2016			
Cash at bank and in hand	**767.9**	**(609.7)**	**158.2**
Short-term bank deposits	**2.0**	**–**	**2.0**
Cash and cash equivalents	**769.9**	**(609.7)**	**160.2**
Bank overdraft	**(664.0)**	**609.7**	**(54.3)**
	105.9	**–**	**105.9**
At 31 December 2015			
Cash at bank and in hand	560.9	(464.2)	96.7
Short-term bank deposits	5.9	–	5.9
Cash and cash equivalents	566.8	(464.2)	102.6
Bank overdraft	(466.3)	464.2	(2.1)
	100.5	–	100.5

Credit interest rates on bank balances range between (0.7%) and 4.5% and debit interest rates range between 0.0% and 2.5%. As far as it is practical to do so, cash balances are held centrally and are used first to repay borrowings under the Group's Revolving Credit Facility before being placed on deposit.

C4. Other investments

Other investments held at year end mainly comprised term deposits maturing in more than three months from the date that the deposit was placed. Fixed-rate cash deposits include short-term deposits of £nil held centrally (2015: £95.0m at an interest rate of 1.0%). Fixed-rate cash deposits also include £6.0m (2015: £1.5m) 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% (2015: 1.0%) and the weighted average rate was fixed for 1.0 years (2015: 1.0 years).

Financial assets are denominated in the following currencies:

	2016 £m	2015 £m
– Pounds sterling	**6.0**	96.5
– Euro	**–**	0.1
– Other[1]	**3.8**	2.8
	9.8	99.4

None of the financial assets are either past due or impaired in 2016 or 2015.

1. Includes an investment of £0.2m (2015: £0.1m) in development funds by an entity in South Africa. The investment is classified as available for sale.

C5. Derivative financial instruments

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. 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 effective in offsetting changes in fair values of hedged items.

Certain financial 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.

Where financial instruments are designated for hedge accounting they are designated as either:

(a) Fair value hedge

These instruments are used to hedge exposure to changes in the fair value of recognised assets or liabilities. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised 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

These instruments are used to hedge exposure on translation of net investments in foreign operations. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. In the event of disposal of a foreign operation, the gains and losses accumulated in other comprehensive income are recognised in the income statement.

(c) Cash flow hedge

These instruments are used to hedge a highly probable forecast transaction or a change in the cash flows of a recognised asset or liability. The portion of the gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. Any ineffective portion is immediately recognised in the income statement. The gains or losses that are recognised in comprehensive income are transferred to the income statement in the same period in which the hedged cash flows affect the 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 the hedge accounting, accumulated gains or losses remain in other comprehensive income and are only recognised in the income statement when the forecast transaction occurs or is no longer expected to occur.

Cash flow hedge accounting has been applied to derivatives (marked as 'cash flow hedge' in the following table) 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 the €50m bond maturing in March 2018, hedging the changes in cash flow due to volatility in the sterling/euro exchange rate during the term of the bonds. The Group has a £200m three-year term loan at floating interest rate and at the balance sheet date was fully drawn. The interest cash flow on the loan has been swapped to a fixed rate and cash flow hedge accounting has been applied. The Group has also applied cash flow hedge accounting to a highly probable forecast receipt from the sale of European businesses (Note B2) via a Deal Contingent Forward of €450m hedging the changes due to volatility of sterling/euro exchange rate. At the end of the year, the amount in comprehensive income in regards to cash flow hedge accounting was £6.1m loss (2015: £0.2m gain).

Fair value estimation

All financial instruments held at fair value are 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 uses the following methods to estimate fair value of its financial instruments:

Financial instrument	Hierarchy level	Valuation method
Financial assets traded in active markets	1	Current bid price
Financial liabilities traded in active markets	1	Current ask price
Long-term debt	1	Quoted market prices or dealer quotes for similar instruments
Interest rate/currency swaps	1	Market swap rates at the balance sheet date
Forward foreign exchange contracts	1	Forward exchange market rates at the balance sheet date
Borrowings not traded in active markets	2	Cash flows discounted at current market rates
Financial instruments not traded in active markets	2 or 3	Valuation assumptions based on market conditions at the balance sheet date
Trade payables and receivables	3	Nominal value less estimated credit adjustments
Deferred and contingent consideration	3	Fair value based on the future forecasts of the acquired businesses
Other financial instruments	3	Variety of techniques including discounted cash flows

	Fair value assets 2016 £m	Fair value liabilities 2016 £m	Fair value assets 2015 £m	Fair value liabilities 2015 £m
Interest rate swaps:				
– non-hedge	**–**	**(6.0)**	–	(6.4)
– cash flow hedge	**1.3**	**(0.2)**	1.7	(5.8)
– net investment hedge	**–**	**(65.9)**	0.4	(26.1)
Foreign exchange swaps:				
– non hedge	**0.3**	**(0.5)**	0.1	(1.0)
Foreign exchange forwards:				
– cash flow hedge	**–**	**(6.0)**	–	–
	1.6	**(78.6)**	2.2	(39.3)
Analysed as follows:				
Current portion	**1.6**	**(56.8)**	0.8	(21.7)
Non-current portion	**–**	**(21.8)**	1.4	(17.6)
	1.6	**(78.6)**	2.2	(39.3)

The effective nominal value of foreign exchange swaps is £13.6m (2015: £79.2m) and foreign exchange forwards is £2.1m (2015: £3.4m).

The table below analyses the Group's derivative financial instruments, that will be settled on a gross basis, into relevant maturity groupings based on the remaining period to the contractual maturity date at the balance sheet date.

	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 2016					
Cross-currency swaps:					
– outflow	**(257.7)**	**(4.9)**	**(110.7)**	**–**	**(373.3)**
– inflow	**204.8**	**3.7**	**95.1**	**–**	**303.6**
Foreign exchange swaps:					
– outflow	**(204.4)**	**–**	**–**	**–**	**(204.4)**
– inflow	**204.1**	**–**	**–**	**–**	**204.1**
Foreign exchange forwards:					
– outflow	**(7.8)**	**–**	**–**	**–**	**(7.8)**
– inflow	**7.9**	**–**	**–**	**–**	**7.9**
Deal contingent forward:					
– outflow	**(383.8)**	**–**	**–**	**–**	**(383.8)**
– inflow	**375.2**	**–**	**–**	**–**	**375.2**
Net outflow	**(61.7)**	**(1.2)**	**(15.6)**	**–**	**(78.5)**
At 31 December 2015					
Cross-currency swaps:					
– outflow	(421.5)	(2.9)	(64.1)	–	(488.5)
– inflow	400.0	1.9	52.8	–	454.7
Foreign exchange swaps:					
– outflow	(176.6)	–	–	–	(176.6)
– inflow	175.7	–	–	–	175.7
Foreign exchange forwards:					
– outflow	(1.6)	–	–	–	(1.6)
– inflow	1.6	–	–	–	1.6
Net outflow	(22.4)	(1.0)	(11.3)	–	(34.7)

C6. Analysis of bank and bond debt

Borrowings are recognised initially at fair value, net of transaction costs incurred. 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.

The Group's bank debt comprises:

	Facility amount £m	Drawn at year end £m	Headroom £m	Interest rate at year end %
Current				
£60m RCF due December 2017	60.0	–	60.0	–
Non-current				
$25m RCF due December 2019	20.3	–	20.3	–
£315m RCF due January 2022 (£45m reserved for guarantees)	270.0	145.9	124.1	1.24
$157m term loan due December 2018	127.3	127.3	–	1.70
£200m term loan due December 2018	200.0	200.0	–	1.07
Average cost of bank debt at year end rates	677.6	473.2	204.4	1.29

At 31 December 2016 the Group has a £315m Revolving Credit Facility (RCF) which is available for cash drawings up to £270m and for guarantees and letters of credit up to £45m. The maturity date is January 2022. At the year end, £145.9m was drawn under the part of the facility available for cash drawings, and £30.2m under the part available for guarantees.

In December 2016 the Group entered into additional short-term revolving credit facilities with two banks for £30m each. The terms were aligned with the main RCF. On 27 January 2017, these two facilities were cancelled and the commitments were transferred into the main RCF. At the same time an additional bank was brought into the RCF increasing the amount available for cash drawings to £360m, and for guarantees and letters of credit to £60m.

The Group also entered into a $25m revolving credit facility in December 2016, maturing in December 2019, on terms in line with the main RCF.

Medium-term notes and bond debt comprises:

	Bond interest coupon	Effective hedged interest rate
Non-current		
€50m bond due March 2018	Euribor +0.48%	Fixed 0.66%
€500m bond due September 2019	Fixed 3.375%	Fixed 3.50%
€350m bond due October 2021	Fixed 3.25%	Fixed 3.41%
£1.3m perpetual debentures	Fixed 5.00%	Fixed 5.00%
£0.3m perpetual debentures	Fixed 4.50%	Fixed 4.50%
Average cost of bond debt at year-end rates		3.30%

On 31 March 2016 the Group repaid a £300m 5.75% bond using a combination of cash in hand, drawings under the RCF and drawings under the Term Loan.

The Group considers the fair value of other current liabilities to be equal to the carrying value.

C7. Analysis of financial liabilities

The table below analyses financial liabilities into currencies and ageing:

	Borrowings 2016 £m	**Trade payables and other 2016 £m**	**Total 2016 £m**	Borrowings 2015 £m	Trade payables and other 2015 £m	Total 2015 £m
Pounds sterling	**202.0**	**69.8**	**271.8**	444.7	70.4	515.1
Euro	**825.0**	**91.1**	**916.1**	664.3	104.5	768.8
US dollar	**306.1**	**118.3**	**424.4**	87.1	86.8	173.9
Other currencies	**4.7**	**68.0**	**72.7**	1.9	44.5	46.4
	1,337.8	**347.2**	**1,685.0**	1,198.0	306.2	1,504.2
Analysed as follows:						
Current portion	**77.4**	**310.7**	**388.1**	332.6	269.9	602.5
Non-current portion	**1,260.4**	**36.5**	**1,296.9**	865.4	36.3	901.7
	1,337.8	**347.2**	**1,685.0**	1,198.0	306.2	1,504.2

Other includes £20.5m (2015: £27.6m) in respect of provisions related to onerous lease contracts and £30.0m (2015: £31.0m) in respect of deferred consideration.

Finance lease liabilities are payable as follows:

	Finance lease liabilities 2016 £m	Finance lease liabilities 2015 £m
Less than 1 year	**14.9**	9.3
Between 1 and 5 years	**25.8**	15.4
Over 5 years	**0.1**	–
Carrying amount	**39.3**	24.2
Future minimum lease payments	**40.8**	24.7

C8. Interest payable and similar charges

	2016 £m	2015 £m
Hedged interest payable on medium-term notes issued[1]	**28.4**	33.9
Interest payable on bank loans and overdrafts[1]	**0.9**	0.9
Interest payable on revolving credit facility[1]	**7.9**	2.8
Interest payable on foreign exchange swaps	**10.0**	10.2
Interest payable on finance leases	**1.3**	0.7
Amortisation of discount on provisions	**0.3**	0.5
Fair value loss on other derivatives[2, 3]	**0.6**	0.8
Total interest payable and similar charges	**49.4**	49.8

1. Interest expense on financial liabilities held at amortised cost.
2. Loss on financial assets/liabilities at fair value through the income statement.
3. The fair value loss on other derivatives includes fair value losses relating to interest rate swaps.

C9. Interest receivable

	Notes	2016 £m	2015 £m
Bank interest		**1.1**	1.7
Interest receivable on foreign exchange swaps		**8.5**	8.0
Fair value gain on other derivatives[1, 2]		**0.5**	0.4
Foreign exchange gain on translation of foreign denominated assets and liabilities[3]		**0.8**	0.1
Interest on net defined benefit asset	A10	**8.4**	6.1
Total interest receivable		**19.3**	16.3

1. Gain on financial assets/liabilities at fair value through the income statement.
2. The fair value gain on other derivatives includes fair value gains relating to interest rate swaps.
3. Comprises translation gain on financing instruments of £761.0m, offset by losses of £760.2m (2015 gains of £250.3m offset by losses of £250.2m).

C10. Reconciliation of net change in cash and cash equivalents to net debt

	Notes	2016 £m	2015 £m
Net decrease in cash and cash equivalents		**(5.2)**	(88.0)
Movement on finance leases		**(0.9)**	0.1
Movement on other investments		**(89.7)**	47.8
Movement on loans		**100.9**	(232.5)
Decrease/(increase) in debt resulting from cash flows		**5.1**	(272.6)
Foreign exchange translation and other items		**(217.2)**	21.0
Movement on net debt in the year		**(212.1)**	(251.6)
Opening net debt		**(1,026.6)**	(775.0)
Closing net debt	C2	**(1,238.7)**	(1,026.6)

Foreign exchange loss on debt amounted to £203.4m (2015: gain of £24.3m) for 2016. The loss primarily resulted from a weakening of the euro by 20 cents and US dollar by 25 cents. Included within net decrease in cash and cash equivalents is £2.5m paid in cash settlement on debt-related foreign exchange forward contracts (2015: £2.4m).

C11. Operating cash and free cash flow

	2016 £m	2015 £m
Operating profit	**232.4**	187.8
Adjustments for:		
– Depreciation of property, plant and equipment	**188.3**	162.3
– Amortisation and impairment of intangible assets (excluding computer software)	**43.4**	31.8
– Amortisation and impairment of computer software	**12.4**	10.4
– Other non-cash items	**2.3**	8.6
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation):		
– Inventories	**(3.6)**	2.0
– Trade and other receivables	**(34.6)**	(4.8)
– Trade and other payables and provisions	**12.0**	(5.8)
Cash generated from operating activities before special pension contributions	**452.6**	392.3
Special pension contributions	**(1.0)**	(0.9)
Cash generated from operating activities	**451.6**	391.4
Add back: special pension contributions	**1.0**	0.9
	452.6	392.3
Purchase of property, plant and equipment	**(186.2)**	(159.2)
Purchase of intangible fixed assets	**(21.0)**	(13.1)
Leased property, plant and equipment	**(14.6)**	(9.0)
Proceeds from sale of property, plant and equipment	**6.3**	6.7
Dividends received from associates	**10.3**	2.1
Operating cash flow[1]	**247.4**	219.8
Interest received	**12.7**	10.2
Interest paid	**(66.0)**	(53.7)
Interest element of finance lease payments	**(1.3)**	(0.7)
Income tax paid	**(35.8)**	(27.9)
Special pension contributions	**(1.0)**	(0.9)
Free cash flow	**156.0**	146.8
Add back: free cash flow – discontinued operations	**0.4**	0.9
Free cash flow from continuing operations	**156.4**	147.7

1. Operating cash flow includes non-ongoing operations of £(0.4m) (2015: £(0.9)m).

D: Other

D1. 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.

	2016 £m	2015 £m
2014 final dividend paid – 1.82p per share	**–**	33.1
2015 interim dividend paid – 0.87p per share	**–**	15.8
2015 final dividend paid – 2.06p per share	**37.5**	–
2016 interim dividend paid 0.99p per share	**18.0**	–
	55.5	48.9

An interim dividend of 0.99p per share was paid on 14 September 2016 amounting to £18.0m. A final dividend in respect of 2016 of 2.38p (2015: 2.06p) per 1p share, amounting to £43.5m (2015: £37.5m), is to be proposed at the Annual General Meeting on 10 May 2017. These financial statements do not reflect this recommended dividend.

D2. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in other comprehensive income 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 effect, is included in equity attributable to the Company's equity holders.

	2016 £m	2015 £m
Authorised		
4,100,000,000 ordinary shares of 1p each	**41.0**	41.0
Issued and fully paid		
At 31 December – 1,829,332,965 shares (2015: 1,822,832,965)	**18.3**	18.2

D3. 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.

D4. Related party transactions

Subsidiaries

Related party transactions and outstanding balances between subsidiaries within the Group are eliminated in the preparation of the consolidated financial statements and accordingly are not disclosed in this note.

Key management personnel

The Group's strategy and policy are managed by the Executive Board (Executive Directors and senior management as shown on pages 48 to 50). Their compensation and the compensation payable to the Non-Executive Directors are shown below:

	2016 £m	2015 £m
Salaries and other short-term employee benefits	**5.8**	4.5
Post-employment benefits	**0.5**	0.4
Share-based payments	**1.6**	0.5
	7.9	5.4

Joint ventures and associate entities

The Group operates in a number of joint ventures and associate entities as indicated on pages 139 to 142 where a percentage shareholding is shown. 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 2016 and 2015 and its balances are disclosed in Note B6. There are no significant transactions between Nippon Calmic Ltd and other Group companies.

On 16 December 2016 the Group announced an agreement with Haniel to create a combined entity in the European workwear and hygiene market (Note B2).

Pension scheme

The Group bears the costs of administration and independent pension advice of the Rentokil Initial 2016 Pension Scheme. The total amount of costs in the year ended 31 December 2016 was £1.9m (2015: £2.5m) of which £0.2m (2015: £0.2m) was recharged to the scheme.

D5. Post balance sheet events

There were no significant post balance sheet events affecting the Group since 31 December 2016.

E: Alternative Performance Measures

Definitions and reconciliation of non-GAAP measures to GAAP measures

The Group uses a number of measures to present the financial performance of the business which are not GAAP measures as defined under IFRS. Management believes these measures provide valuable additional information for users of the financial statements in order to understand the underlying trading performance of the business. The Group's internal strategic planning process is also based on these measures and they are used for incentive purposes. They should be viewed as complements to, and not replacements for, the comparable GAAP measures.

Constant exchange rates (CER)

Given the international nature of the Group's operations, foreign exchange movements can have a significant impact on the reported results when they are translated into sterling (the functional currency of the Group). In order to help understand the underlying trading performance of the business, unless otherwise stated, percentage movements for Revenue and Operating Profit are presented at constant exchange rates (CER). Constant exchange rates are calculated by retranslating current year reported numbers at the full-year average exchange rates for the prior year, in order to give management and other users of the accounts better visibility of underlying performance against the prior period. The major exchange rates used are £/$ FY 2016 1.3556 (FY 2015 1.5288) and £/€ FY 2016 1.2299 (FY 2015 1.3770). Comparisons are to the year ended 31 December 2015 (2015) unless otherwise stated.

Ongoing Revenue and Ongoing Operating Profit

Ongoing Revenue and Ongoing Operating Profit represent the performance of the continuing operations of the Group (including acquisitions) after removing the effect of disposed or closed businesses. Ongoing Operating Profit is an adjusted measure and is presented before amortisation and impairment of intangible assets (excluding computer software) and one-off items (see below).

Ongoing measures enable the users of the accounts to focus on the performance of the businesses retained by the Group, that will therefore contribute to future performance. Ongoing Revenue and Ongoing Operating Profit are presented at CER unless otherwise stated. A reconciliation of Ongoing Revenue and Ongoing Operating Profit to the equivalent GAAP measure is provided in the table below and in the segmental analysis in Note A1.

Adjusted profit and earnings per share measures

Adjusted profit measures are used to give management and other users of the accounts a clear understanding of the underlying profitability of the business over time by removing distortions caused by non-recurring expenses and income, and the amortisation and impairment of intangible assets arising on the acquisition of businesses. Adjusted profit measures are calculated by adding the following items back to the equivalent GAAP profit measure:

- Amortisation and impairment of intangible assets (excluding computer software)
- One-off items
- Net interest credit from pensions

Intangible assets (excluding computer software) are recognised on the acquisition of businesses which by their nature can vary by size and amount each year. Accordingly, amortisation of intangibles is added back to assist with the understanding of the underlying trading performance of the business and to allow comparability across regions and categories.

One-off items are significant expenses or income which will have a non-recurring impact on the profitability of the Group. Typical examples are costs related to the acquisition of businesses (including aborted acquisitions), gain or loss on disposal or closure of a business, material gains or losses on disposal of fixed assets, adjustments to legacy property-related provisions (vacant property and environmental liabilities), and payments or receipts as a result of legal disputes. One-off items are analysed in Note A1.

The net interest credit from pensions has the potential to vary significantly dependent on actuarial revaluations of the pension schemes. In order to ensure year on year comparability this is added back to arrive at adjusted measures.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income and Note A1 show how the measures are calculated and reconciled to GAAP measures.

Adjusted earnings per share is earnings per share before the after-tax effects of amortisation and impairment of intangibles (excluding computer software), one-off items and net interest credit from pensions.

Notes to the Financial Statements

A reconciliation of non-GAAP measures to the comparable GAAP equivalents is provided below at both AER and CER:

	CER 2016 £m	AER 2016 £m	2015 £m	% change CER %	% change AER %
Ongoing Revenue	**1,956.0**	**2,157.7**	1,736.8	12.6	24.2
Revenue – disposed and closed businesses	**9.3**	**10.4**	22.2	(58.1)	(53.2)
Revenue	**1,965.3**	**2,168.1**	1,759.0	11.7	23.2
Ongoing Operating Profit	**252.3**	**284.9**	226.3	11.5	25.8
Operating Profit – disposed and closed businesses	**(0.5)**	**(0.5)**	(1.3)	64.1	59.8
Adjusted Operating Profit	**251.8**	**284.4**	225.0	11.9	26.3
One-off items	**(7.9)**	**(8.6)**	(5.4)	(44.6)	(57.5)
Amortisation and impairment of intangible assets	**(39.6)**	**(43.4)**	(31.8)	(24.6)	(36.8)
Operating profit	**204.3**	**232.4**	187.8	8.8	23.7
Share of profit from associates (net of tax)	**5.0**	**6.2**	4.7	7.0	32.3
Net interest payable (excluding pensions)	**(34.9)**	**(38.5)**	(39.6)	11.7	2.7
Net interest credit from pensions	**8.4**	**8.4**	6.1	38.2	37.6
Profit before tax	**182.8**	**208.5**	159.0	15.0	31.0
Net interest credit from pensions	**(8.4)**	**(8.4)**	(6.1)	38.2	37.6
One-off items	**7.9**	**8.6**	5.4	(44.6)	(57.5)
Amortisation and impairment of intangible assets	**39.6**	**43.4**	31.8	(24.6)	(36.8)
Adjusted profit before tax	**221.9**	**252.1**	190.1	16.7	32.5
Basic earnings per share	**7.92p**	**9.19p**	6.83p	16.0	34.6
Basic adjusted earnings per share	**9.30p**	**10.73p**	7.98p	16.5	34.5

Organic Revenue measures

Acquisitions are a core part of the Group's growth strategy. Organic Revenue growth measures are used to help understand the underlying performance of the Group. Organic Revenue growth represents the growth in Ongoing Revenue excluding the effect of businesses acquired during the year. Acquired businesses are included in organic measures in the year following acquisition, and the comparative period is adjusted to include an estimated full-year performance for growth calculations. The table below reconciles organic measures by category to the comparable GAAP measures.

	Europe £m	Europe %	UK and ROW £m	UK and ROW %	Asia £m	Asia %	North America £m	North America %	Pacific £m	Pacific %	Total £m	Total %
2015 Ongoing Revenue (as reported)	741.2	–	330.5	–	106.1	–	436.5	–	122.5	–	1,736.8	–
Proforma revenue from 2015 and 2016 acquisitions	3.6	0.5	1.4	0.4	4.1	3.9	149.1	34.1	8.2	6.7	166.4	9.6
Organic growth	6.7	0.9	13.4	4.1	8.7	8.1	19.0	4.4	5.0	4.0	52.8	3.0
2016 Ongoing Revenue (as reported)	**751.5**	**1.4**	**345.3**	**4.5**	**118.9**	**12.0**	**604.6**	**38.5**	**135.7**	**10.7**	**1,956.0**	**12.6**

	Pest Control £m	Pest Control %	Hygiene £m	Hygiene %	Workwear £m	Workwear %	Other £m	Other %	Total £m	Total %
2015 Ongoing Revenue (as reported)	786.0	–	425.5	–	347.1	–	178.2	–	1,736.8	–
Proforma revenue from 2015 and 2016 acquisitions	158.1	20.2	7.4	1.7	0.0	0.0	0.9	0.5	166.4	9.6
Organic growth	45.1	5.7	13.1	3.1	(4.4)	(1.3)	(1.0)	(0.7)	52.8	3.0
2016 Ongoing Revenue (as reported)	**989.2**	**25.9**	**446.0**	**4.8**	**342.7**	**(1.3)**	**178.1**	**(0.2)**	**1,956.0**	**12.6**

Segmental analysis

Segmental information has been presented in accordance with IFRS 8 Operating Segments (Note A1). The 'Regional' reporting segments reflect the internal management organisation and reporting structure of the Group. The 'Category' reporting segments reflect the different operational categories of Pest Control, Hygiene, Workwear and Other. Other represents a number of smaller businesses outside of the main categories, the largest being the Plants business.

In addition, the business uses a quadrant analysis tool for capital allocation and operational management. Businesses are grouped by geography and category into a growth-potential and profit-contribution matrix. Using this approach enables the business to introduce different growth levers to maximise impact and apply differential investment hurdle rates.

Prior to 2016 restructuring costs were an adjustment in arriving at adjusted profit measures. In 2016 they are no longer adjusted for, but are presented in the segmental analysis in order to provide comparability with 2015. Central and regional overheads are costs which cannot be allocated to any specific segment.

Segmental analysis is presented at CER unless otherwise stated.

Regional analysis

	Ongoing Revenue 2016		Change from FY 2015		Ongoing Operating Profit 2016		Change from FY 2015	
	CER £m	AER £m	CER %	AER %	CER £m	AER £m	CER %	AER %
France	**298.9**	**334.7**	(0.9)	10.9	**40.1**	**44.9**	(14.1)	(3.8)
Benelux	**190.5**	**213.3**	(0.1)	11.8	**35.6**	**39.9**	2.1	14.3
Germany	**175.5**	**196.2**	4.1	16.4	**44.9**	**50.2**	2.5	14.5
Southern Europe	**62.5**	**69.9**	2.4	14.6	**10.7**	**12.0**	6.3	19.0
Latin America	**24.1**	**26.0**	26.1	35.8	**3.6**	**3.9**	29.8	41.0
Total Europe	**751.5**	**840.1**	1.4	13.3	**134.9**	**150.9**	(2.4)	9.1
UK & Ireland	**233.7**	**235.8**	4.6	5.5	**44.6**	**45.7**	4.8	7.5
Rest of World	**111.6**	**119.7**	4.4	12.0	**25.7**	**27.5**	4.1	11.1
UK & Rest of World	**345.3**	**355.5**	4.5	7.6	**70.3**	**73.2**	4.6	8.8
Asia	**118.9**	**130.4**	12.0	22.8	**12.4**	**13.4**	31.1	42.5
North America	**604.6**	**680.4**	38.5	55.9	**81.5**	**91.8**	44.5	62.8
Pacific	**135.7**	**151.3**	10.7	23.5	**28.4**	**31.7**	11.9	24.8
Central and regional overheads	**–**	**–**	–	–	**(68.1)**	**(68.2)**	(9.0)	(9.2)
Restructuring costs	**–**	**–**	–	–	**(7.1)**	**(7.9)**	10.3	(0.1)
Ongoing operations	**1,956.0**	**2,157.7**	12.6	24.2	**252.3**	**284.9**	11.5	25.8
Disposed businesses	**9.3**	**10.4**	(58.1)	(53.2)	**(0.5)**	**(0.5)**	64.1	59.8
Continuing operations	**1,965.3**	**2,168.1**	11.7	23.2	**251.8**	**284.4**	11.9	26.3

Category analysis

	Ongoing Revenue 2016		Change from FY 2015		Ongoing Operating Profit 2016		Change from FY 2015	
	CER £m	AER £m	CER %	AER %	CER £m	AER £m	CER %	AER %
Pest Control	**989.2**	**1,094.5**	25.9	39.3	**184.4**	**203.1**	25.1	37.7
Hygiene	**446.0**	**486.0**	4.8	14.2	**86.1**	**94.4**	3.9	14.0
Workwear	**342.7**	**383.7**	(1.3)	10.5	**39.8**	**44.5**	(14.5)	(4.2)
Other	**178.1**	**193.5**	(0.2)	8.4	**17.2**	**19.0**	(13.7)	(5.0)
Central and regional overheads	**–**	**–**	–	–	**(68.1)**	**(68.2)**	(9.0)	(9.2)
Restructuring costs	**–**	**–**	–	–	**(7.1)**	**(7.9)**	10.3	(0.1)
Ongoing operations	**1,956.0**	**2,157.7**	12.6	24.2	**252.3**	**284.9**	11.5	25.8
Disposed businesses	**9.3**	**10.4**	(58.1)	(53.2)	**(0.5)**	**(0.5)**	64.1	59.8
Continuing operations	**1,965.3**	**2,168.1**	11.7	23.2	**251.8**	**284.4**	11.9	26.3

Quadrant analysis

	Ongoing Revenue 2016		Change from FY 2015		Ongoing Operating Profit 2016		Change from FY 2015	
	CER £m	**AER £m**	CER %	AER %	**CER £m**	**AER £m**	CER %	AER %
Emerging	**164.2**	**179.2**	18.7	29.5	**21.0**	**22.9**	31.4	43.1
Growth	**1,192.9**	**1,311.2**	19.7	31.6	**211.1**	**232.1**	17.7	29.4
Protect & Enhance	**540.6**	**602.0**	(0.7)	10.5	**85.8**	**95.3**	(7.0)	3.3
Manage for Value	**58.3**	**65.3**	1.3	13.4	**9.6**	**10.7**	4.4	16.9
Central and regional overheads	**–**	**–**	–	–	**(68.1)**	**(68.2)**	(9.0)	(9.2)
Restructuring costs	**–**	**–**	–	–	**(7.1)**	**(7.9)**	10.3	(0.1)
Ongoing operations	**1,956.0**	**2,157.7**	12.6	24.2	**252.3**	**284.9**	11.5	25.8
Disposed businesses	**9.3**	**10.4**	(58.1)	(53.2)	**(0.5)**	**(0.5)**	64.1	59.8
Continuing operations	**1,965.3**	**2,168.1**	11.7	23.2	**251.8**	**284.4**	11.9	26.3

Operating Margin

Operating Margin is calculated by dividing Ongoing Operating Profit by Ongoing Revenue, expressed as a percentage. Net Operating Margin by region and category is shown in the tables below:

	2016 %	2015 %	Variance %
France	**13.4**	15.5	(2.1)
Benelux	**18.7**	18.3	0.4
Germany	**25.6**	26.0	(0.4)
Southern Europe	**17.1**	16.5	0.6
Latin America	**15.0**	14.5	0.5
Total Europe	**18.0**	18.7	(0.7)
UK & Ireland	**19.1**	19.0	0.1
Rest of World	**23.1**	23.1	–
UK & Rest of World	**20.4**	20.4	–
Asia	**10.4**	8.9	1.5
North America	**13.5**	12.9	0.6
Pacific	**20.9**	20.7	0.2
Ongoing operations[1]	**12.9**	13.0	(0.1)
Disposed businesses	**(5.3)**	(6.1)	0.8
Continuing operations[1]	**12.8**	12.8	–

	2016 %	2015 %	Variance %
Pest Control	**18.6**	18.8	(0.2)
Hygiene	**19.3**	19.5	(0.2)
Workwear	**11.6**	13.4	(1.8)
Other	**9.6**	11.1	(1.5)
Ongoing operations[1]	**12.9**	13.0	(0.1)
Disposed businesses	**(5.3)**	(6.1)	0.8
Continuing operations[1]	**12.8**	12.8	–

1. Operating Margin for ongoing operations and continuing operations is calculated after central and regional overheads and restructuring costs.

Free Cash Flow

The Group aims to generate sustainable cash flow in order to support its acquisition programme and to fund dividend payments to shareholders. Free Cash Flow is measured as net cash from operating activities, adjusted for cash flows related to the purchase and sale of property, plant, equipment and intangible fixed assets, and dividends received from associates. These items are considered by management to be non-discretionary, as continued investment in these assets is required to support the day-to-day operations of the business. A reconciliation of Free Cash Flow from Net Cash from Operating Activities is provided in the table below:

	2016 £m	2015 £m
Net cash from operating activities	**362.5**	320.0
Purchase of property, plant, equipment and intangible fixed assets	**(207.2)**	(172.3)
Leased property, plant and equipment	**(14.6)**	(9.0)
Proceeds from sale of property, plant, equipment and software	**6.3**	6.7
Interest element of finance lease payments	**(1.3)**	(0.7)
Dividends received from associates	**10.3**	2.1
Free Cash Flow	**156.0**	146.8
Free Cash Flow – continuing operations	**156.4**	147.7
Free Cash Flow – discontinued operations	**(0.4)**	(0.9)

Adjusted Effective Tax Rate

Adjusted Effective Tax Rate is calculated by dividing adjusted income tax expense by adjusted profit before income tax, expressed as a percentage. The measure is used by management to assess the rate of tax applied to the Group's adjusted profit before tax from continuing operations.

	Notes	**2016 £m**	2015 £m
Unadjusted income tax expense	A13	**40.7**	34.7
Tax adjustments on:			
Amortisation and impairment of intangible assets (excluding computer software)		**14.1**	9.1
One-off items – operating		**3.1**	2.3
Net interest credit from pensions		**(1.6)**	(1.2)
Adjusted income tax expense (a)		**56.3**	44.9
Adjusted profit before income tax (b)		**252.1**	190.1
Adjusted Effective Tax Rate (a/b)		**22.3%**	23.6%

Related Undertakings (Subsidiaries and Other Associated Undertakings) At 31 December 2016

Subsidiaries:

Australia

Unit A1, Lidcombe Business Park, 3-29 Birnie Avenue 2141, Australia

Ant-Eater Environmental Services Pty Limited	Ordinary	100%
Copes Pest Control Pty Limited	Ordinary	100%
Green Fingers Plant Hire Pty Limited	Ordinary	100%
Knock Out National Pty Limited	Ordinary	100%
Knock Out Pest Control Pty Limited	Ordinary	100%
Pest Away Australia Pty Limited	Ordinary	100%
Rentokil Australia Pty Limited	Ordinary	100%
Rentokil Initial Asia Pacific Pty Limited	Ordinary	100%
Rentokil Initial Pty Limited	Ordinary	100%
Rentokil Pest Control (QLD) Pty Limited	Ordinary	100%
Rentokil Pest Holdings Pty Limited	Ordinary	100%
Rentokil Pest Services Pty Limited	Ordinary	100%
Rentokil Pty Limited	Ordinary	100%
Samson Hygiene Services Pty Limited	Ordinary	100%

Austria

Dieselstraße 12, 3362 Mauer bei Amstetten, Austria

Rentokil Initial GmbH	Ordinary	100%

Bahamas

Corporate Services International, 308 East Bay Street, Nassau, PO BOX N-7527, Bahamas

Rentokil Initial (Bahamas) Limited	Ordinary	100%

5th Terrace Centreville, P.O. Box N-1388 Nassau, New Providence, Bahamas

Tropical Exterminators Limited	Common	100%
Tropical Exterminators (Holdings) Limited	Common	100%

Barbados

Worthing Corporate Centre, Christ Church, Barbados

Rentokil Initial (Barbados) Limited	Ordinary	100%

Belgium

Ingberthoeveweg, 17, Aartselaar 2630, Belgium

Ambius N.V.	Ordinary	100%
Initial N.V.	Ordinary	100%
Rentokil N.V.	Ordinary	100%

Brazil

SHC/Norte, Comercio Local, Quadra 115, Bloco A, Loja 45 S Subsolo 49 S, Asa Norte, Brasilia, CEP 70772-510, Brazil

MP Saneamento Ambiental Limitada	Ordinary	100%

Rua CP 23, Quadra CP 21, Lote 08 Setor Celina Park, Goiania, CEP 74373-220, Brazil

MP Centro Oeste Saneamento Ambiental Limitada	Ordinary	100%

Rua Margues Amorim, 99, Boa Vista, Pernambuco, Recife, CEP 50070-355, Brazil

F Genes & Cia Limitada	Ordinary	100%

Estrado de Gabinal, 957, Bairro da Freguesia Rio de Janeiro, CEP 22760-151, Brazil

Asa Rio Saneamento Ambiental Limitada	Ordinary	100%

Avenida Ceci 348 Predio Anexo, Tamboré, São Paulo, Brazil

Asseio Saneamento Ambiental Limitada	Ordinary	100%

Brunei

Unit D1 & D1-1 Block D, Bangunan Hj Lajim & Anak-anak, Kg Kiarong Bandar Seri Begawan Brunei Darussalam, BE1318, Brunei Darussalam

Rentokil Initial (B) Sdn Bhd	Ordinary	90%

Canada

3325 North Service Road, Burlington ON L7N 3G2, Canada

Direct Line Sales Limited	Class A	100%

8699 Escarpment Way, Milton, ON L9T 0J5, Canada

Rentokil Pest Control Canada Limited	Common	100%
Residex Canada Inc.	Common	100%
The Steritech Group Corporation	Class A	100%
	Class B	100%

Chile

Lote Numero 1, Cancha de Rescoldo, Sagrada Familia, Curicó, Chile

Fumigaciones del Maule Limitada	Social Rights	100%

Antillanca Sur 596, Pudahuel, Santiago de Chile, Chile

Comercial e Industrial Premasec Limitada	Social Rights	100%

Av. El Salto 4001, 91-92 Huechuraba, Región Metropolitana, Chile

Rentokil Initial Chile SpA	Ordinary	100%

Colombia

Calle 134 D No. 45-30 Bogotá, Bogotá, Colombia

Fumighar SAS	Ordinary	100%

Calle 100 No. 17a 12 Level 5, Bogotá, Colombia

Rentokil Initial Colombia SAS	Common	100%
Super Coffee SAS	Common	100%

Czech Republic

V Piskovne 2058, Kralupy nad Vltavou 278 01, Czech Republic

Initial Ecotex s.r.o.	Ordinary	100%

Denmark

Paul Bergsøes Vej 22, 2600 Glostrup, Denmark

Rentokil Initial A/S	Ordinary	100%

Dominican Republic

1125 Berkshire Blvd, Suite 150, Reading PA 19610, United States

Oliver Exterminating Dominicana Corp.	Common	100%

Estonia

Türi 3, 11313 Tallinn, Estonia

Rentokil Oü	Ordinary	100%

El Salvador

Avenida Calzada Guarda Barranco Urbanizacion, Lomas de Altamira, #14 Pasaje Clarineros, Central America, El Salvador

Sagrip SA de CV	Ordinary	100%

Fiji

Lot 15, Kaua Road, Laucala Beach Estate, Suva, Fiji Islands, Fiji

Rentokil Initial Limited	Ordinary	100%

Finland

Valuraudankuja 3, 00700 Helsinki, Finland

Rentokil Initial Oy	Ordinary	100%

France

145, rue de Billancourt, 92100 Boulogne Billancourt, France

Initial SAS	Ordinary	100%
Rentokil Initial Holdings (France) SA	Ordinary	100%
SCI Gravigny	Ordinary	100%
SCI Vargan	Ordinary	100%

34, rue du Général Malleret, 94400 Joinville, Vitry-sur-Seine, France

Medicline SAS	Ordinary	100%

137 Chemin de Saint-Jean du Désert, 13005 Marseille, France

BTMF SAS	Ordinary	100%

Z.A. des Quatre Chemins, BP 21, 95540 Mery-sur-Oise, France

Technivap SAS	Ordinary	100%

Related Undertakings

6 Rue Livio, 67100 Strasbourg, France		
CAFI SAS	Ordinary	100%
CAWE FTB Group SAS	Ordinary	100%
34 rue du Général Malleret Joinville, 94400 Vitry-sur-Seine, France		
Ambius SAS	Ordinary	100%
Rentokil Initial Environmental Services SAS	Ordinary	100%
Rentokil Initial SAS	Ordinary	100%
French Guyana		
32 rue Gustave Eiffel, ZI Pariacabo, BP 134, Kourou, Cedex 97310, French Guyana		
Rentokil Initial Guyane Sarl	Ordinary	100%
Germany		
Friedrichstrasse 133, 10117 Berlin, Germany		
Diamant 151. GmbH	Ordinary	100%
Piderits Bleiche 11, 33689 Bielefeld, Germany		
Medentex GmbH	Ordinary	100%
Rentokil Dental GmbH	Ordinary	100%
Herzforder Str. 9, 49808 Lingen (Ems), Germany		
Initial Hygieneservice GmbH	Ordinary	100%
Initial Textile Holdings GmbH	Ordinary	100%
Initial Textil Service GmbH & Co KG	–	100%
Rentokil Initial GmbH	Ordinary	100%
Rentokil Initial Holdings GmbH	Ordinary	100%
Greece		
7 Aristotelous Street, Tavros, Athens 177 78, Greece		
Rentokil Initial Hellas EPE	Ordinary	100%
Guadeloupe		
7 Allée des Papillon, Dothemare, 97139 Abymes, Guadeloupe		
Rentokil Initial Guadeloupe Sarl	Ordinary	100%
Guernsey		
PO Box 34, St Martin's House, St Peter Port, GY1 4AU, Guernsey		
Felcourt Insurance Company Limited	Ordinary	100%
Guyana		
Lot 8, Charles and Drysdale Streets, Charlestown, Georgetown, Guyana		
Rentokil Initial Guyana Limited	Ordinary	100%
Guatemala		
9 Av. 39-97, Zona 8, Ciudad Guatemala, Guatemala		
Servicios Agrícolas Profesionales S.A.	Ordinary	100%
Honduras		
Departamento de Cortes, San Pedro Sula, Honduras		
Sagrip Honduras S.A.	Nominative	100%
Hong Kong		
23/F Westin Centre, 26 Hung To Rd, Kwun Tong, Hong Kong		
Rentokil Hong Kong Investment Limited	Ordinary	100%
Rentokil Initial Hong Kong Limited	Ordinary	100%
India		
No. 105, 4th Floor, Sreela Terrace, 1st Main Road, Gandhi Nagar, Adyar, Chennai, 600 020, India		
Rentokil India Private Limited	Ordinary	100%
Indonesia		
South Quarter Tower B, Lantai 21, Unit E,F,G,H. Jl. R.A., Kartini Kav. 8, RT. 010/RW. 004 Kel. Cilandak Barat, Kec Cilandak, Jakarta Selatan, Indonesia		
PT Calmic Indonesia	Common	100%
PT Rentokil Indonesia	Common	100%
Gedung JDC Lt.6, Jl. Gatot Subroto Kav. 53 Petamburan, Tanah Abang, Jakarta, Pusat, Indonesia		
PT Wesen Indonesia	Ordinary	100%
Italy		
Via Laurentina, km. 26,500 157 a/c 00071, Pomezia, Italy		
Rentokil Initial Italia SpA	Ordinary	100%
Jamaica		
8 Terrence Avenue, Kingston 10, Jamaica		
Rentokil Initial (Jamaica) Limited	Ordinary	100%
Kenya		
Unit 5 Sameer Industrial Park, Road C, Off Enterprise Road Industrial Area, Nairobi, Kenya		
Rentokil Initial Kenya Limited	Ordinary	100%
Lesotho		
7 Arrival Centre, Kofi Annan Road, Maseru, Lesotho		
Rentokil Initial Lesotho (Pty) Limited	Ordinary	100%
Libya		
Janzour, Tripoli, Libya		
Rentokil Delta Libya for Environmental Protection JSCO	Ordinary	65%
Lithuania		
A. Smetonos al. 67B, Kaunas 45309, Lithuania		
UAB Dezinfa	Ordinary	100%
Luxembourg		
66 rue de Koerich, L-8437 Steinfort, R.C.S Luxembourg, B 100740, Luxembourg		
Initial Sàrl	Ordinary	100%
Rue de la Chapelle 47, 4967 Clemency, Luxembourg		
R-Control Désinfections SA	Ordinary	100%
Rentokil Luxembourg Sàrl	Ordinary	100%
Malaysia		
Level 8 Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, Petaling Jaya, 47301 Selangor Darul, Selangor, Malaysia		
Rentokil Initial (M) Sdn Bhd	Ordinary	100%
UFTC Sdn Bhd	Ordinary	100%
Martinique		
Soudon, Le Lamentin 97232, Martinique		
Rentokil Initial Martinique Sarl	Ordinary	100%
Mexico		
Juan Álvarez 482, Centro, 64000 Monterrey, N.L., Mexico		
Balance Urbano Control de Plagas SA de CV	Ordinary	100%
Mozambique		
Avenida da Namaacha, kilometro 6, Residencial Mutateia, Cidade da Matola, Mozambique		
Rentokil Initial Mozambique Limitada	Ordinary	100%
Netherlands		
Riverbank, Meadows Business Park, Blackwater, Camberley, Surrey, GU17 9AB, England		
BV Rentokil Funding	Ordinary	100%
Rentokil Initial Overseas (Holdings) BV	Ordinary	100%
Oude Middenweg 75, 2491 AC Den Haag 1191 BN Ouderkerk, Den Haag, Netherlands		
BET Finance BV	Ordinary	100%
BET (Holdings) V BV	Ordinary	100%
BET (Properties) BV	Ordinary	100%
BV Rentokil Funding	Ordinary	100%
Initial BV	Ordinary	100%
Rentokil Initial International BV	Ordinary	100%

Related Undertakings

Impact 6, 6921 RZ Duiven, Netherlands

Ambius BV	Ordinary	100%

Ravenswade 54-S, 3439, Nieuwegein, LD, Netherlands

Rentokil Initial BV	Ordinary	100%

Frontstraat 1a, 5405 AK, Uden, Netherlands

Holland Reconditionering BV	Ordinary	100%

New Zealand

Level 1, 89 Carbine Road Mount Wellington, Auckland 1060, New Zealand

Rentokil Initial Limited	Ordinary	100%

Norway

Frysjaveien 40, Postboks 24 Okern, Oslo 0508, Norway

Rentokil Initial Norge AS	Ordinary	100%

People's Republic of China

Room 623-624, No. 27 Middle of the Northern Sanhuan Street, Xi Cheng District, Beijing, China

Rentokil Initial China Limited	Ordinary	100%

Philippines

No. 73 Elisco Road, Bo, Kalawaan, Pasig City, 1600 Philippines

Rentokil Initial (Philippines) Inc	Ordinary	100%

Poland

ul. Matuszewska 14 B1, 03-876 Warszawa, Poland

Rentokil Initial Sp. z o.o.	Ordinary	100%

Portugal

Complexo Industrial de Vialonga, Fraccao C-1 e C-21, Granja Alpriate 2626-501, Vialonga, Portugal

Rentokil Initial Portugal – Serviços de Protecção Ambiental Limitada	Ordinary	100%

Puerto Rico

1125 Berkshire Blvd, Suite 150, Reading PA 19610, United States

Oliver Exterminating Services Corporation	Common	100%

Republic of Ireland

Hazel House, Millennium Park, Naas, County Kildare W91PXP3, Ireland

Initial Medical Services (Ireland) Limited	Ordinary	100%
Rentokil Initial Holdings (Ireland) Limited	Ordinary	100%
Rentokil Initial Limited	Ordinary	100%
RTO Investments (Ireland) Limited	Ordinary	100%

Saudi Arabia

PO Box 30164, Office No. 401, 4th Floor, Al Tamimi Building, Al Khobar, North Al Khobar 31952, Saudi Arabia

Rentokil Saudi Arabia Limited	Ordinary	60%

Singapore

No. 16 & 18 Jalan Mesin, 368815, Singapore

Pesterminator Pte Limited	Ordinary	100%
Rentokil Initial Asia Pacific Management Pte Limited	Ordinary	100%
Rentokil Initial Singapore Private Limited	Ordinary	100%

Slovakia

Pri Kalvarii 20/5897, Trnava 917 01, Slovakia

Initial Textile Services s.r.o.	Ordinary	100%

South Africa

2 Stignant Road, Claremont 7708, South Africa

Newshelf 1232 Pty Limited	Ordinary	100%
	Preference	100%
Rentokil Initial (Dikapi) JV Pty Limited	Ordinary	59%
Rentokil Initial (Proprietary) Limited	Ordinary	100%

South Korea

2nd Floor, Korea Disaster Relief Association, 371-19 Sinsu-Dong, Mapo-Gu, Seoul 121-856, Republic of Korea

Rentokil Initial Korea Limited	Common	100%

Spain

Calle Mar Mediiterráneo 1, 28830 San Fernando de Henares (Madrid), Spain

Initial Gaviota SAU	Ordinary	100%
Profinal S.A.	Ordinary	100%
Rentokil Initial España S.A.	Ordinary A	100%
	Ordinary B	100%
	Ordinary C	100%

Swaziland

Umkhiwa House, Lot 195, Kal Grant Street, Mbabane, Swaziland

RI Swaziland (Pty) Limited	Ordinary	100%

Sweden

Avestagatan 61, 163 53 Spånga, Sweden

Ambius AB	Ordinary	100%
Initial Sverige AB	Ordinary	100%
Rentokil AB	Ordinary	100%
Rent a Plant Interessenter AB	Ordinary	100%
Sweden Recycling AB	Ordinary	100%

Switzerland

Hauptstrasse 181, 4625 Oberbuchsiten, Switzerland

Hostettler Schädlingsbekämpfungs GmbH	Ordinary	100%
Rentokil Initial AG	Ordinary	100%

Bertschenackerstrasse 15, 4104 Oberwil, Switzerland

Medentex GmbH	Ordinary	100%

Gutstrasse 2, CH-8055 Zürich, Switzerland

AntInsekt AG	Ordinary	100%

Taiwan

7F No.56 Lane 258, Rueiguang Rd, Neihu District, Taipei, 114 Taiwan, Province of China

Initial Hygiene Co Limited	Ordinary	100%
Rentokil Ding Sharn Co Limited	Ordinary	100%

Thailand

160 Vibhavadi Rangsit Road, Khwaeng Dindaeng, Khet Dindaeng, Bangkok 10400, Thailand

Rentokil Initial (Thailand) Limited	Ordinary	100%

Trinidad

Field no. 82, KK-LL Aranguez South, Trinidad and Tobago

Rentokil Initial (Trinidad) Limited	Ordinary	100%

Tunisia

Zone Industrielle route de Moknine, 5080 Teboulba, Tunisia

CAP Tunis	Ordinary	100%

Turkey

1201, 1 Sokak No:2 K:3 D:301-302 Su Plaza Yenişehir, Konak, İzmir, Turkey

Rentokil Initial Çevre Sağlığı Sistemleri Ticaret ve Sanayi AŞ	Ordinary	100%

United Arab Emirates

1001 & 1009 Tameem, House Tecom, Dubai, United Arab Emirates

Rentokil Initial Pest Control LLC	Ordinary	100%

Related Undertakings

United Kingdom

Riverbank Meadows Business Park, Blackwater, Camberley, Surrey, GU17 9AB, England

Anzak Landscapes Limited	Ordinary	100%
AW Limited	Ordinary	100%
BET Environmental Services Limited	Ordinary	100%
B.E.T. Building Services Limited	Ordinary	100%
BET (No.18) Limited	Ordinary	100%
BET (No.68) Limited	Ordinary	100%
BET Management Services (Commercial & Industrial) Limited	Ordinary	100%
BET Pension Trust Limited	Ordinary	100%
BPS Offshore Services Limited	Ordinary	100%
Broadcast Relay Service (Overseas) Limited	Ordinary	100%
Castlefield House Limited	Ordinary	100%
Chard Services Limited	Ordinary	100%
Dudley Industries Limited	Ordinary	100%
Enigma Laundries Limited	Ordinary	100%
Enigma Services Group Limited	Ordinary	100%
Enviro-Fresh Limited	Ordinary	100%
Grayston Central Services Limited	Ordinary	100%
Hometrust Limited	Ordinary	100%
Industrial Clothing Services Limited	Ordinary	100%
Initial Limited	Ordinary	100%
Initial Medical Services Limited	Ordinary	100%
Opel Transport & Trading Company Limited	Ordinary	100%
Peter Cox Limited	Ordinary	100%
Plant Nominees Limited	Ordinary	100%
Prokill (UK) Limited	Ordinary	100%
Prokill Limited	Ordinary-A	100%
	Ordinary-B	100%
	Ordinary-C	100%
	Ordinary-D	100%
Rentokil Dormant (No. 6) Limited	Ordinary	100%
Rentokil Initial (1896) Limited	Ordinary	100%
Rentokil Initial (1993) Limited	Ordinary	100%
Rentokil Initial 1927 plc	Ordinary	100%
Rentokil Initial Americas Limited	Ordinary	100%
Rentokil Initial Asia Pacific Limited	Ordinary	100%
Rentokil Initial Brazil Limited	Ordinary	100%
Rentokil Initial Finance Limited	Ordinary	100%
Rentokil Initial Holdings Limited	Ordinary	100%
Rentokil Initial Investments Limited	Ordinary	100%
Rentokil Initial Investments South Africa	Ordinary	100%
Rentokil Initial Pension Trustee Limited	Ordinary	100%
Rentokil Initial Services Limited	Ordinary	100%
Rentokil Initial UK Limited	Ordinary	100%
Rentokil Insurance Limited	Ordinary	100%
Rentokil Limited	Ordinary	100%
Rentokil Overseas Holdings Limited	Ordinary	100%
Rentokil Property Holdings Limited	Ordinary	100%
RI Dormant No.18 Limited	Ordinary	100%
RI Dormant No.20 Limited	Ordinary	100%
RI Dormant No.6 Limited	Ordinary	100%
Stratton House Leasing Limited	Ordinary	100%
Target Express Holdings Limited	Ordinary	100%
Target Express Limited	Ordinary	100%
Target Express Parcels Limited	Ordinary	100%
TEB Cleaning Services Limited	Ordinary	100%
Thames Environmental Services Limited	Ordinary	100%

1 George Square, Glasgow, G2 1AL, Scotland

RI Dormant No.12 Limited	Ordinary	100%

Uganda

Plot No 2012, Kalinabiri Road, Ntinda Kampala, Uganda

Rentokil Initial Uganda Limited	Ordinary	100%

United States

1201 Peachtree Street ,NE Suite 1240, Atlanta GA 30361, United States

Initial Contract Services LLC	US$ Interests	100%

7600 Little Ave, Charlotte, NC 28226, United States

Steritech-Canada Inc.	Common	100%
The Steritech Group, Inc.	Class A	100%
	Class B	100%

1780 Corporate Drive, STE 440 Norcross, GA 30093, United States

Asiatic Holdings LLC	Ordinary	100%
Rentokil Initial Inc	Common	100%
United Transport America LLC	US$ Interests	100%
Virginia Properties Inc	Ordinary	100%

PO Box 4510, 10 Free Street, Portland, ME 04112, United States

Asiatic Investments Inc	Ordinary	100%

1125 Berkshire Blvd, Suite 150, Reading PA 19610, United States

Medentex LLC	Common	100%
Premier Resorts International LLC	Ordinary	100%
Residex, LLC	Common	100%
Rentokil Initial Environmental Services LLC	US$ Interests	100%
Rentokil North America, Inc.	Ordinary	100%

The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, United States

Anza LLC	Ordinary	100%
Longgo LLC	Ordinary	100%

500 Spring Ridge Drive, Wyomissing, PA 19610, United States

Creative Plantings Inc	Ordinary	100%

Vietnam

268 To Hien Thanh, Ward 15, District 10, Ho Chi Minh City, Vietnam

Rentokil Initial (Vietnam) Company Limited	Ordinary	100%

Associated undertakings:

France

41 Avenue de La Porte de Villiers, 92200 Neuilly-Sur-Seine, France

SCI Pierre Brossolette	Ordinary	26%

Japan

Kyoritsu Seiyaku Building, 1-5-10 Kudan, Minami Chiyoda-Ku, Tokyo, Japan

Nippon Calmic Limited	Ordinary	49%

United Kingdom

Riverbank, Meadows Business Park, Blackwater, Camberley, Surrey, GU17 9AB, England

Hometrust Kitchens Limited	Ordinary	25%
Torchsound Properties Limited	Ordinary	50%

1. Rentokil Initial plc owns directly 100% of the shares of Rentokil Initial Holdings Limited 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.

Five-Year Summary

	2016 £m	2015 £m	2014 £m	Restated 2013 £m	Restated 2012 £m
Revenue from continuing operations	**2,168.1**	1,759.0	1,740.8	1,791.4	2,226.7
Operating profit from continuing operations	**232.4**	187.8	202.1	160.5	174.1
Adjusted operating profit[1] from continuing operations	**284.4**	225.0	232.2	236.1	247.3
Profit before income tax from continuing operations	**208.5**	159.0	163.2	112.2	107.7
Profit for the year from continuing operations	**167.8**	124.3	126.1	83.3	73.6
Profit for the year from discontinued operations	**–**	–	135.4	(44.6)	(23.7)
Profit for the year (including discontinued)	**167.8**	124.3	261.5	38.7	49.9
Profit attributable to equity holders of the Company	**167.5**	124.3	261.8	37.5	47.6
Profit/(loss) attributable to non-controlling interests	**0.3**	–	(0.3)	1.2	2.3
	167.8	124.3	261.5	38.7	49.9
Basic earnings per share:					
Continuing operations	**9.19p**	6.83p	6.96p	4.52p	3.92p
Continuing and discontinued operations	**9.19p**	6.83p	14.41p	2.06p	2.62p
Adjusted earnings per share[1] – continuing operations	**10.73p**	7.98p	8.05p	7.36p	8.24p
Dividends for the period per 1p share	**3.37p**	2.93p	2.59p	2.31p	2.10p
Gross assets	**2,542.8**	2,160.8	1,788.4	1,994.0	1,976.2
Gross liabilities	**(2,182.1)**	(1,948.7)	(1,688.4)	(2,226.0)	(2,103.4)
Net assets/(liabilities)	**360.7**	212.1	100.0	(232.0)	(127.2)
Share capital	**18.3**	18.2	18.2	18.2	18.1
Reserves	**342.3**	194.1	82.0	(250.3)	(152.0)
Non-controlling interests	**0.1**	(0.2)	(0.2)	0.1	6.7
Capital employed	**360.7**	212.1	100.0	(232.0)	(127.2)

1. Prior to 2016 restructuring costs were an adjustment in arriving at adjusted profit. In 2016 they are no longer adjusted for and 2015 has been restated accordingly.

Parent Company Balance Sheet

At 31 December

	Notes	2016 £m	2015 £m
Non-current assets			
Investments	4	**271.1**	266.5
Debtors – amounts falling due after more than one year	6	**2,457.9**	2,457.9
Retirement benefit assets	14	**272.0**	237.0
Derivative financial instruments	7	**–**	0.4
		3,001.0	2,961.8
Current assets			
Other investments	5	**–**	95.0
Debtors – amounts falling due within one year	6	**359.6**	364.2
Cash and cash equivalents		**59.4**	80.3
Derivative financial instruments	7	**1.3**	–
		420.3	539.5
Current liabilities			
Creditors – amounts falling due within one year	8	**(762.0)**	(925.6)
Bank and other borrowings	9	**(36.3)**	(402.8)
Derivative financial instruments	7	**(56.2)**	(20.7)
		(854.5)	(1,349.1)
Net current liabilities		**(434.2)**	(809.6)
Non-current liabilities			
Bank and other borrowings	9	**(1,235.2)**	(850.5)
Derivative financial instruments	7	**(21.8)**	(17.6)
		(1,257.0)	(868.1)
Net assets		**1,309.8**	1,284.1
Equity capital and reserves			
Share capital	10	**18.3**	18.2
Share premium	11	**6.8**	6.8
Retained earnings		**1,284.7**	1,259.1
Capital employed		**1,309.8**	1,284.1

The financial statements on pages 144 to 150 were approved by the Board of Directors on 22 February 2017 and were signed on its behalf by:

Andy Ransom
Chief Executive

Jeremy Townsend
Chief Financial Officer

Parent Company Statement of Changes in Equity

For the year ended 31 December

	Called up share capital £m	Share premium account £m	Retained earnings £m	Total equity £m
At 1 January 2015	18.2	6.8	1,193.2	1,218.2
Profit for the year	–	–	69.7	69.7
Other comprehensive income:				
Remeasurement of net defined benefit asset	–	–	44.8	44.8
Net exchange adjustments offset in reserves	–	–	(2.1)	(2.1)
Share-based payments charged to profit and loss	–	–	0.3	0.3
Share-based payments debited to investments	–	–	1.9	1.9
Movement on cash flow hedge	–	–	0.2	0.2
Total comprehensive income for the year	–	–	114.8	114.8
Transactions with owners:				
Dividends paid to equity shareholders	–	–	(48.9)	(48.9)
At 31 December 2015	**18.2**	**6.8**	**1,259.1**	**1,284.1**
Profit for the year	**–**	**–**	**37.9**	**37.9**
Other comprehensive income:				
Remeasurement of net defined benefit asset	**–**	**–**	**26.0**	**26.0**
Net exchange adjustments offset in reserves	**–**	**–**	**17.6**	**17.6**
Share-based payments charged to profit and loss	**–**	**–**	**0.9**	**0.9**
Share-based payments debited to investments	**–**	**–**	**4.6**	**4.6**
Movement on cash flow hedge	**–**	**–**	**(5.9)**	**(5.9)**
Total comprehensive income for the year	**–**	**–**	**81.1**	**81.1**
Transactions with owners:				
Dividends paid to equity shareholders	**–**	**–**	**(55.5)**	**(55.5)**
Shares issued in the year	**0.1**	**–**	**–**	**0.1**
At 31 December 2016	**18.3**	**6.8**	**1,284.7**	**1,309.8**

Treasury shares of £0.1m (2015: £6.4m) have been netted against retained earnings. Treasury shares represent 4.8m (2015: 3.5m) shares held by the Rentokil Initial Employee Share Trust. The market value of these shares at 31 December 2016 was £10.7m (2015: £5.6m). Dividend income from, and voting rights on the shares held by the Trust have been waived.

Notes to the Parent Company Accounts

1. Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 have been applied. The financial statements are prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities (including derivatives). No profit and loss account is presented by the Company as permitted by section 408 of the Companies Act 2006. The results of Rentokil Initial plc are included in the consolidated financial statements of Rentokil Initial plc which are presented on pages 94 to 138.

The Company transitioned to FRS 101 on 1 January 2015 from generally accepted accounting principles and standards in the UK (UK GAAP).

The Company has taken advantage of the following disclosure exemptions under FRS 101, all of which have equivalent disclosures included in the consolidated financial statements:

- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based Payment.
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67of IFRS 3 Business Combinations.
- The requirements of IFRS 7 Financial Instruments: Disclosures.
- The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement.
- The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a)(iv) of IAS 1; (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment; (iii) paragraph 118(e) of IAS 38 Intangible Assets; (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property; and (v) paragraph 50 of IAS 41 Agriculture.
- The requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements.
- The requirements of IAS 7 Statement of Cash Flows.
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
- The requirements of paragraph 17 of IAS 24 Related Party Disclosures.
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- The requirements of paragraphs 134(d)- 134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2. Principal accounting policies

Judgement and key areas of estimation

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires the Company's Directors to exercise judgement in applying the Company's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in Note 3 and the Consolidated Financial Statements.

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.

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 its committed bank credit facility.

Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on:

- the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax assets/liabilities are settled/recovered.

Pension commitments

Rentokil Initial plc is the sponsoring company of a multi-employer defined benefit pension scheme, Rentokil Initial 2015 Pension Scheme (RIPS).

Financial instruments and risk management

The Company policy in respect of financial instruments and risk management is disclosed in the Section C 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.

Share-based compensation

The Company operates one equity-settled, share-based compensation plan. 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.

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 D1 of the Consolidated Financial Statements for details of dividends paid in the year.

3. Critical accounting estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. 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 shown below (please refer to the Notes to the Consolidated Financial Statements for further detail). Sensitivities to the estimates and assumptions are provided, where relevant, in the relevant Notes to the Consolidated Accounts.

- Income taxes and deferred tax asset (Notes A13 and A15).
- Retirement benefits (Note A10 and Note 7).

4. Investments

	2016 £m	2015 £m
At 1 January	**266.5**	264.6
Share-based payments to employees of subsidiaries	**4.6**	1.9
At 31 December	**271.1**	266.5

The Company's only direct subsidiary undertaking is Rentokil Initial Holdings Ltd. All other indirect subsidiary undertakings are listed on pages 139 to 142.

5. Other investments

	2016 £m	2015 £m
At 1 January	**95.0**	48.7
Additions	**–**	95.0
Disposals	**(95.0)**	(48.7)
At 31 December	**–**	95.0
Loans and receivables financial assets include the following:		
– Fixed rate cash deposits	**–**	95.0

6. Debtors

	2016 £m	2015 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings (non-interest bearing loans repayable on demand)	**334.1**	334.4
Deferred tax	**23.8**	27.0
Other debtors	**1.7**	2.8
	359.6	364.2
Amounts falling due after more than one year:		
Amounts owed by subsidiary undertakings (interest bearing loan with effective interest rate of 5%)	**2,457.9**	2,457.9

7. Pension commitments

At 31 December 2016 the RIPS pension asset amounted to £272.0m (2015: £237.0m). As there is no contractual agreement or stated policy for charging the net defined benefit cost of RIPS to participating entities, the net defined benefit cost is recognised fully by the Company. For more information on pension commitments, see Note A10 of the Consolidated Financial Statements.

The movement in the net defined benefit asset for the RIPS pension scheme over the accounting period is as follows:

	Present value of obligation 2016 £m	Fair value of plan assets 2016 £m	Total 2016 £m	Present value of obligation 2015 £m	Fair value of plan assets 2015 £m	Total 2015 £m
At 1 January	**(1,186.2)**	**1,423.2**	**237.0**	(1,318.9)	1,511.1	192.2
Administration expenses[1]	**(1.2)**	**–**	**(1.2)**	(2.7)	–	(2.7)
Settlement credit[1]	**–**	**–**	**–**	31.3	(30.5)	0.8
Interest on net defined benefit asset[1]	**(44.0)**	**53.0**	**9.0**	(43.7)	50.2	6.5
Total pension income	**(45.2)**	**53.0**	**7.8**	(15.1)	19.7	4.6
Remeasurements:						
– Remeasurement gain/(loss) on scheme assets	**–**	**284.8**	**284.8**	–	(45.2)	(45.2)
– Remeasurement loss/(gain) on obligation[2]	**(258.8)**	**–**	**(258.8)**	82.7	–	82.7
Contributions:						
– Benefit payments	**58.0**	**(58.0)**	**–**	62.4	(62.4)	–
– Administration expenses	**1.2**	**–**	**1.2**	2.7	–	2.7
At 31 December	**(1,431.0)**	**1,703.0**	**272.0**	(1,186.2)	1,423.2	237.0

1. 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.
2. The actuarial movement on the UK RIPS scheme comprises remeasurement loss arising from changes in demographic assumptions of £18.5m (2015: £nil), remeasurement loss arising from changes in financial assumptions of £238.1m (2015: remeasurement gain £64.6m) and remeasurement losses arising from experience of £2.2m (2015: £18.1m gain).

8. Derivative financial instruments

	Fair value assets 2016 £m	Fair value liabilities 2016 £m	Fair value assets 2015 £m	Fair value liabilities 2015 £m
Interest rate swaps:				
– non-hedge	**–**	**(6.0)**	0.4	(6.4)
– cash flow hedge	**1.3**	**(0.2)**	–	(5.8)
– net investment hedge	**–**	**(65.8)**	–	(26.1)
Foreign exchange forwards:				
– cash flow hedge	**–**	**(6.0)**	–	–
	1.3	**(78.0)**	0.4	(38.3)
Analysed as follows:				
Current portion	**1.3**	**(56.2)**	–	(20.7)
Non-current portion	**–**	**(21.8)**	0.4	(17.6)
	1.3	**(78.0)**	0.4	(38.3)

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 the €50m bond maturing in March 2018, hedging the changes in cash flow due to volatility in the GBP/EUR exchange rate during the term of the bonds. The Company has a £200m three-year term loan at floating interest rate and at the balance sheet date was fully drawn. The interest cash flow on the loan has been swapped to a fixed rate and cash flow hedge accounting has been applied. The Company has also applied cash flow hedge accounting to a highly probable forecast receipt from the sale of European businesses (see Note B2 in the Group accounts) via a Deal Contingent Forward of €450m hedging the changes due to volatility of GBP/EUR exchange rate. At the end of the year, the balance in comprehensive income in regards to cash flow hedge accounting was £5.9m loss (2015: £0.2m gain).

9. Creditors

	2016 £m	2015 £m
Amounts due to subsidiary undertakings (non-interest bearing loans repayable on demand)	**761.2**	924.7
Other creditors	**0.8**	0.9
	762.0	925.6

10. Bank and other borrowings

	2016 £m	2015 £m
Amounts falling due within one year	**36.3**	402.8
Amounts falling due after one year	**1,235.2**	850.5

Current and non-current loans include £6.2m (2015: £319.3m) and £763.6m (2015: £651.9m) 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		
€50m bond due March 2018	Euribor +0.48%	Fixed 0.66%
€500m bond due September 2019	Fixed 3.375%	Fixed 3.50%
€350m bond due October 2021	Fixed 3.25%	Fixed 3.41%
Average cost of bond debt at year-end rates		3.30%

On 31 March 2016 the Company repaid a £300m 5.75% bond using a combination of cash in hand, drawings under the RCF and drawings under the Term Loan.

The Company's bank debt comprises:

	Facility amount £m	Drawn at year end £m	Headroom £m	Interest rate at year end %
Current				
£60m RCF due December 2017	60.0	–	60.0	–
Non-current				
$25m RCF due December 2019	20.3	–	20.3	–
£315m RCF due January 2022 (£45m reserved for guarantees)	270.0	145.9	124.1	1.24
$157m term loan due December 2018	127.3	127.3	–	1.70
£200m term loan due December 2018	200.0	200.0	–	1.07
Average cost of bank debt at year-end rates	677.6	473.2	204.4	1.29

At 31 December 2016 the Company has a £315m Revolving Credit Facility (RCF) which is available for cash drawings up to £270m and for guarantees and letters of credit up to £45m. The maturity date is January 2022. At the year end, £145.9m was drawn under the part of the facility available for cash drawings, and £30.2m under the part available for guarantees.

In December 2016 the Company entered into additional short-term revolving credit facilities with two banks for £30m each. The terms were aligned with the main RCF. On 27 January 2017, these two facilities were cancelled and the commitments were transferred into the main RCF. At the same time an additional bank was brought into the RCF increasing the amount available for cash drawings to £360m, and for guarantees and letters of credit to £60m.

The Company also entered into a $25m revolving credit facility in December 2016, maturing in December 2019, on terms in line with the main RCF.

11. Share capital

	2016 £m	2015 £m
Authorised:		
4,100,000,000 ordinary shares of 1p each	**41.0**	41.0
Issued and fully paid:		
At 31 December – 1,829,332,965 shares of 1p each (2015: 1,822,832,965)	**18.3**	18.2

12. Share premium

	2016 £m	2015 £m
At 1 January and 31 December	**6.8**	6.8

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 and pensions, none of which are expected to give rise to any material loss.

14. Employees

The Company has three employees (2015: three employees). Detail on employee costs are in Note D4 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. Share-based payments

Share-based payments for the financial period were £5.5m (2015: £2.2m) of which £0.9m (2015: £0.3m) was charged to the profit and loss account and £4.6m (2015: £1.9m) 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 A11 of the Consolidated Financial Statements.

16. 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 101. There were no transactions with non-wholly owned fellow members of Rentokil Initial plc.

17. Post balance sheet events

There were no significant post balance sheet events affecting the Company since 31 December 2016.

Directors' Report

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 2016. Details of the Directors of the Company during 2016 can be found on pages 48 and 49.

The Corporate Governance Report for the year on pages 46 to 86 forms part of the Directors' Report, together with the sections of the Annual Report incorporated by reference.

The Company has chosen to disclose the following information in the Strategic Report on pages 1 to 44 and 91 to 93:

- Particulars of any important events affecting the Company which have occurred since the end of the financial year.
- An indication of likely future developments in the business of the Company.
- An indication of the Company's research and development activities (pages 4 and 5).
- Details of employee policy and involvement (Corporate Responsibility, page 40 to 44).
- Information on greenhouse gas emissions (Corporate Responsibility, page 44).
- Principal risks and uncertainties (Risks and Uncertainties, pages 34 to 39).

The Strategic Report and the Directors' Report constitute the management report as required under the Disclosure and Transparency Rule 4.1.8R.

Information to be disclosed under Listing Rule 9.8.4 in relation to allotment of shares for cash (Listing Rule 9.8.4(7)) and waiver of dividends (Listing Rule 9.8.4(12)) are set out on page 152. No other paragraphs under Listing Rule 9.8.4 apply.

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 66 countries. The Company's related undertakings are listed on pages 139 to 142.

Articles of association

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. The articles themselves may be amended by special resolution of the shareholders.

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. 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 **rentokil-initial.com**

Re-election of Directors and service contracts

In accordance with the articles of association, Directors can be appointed by the Board and must be subsequently elected by shareholders in general meeting. In accordance with the UK Corporate Governance Code (the Code), Directors now submit themselves for re-election annually. Directors can be removed, and their replacements appointed, by shareholders in general meeting.

Information on our Board of Directors, including full biographical details, and changes during 2016 can be found in the Corporate Governance Report on pages 48 and 49. All Board members will seek election (in the case of Chris Geoghegan who was appointed to the Board in 2016) or re-election at the 2017 AGM, other than Alan Giles who will be stepping down at the conclusion of the AGM.

The terms of the Directors' service contracts are disclosed in the Directors' Remuneration Report starting on page 71. Directors' service contracts and the letters of appointment of the Non-Executive Directors are available for inspection at the Company's registered office and the offices of the Company's legal advisors, Freshfields Bruckhaus Deringer LLP, at 65 Fleet Street, London EC4Y 1HS until the conclusion of the AGM and will be available at the AGM which will take place on 10 May 2017. A pro-forma of the Non-Executive Directors' letters of appointment is available at **rentokil-initial.com**.

Directors' powers

Under the articles of association, 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. The articles of association also give power to the Board to appoint and replace Directors as detailed above.

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, as detailed below.

Directors' interests in shares

The beneficial interests of the Directors in the share capital of the Company are shown on page 81. During the year no Director had any material interest in any contract of significance to the Group's business.

Dividend

The Directors have recommended a final dividend of 2.38p per share for the 52 weeks ended 31 December 2016. Payment of this dividend is subject to shareholder approval at the 2017 AGM. Further information on the Company's dividend policy can be found on page 93.

Share capital

The Company has a premium listing on the London Stock Exchange and an over-the-counter American Depository Receipt (ADR) listing to facilitate shareholding 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.

The Company's share capital during the year consisted of ordinary shares of 1p each. There were 1,829,332,965 shares in issue at 31 December 2016, which represents 100% of the Company's issued share capital (2015: 1,822,832,965). Each ordinary share (other than treasury shares, which have no voting rights) carries the right to vote at a general meeting of the Company. The Company did not hold any treasury shares as at 31 December 2016. The Company's articles of association provide that 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 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 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.

Authority for the Company to allot shares or grant rights to subscribe for shares up to an aggregate nominal amount of £12,116,821 was obtained at the AGM on 11 May 2016. The authority remains in force and approval will be sought from shareholders at the 2017 AGM to renew the authority for a further year.

During the year a total of 6,500,000 ordinary shares with an aggregate nominal value of £65,000 were issued and allotted to Computershare Nominees (Channel Islands) Limited, the account nominee of Computershare Trustees (Jersey) Limited who acts as trustee for the Rentokil Initial Employee Share Trust (the Trustee). These shares were issued to satisfy awards that vested in 2016 under the Company's Performance Share Plan.

Details of the shares held by the Trustee are contained in the Consolidated Statement of Changes in Equity table on page 96. The Trustee holds on trust 0.27% of the issued share capital of the Company as at 31 December 2016. 0.01% of this is held as nominee for the benefit of certain senior executives of the Group, and 0.26% of this is held on trust on behalf of the Company to satisfy awards that vest under the Company's Performance Share Plan. The Trustee has agreed to waive any right to all dividend payments on shares held by it, with the exception of shares held in respect of awards which have vested and have a dividend entitlement during their holding period. With the exception of the shares held for the benefit of certain senior executives, the voting rights in relation to these shares are exercised by the Trustee. The Trustee may vote or abstain from voting with the shares or accept or reject any offer relating to the shares, in any way it sees fit, without incurring any liability and without being required to give reasons for its decision.

Repurchase of shares

Authority for the Company to make purchases of its own shares of up to 181,934,245 shares was obtained at the AGM on 11 May 2016. No purchases of its shares were made by the Company during 2016. The authority is normally renewed annually and approval will be sought from shareholders at the 2017 AGM to renew the authority for a further year.

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 long-term incentive or 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 C6 to the Financial Statements. Note C1 describes the change of control provisions relating to the Group's Euro Medium-Term Note Programme.

Substantial shareholders

The Company has been notified pursuant to the Disclosure and Transparency Rules (DTR 5) that the following shareholders held, or were beneficially interested in, 3% or more of the Company's issued share capital at 31 December 2016.

Substantial interests in shares as at 31 December 2016

	%	No. of ordinary shares	Nature of holding
Ameriprise Financial Inc.[1]	10.02	182,600,557	Indirect
BlackRock, Inc.	6.37	116,617,165	Indirect
Majedie Asset Management Ltd	5.61	101,963,126	Indirect
Schroders plc	4.91	89,878,920	Indirect
Invesco Ltd	4.89	89,477,118	Indirect
Artemis Investment Management LLP	4.80	87,765,202	Direct
AXA SA	4.80	87,093,421	Indirect
Aviva plc (and its subsidiaries)	4.06	74,347,678	Direct

1. Ameriprise Financial Inc. includes Threadneedle Asset Management Holdings Ltd.

No other interests have been disclosed to the Company in accordance with DTR 5 between 31 December 2016 and 22 February 2017. Since these dates, the interest of any shareholder listed above may have increased or decreased. No requirement to notify the Company of any increase or decrease would have arisen unless the holding moved up or down through a whole number percentage level.

Financial risk management

Details of financial risk management and the relevant policies and certain exposures of the Company are disclosed in Note C1 on pages 123 and 124 of the Financial Statements.

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 2016 (2015: £nil).

Human rights

The Company supports the rights of all people as set out in the Universal Declaration of Human Rights. 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.

Equal opportunities

The Company regards equality and fairness as a fundamental right of all of its colleagues. Every colleague is required to support the Company to meet its commitment to provide equal opportunities in employment and avoid unlawful discrimination. People with disabilities should have full and fair consideration for all vacancies and disability is not seen to be an inhibitor to employment or career development. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. In the event of any colleague becoming disabled while with the Company, their needs and abilities would be assessed and, where possible, we would work to retain them and seek to offer alternative employment to them if they were no longer able to continue in their current role.

Branches

The Company, through various subsidiaries, has branches in several different jurisdictions in which the business operates outside the UK.

Directors' indemnity and insurance

The Directors are ultimately responsible for most aspects of the Company's business dealings. They can face significant personal liability under criminal or civil law, or the UK Listing, Prospectus, Disclosure and Transparency Rules, and can 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 sections 232 to 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 judgment 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.

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 D4 on page 133 of the Notes to the Financial Statements, there is no indebtedness owed to or by the Company to any colleague or any other person considered to be a related party.

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 section 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 by section 418(2) of the Companies Act 2006) and to establish that the Company's auditors are aware of that information.

Going concern

The Directors, having made enquiries, consider that the Company and the Group have adequate resources to continue in operation for a period of at least 12 months from the date of approval of these annual financial statements. 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 Financial Statements on pages 123 to 131.

Statement of Directors' responsibilities

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 International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards including FRS 101 Reduced Disclosure Framework.

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 names and functions are set out on pages 48 and 49, confirms that, to the best of their knowledge:

- 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 Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The Directors' Report on pages 46 to 86 and pages 151 to 153 and the Strategic Report on pages 1 to 44 and 91 to 93 were approved by a duly authorised Committee of the Board of Directors on 22 February 2017 and signed on its behalf by Daragh Fagan, the Company Secretary.

Daragh Fagan
Company Secretary
22 February 2017

Registered office:
Riverbank, Meadows Business Park, Blackwater,
Camberley, Surrey, GU17 9AB.
Registered in England and Wales No: 5393279

Additional Shareholder Information

Registrar

The Company's Registrar is Capita Asset Services (Capita). All enquiries relating to the administration of shareholdings, dividends, change of address and lost share certificates should be directed to:

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Telephone (from the UK): 0871 664 0300
(from overseas): +44 371 664 0300
Calls cost 12p per minute plus your phone company's access charge. Calls from outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.

Email: shareholderenquiries@capita.co.uk

Share portal

capitashareportal.com allows shareholders to:

- cast a proxy vote online;
- view their shareholding balance, any shareholding movements on their shareholding and get an indicative valuation;
- view dividend payments received and register/change bank mandate instructions;
- update their contact details; and
- elect to receive shareholder communications electronically.

Capita share portal help

Telephone (from the UK): 0871 664 0391
(from overseas): +44 371 664 0391
Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.
Email: shareportal@capita.co.uk

Share dealing services

Capita offers shareholders an online service at **capitadeal.com**, which allows you to buy or sell Rentokil Initial plc shares if you are resident in the UK, EEA, Channel Islands or the Isle of Man. You will need your investor code which appears on your share certificate or dividend confirmation.

Capita also provides a telephone share dealing service:

Telephone: 0371 664 0445
Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate. Lines are open between 08:00 – 16:30, Monday to Friday excluding public holidays in England and Wales.

Please note that both the internet share dealing and telephone share dealing services are subject to commission charges. Full details of all fees can be found on Capita's website at **capitadeal.com/services/our-share-dealing-service**.

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).

For further information, contact:
ShareGift
17 Carlton House Terrace
London SW1Y 5AH

sharegift.org
Telephone: +44 (0) 20 7930 3737

Share price information and history

The current price of the Company's shares can be found at **rentokil-initial.com/investors**.

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 2016 – 220.2p

2016 high/low – 235.5p/150.9p

Dividends

2016 final dividend

The Directors have recommended a final dividend of 2.38p per share, for the 52 weeks ended 31 December 2016. Payment of this dividend is subject to approval at the 2017 Annual General Meeting. When taken with the interim dividend of 0.99p per share paid on 14 September 2016, this gives a total dividend of 3.37p per share (2015: 2.93p).

Key dates relating to this dividend are given below.

Ex-dividend date	6 Apr 2017
Record date	7 Apr 2017
Last day for DRIP elections	22 Apr 2017
Annual General Meeting	10 May 2017
Payment date	17 May 2017

For further dividend information please see our Financial Review on page 93 or go to **rentokil-initial.com/investors**.

Dividend payments

Rentokil Initial dividends can be paid directly into your bank or building society accounts instead of being sent to you by cheque. More information about the benefits of having dividends paid directly into your bank or building society account, and the mandate form to set this up, can be also be found at **capitashareportal.com**.

Dividend reinvestment plan (DRIP)

If you would prefer to receive shares for your next dividend instead of cash, please complete an application online at **capitashareportal.com** or call Capita IRG Trustees Limited on 0371 664 0381. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.

Dividend history

Details of the Company's dividend history can be found on our website at **rentokil-initial.com/investors**.

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 enquiries relating to ADRs, please contact:

BNY Mellon Shareowner Services
P.O. 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
mybnymdr.com
Freephone from the US: +1 888 269 2377
International calls: +1 201 680 6825

Additional Shareholder Information

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 section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to Capita.

How to avoid share fraud

Reject cold calls: If you've been cold called with an offer to buy or sell shares, chances are it is a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

Check the firm on the Financial Conduct Authority register at fca.org.uk/register. The Financial Services Register is a public record of all the firms and individuals in the financial services industry that are regulated by the FCA.

Get impartial advice: Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

If you suspect that you have been approached by fraudsters, please tell the FCA using the share fraud reporting form at **fca.org.uk/scams**, where you can find out more about investment scams. You can also call the **FCA Consumer Helpline on 0800 111 6768**.

If you have lost money to investment fraud, you should report it to **Action Fraud on 0300 123 2040** or online at **actionfraud.police.uk**.

Find out more at **fca.org.uk/scamsmart**.

ALWAYS REMEMBER: If it seems too good to be true, it probably is!

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

Telephone: 0845 703 4599 or
mpsonline.org.uk

Annual General Meeting

The AGM will be held in the Ascot Suite at the Hilton London Gatwick Airport, South Terminal Gatwick Airport, Gatwick, RH6 0LL on Wednesday 10 May 2017 at 12 noon. The notice of meeting is available on the Company's website.

Published information

If you would like to receive a hard copy of this Annual Report 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; Company Number: 5393279

Registered Office: Riverbank, Meadows Business Park, Blackwater, Camberley, Surrey, GU17 9AB.

Telephone: +44 (0)1276 607444
Email: investor@rentokil-initial.com
rentokil-initial.com

Read the 2017 Notice of Annual General Meeting at
rentokil-initial.com/investors/shareholder-centre

Glossary

AER	Actual exchange rate
AGM	Annual General Meeting
APM	Alternative performance measure
Benelux	Belgium, the Netherlands and Luxembourg
Board	The Board of Directors of Rentokil Initial plc
CEE	Central and Eastern Europe
CER	Constant exchange rate (see page 134)
CGU	Cash-generating unit
Company	Rentokil Initial plc
CVC	Customer Voice Counts
Director	A Director of Rentokil Initial plc
EBITDA	Earnings before interest, tax, depreciation and amortisation
ELT	Executive Leadership Team
EPS	Earnings per share
FRC	Financial Reporting Council
FRS	Financial Reporting Standards
GAAP	Generally Accepted Accounting Practice
Group	Rentokil Initial plc and its subsidiaries
H&S	Health and safety
Haniel	Franz Haniel & Cie. GmbH
HR	Human Resources
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IRR	Internal rate of return
ISAs	International Standards on Auditing
JV	Joint venture
KPI	Key performance indicator
LTA	Lost time accident
M&A	Mergers and acquisitions
MENAT	Middle East, North Africa and Turkey
NED	Non-Executive Director
NPS	Net promoter score
Parent Company	Rentokil Initial plc
PSP	Rentokil Initial plc Performance Share Plan
RIPS	Rentokil Initial 2015 Pension Scheme
SHE	Safety, health and environment
SID	Senior Independent Director
TSR	Total shareholder return
USP	Unique selling point
WDL	Working days lost
WHO	World Health Organization

About us

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 and Workwear, as well as a range of other smaller specialist services including plants, medical services, property care and specialist hygiene. We protect people from the dangers of pest-borne disease, the risks of poor hygiene or from injury in the workplace. We enhance lives with services that protect the health and wellbeing of people, and the reputation of our customers' brands. 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.

Ours is an international services business operating in over 66 countries and employing some 32,150 people at the end of 2016.

Rentokil is the world's leading commercial pest control company and our engine for growth. Initial Hygiene is the global leader in hygiene services. Initial Workwear is No. 2 in Europe and the only player with scale across the four big Continental markets.

We analyse the progress and performance of the Company in three ways – by region and business, part of our core business model, and by quadrant to drive execution of our strategy, including capital allocation.

FSC® www.fsc.org MIX Paper from responsible sources FSC® C107262

This Report is printed on LumiSilk paper and has been independently certified on behalf of the Forest Stewardship Council (FSC®). The inks used are all vegetable oil based.

Printed at Principal Colour Ltd, ISO14001 and FSC® certified.

Design
mslgroup.co.uk

Print
Principal Colour Ltd

Protecting People.
Enhancing Lives.

rentokil-initial.com
rentokil.com
initial.com
ambius.com