

**RENTOKIL INITIAL PLC (RTO)
PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014**

27 February 2015

Results £m	Q4 2014	Growth		FY 2014	Growth	
	AER	AER	CER	AER	AER	CER
Revenue	446.9	1.0%	4.6%	1,740.8	(2.8%)	2.7%
Revenue – ongoing operations ¹	444.8	1.5%	5.0%	1,731.4	(2.0%)	3.6%
Adjusted operating profit ²	69.4	(1.0%)	4.0%	232.2	(1.7%)	5.5%
Adjusted operating profit ² - ongoing operations ¹	69.3	1.5%	6.4%	231.8	(0.7%)	6.5%
Adjusted profit before tax ²	59.8	9.9%	15.3%	190.8	5.5%	14.4%
Profit before tax	47.6	114.4%	119.3%	163.2	45.5%	58.4%
Free cash flow ³				128.9		
Adjusted EPS ⁴				8.05	9.4%	18.6%
Dividend per share				2.59	12.1%	

- Strong revenue, profit and cash performance in Q4
- £93m improvement in free cash flow at £129m at AER
- Accelerated M&A execution: 30 bolt-ons (23 in pest), combined annualised revenues of £66m at AER
- Proposed 12.1% increase in dividend year on year
- £260m reduction in net debt – lowest net debt in 15 years; net debt to EBITDA 1.9x
- Strong pension fund position - in actuarial surplus by over £50m
- Solid first year performance towards medium-term targets despite ongoing market challenges in parts of Europe

Commenting on the results for 2014 Andy Ransom, CEO of Rentokil Initial plc, said:

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

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

Revenue (at CER)

Revenue from ongoing operations increased by 3.6% in 2014 comprising organic growth of 1.2% and growth from acquired businesses of 2.4%. Growth in Q4 increased to 5.0% compared to 3.8% in Q3, driven by both improved organic performance (+2.0%) and acquisitions (+3.0%).

Growth in 2014 in the Emerging (+21.7%) and Growth (+5.7%) quadrants was strong, with a marginal increase in the Manage for Value quadrant (+0.5%) offset by a flat performance year on year in the Protect and Enhance segment (-0.1%). Divestments in the Manage for Value quadrant reduced revenues by 0.9% during the year, resulting in total growth of 2.7%.

Profit (at CER)

Adjusted operating profit increased by 5.5% in 2014, reflecting growth in North America, Asia, Pacific, Germany and Latin America, supported by lower central and divisional overheads, but partly offset by

lower profits in Benelux. Excluding divested businesses, ongoing adjusted operating profit increased by 6.5% in the year.

Adjusted profit before tax (at AER) was negatively impacted by £16m in 2014 due to the continued strength of Sterling.

In line with our stated commitment, restructuring costs were significantly lower than in the prior year at £9.3m versus £47.4m in 2013, contributing to an increase in profit before tax of 45.5% at AER. One-off items for continuing operations netted out to £nil (2013: £4.6m).

Cash (at AER)

One of our core strategic objectives is to improve free cash flow (FCF). In 2014 we delivered a £92.6m improvement in FCF to £128.9m driven by reductions in restructuring costs, capex and working capital outflows. Cash spend on restructuring costs and provisions was £29.7m lower year on year. Net capex of £178.6m was £49.2m lower than 2013 reflecting our more focused approach to capital allocation and the phasing of investment. Working capital outflow of £4.4m (some £15.6m better than our £20m target for 2014) was supported by an asset backed financing initiative in our French business.

M&A (at AER)

In line with our strategy we have accelerated our M&A programme to pursue targeted acquisitions that meet our returns criteria in higher growth markets and in areas which add local density to our existing operations. We acquired 30 companies during the year, 23 in pest control, with combined annualised revenues in the 12 months prior to acquisition of £66m. Cash spend on acquisitions in the year amounted to £68m. Acquisitions are being integrated successfully and performing well.

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A presentation for investors and analysts will be held at 8.45am on Friday 27 February 2015 at the offices of Bank of America Merrill Lynch, 2 King Edward Street, London, EC1.

This will be available via a live audio web cast at www.rentokil-initial.com.

AER – actual exchange rates; CER – constant 2013 exchange rates

¹ ongoing revenue and profit exclude the financial performance of disposed businesses but include results from acquisitions

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

³ cash flow before interest, tax, acquisitions, disposals, foreign exchange adjustments and discontinued operations

⁴ earnings per share before the after tax effects of amortisation and impairment of intangibles (excluding computer software), restructuring costs and one-off items and net interest credit from pensions

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

FINANCIAL SUMMARY

£million	Fourth Quarter			Full Year		
	2014	Restated 2013 ⁸	change	2014	Restated 2013 ⁸	change
Continuing Operations¹						
At 2013 constant exchange rates²						
Revenue – ongoing operations ³	472.0	449.5	5.0%	1,830.5	1,766.8	3.6%
Revenue - disposed businesses	2.3	4.0	(42.5%)	9.8	24.6	(60.2%)
Revenue	474.3	453.5	4.6%	1,840.3	1,791.4	2.7%
Adjusted operating profit ⁴ – ongoing operations ³	74.6	70.1	6.4%	248.7	233.5	6.5%
Adjusted operating profit ⁴ – disposed businesses	0.1	1.8	(94.4%)	0.4	2.6	(84.6%)
Adjusted operating profit ⁴	74.7	71.9	4.0%	249.1	236.1	5.5%
Restructuring costs and one-off items – operating ⁵	(6.8)	(26.1)	73.9%	(9.3)	(52.0)	82.1%
Amortisation and impairment of intangible assets	(6.2)	(9.0)	31.1%	(22.4)	(23.6)	5.1%
Operating profit	61.7	36.8	67.7%	217.4	160.5	35.5%
One-off items - financing	-	1.5	-	-	1.5	-
Share of profit from associates (net of tax)	0.9	0.8	12.5%	4.5	4.3	4.7%
Net interest payable (excluding pensions)	(10.7)	(16.4)	34.8%	(46.7)	(59.6)	21.6%
Net interest credit from pensions	0.3	1.1	(72.7%)	2.5	5.5	(54.5%)
Profit before tax	52.2	23.8	119.3%	177.7	112.2	58.4%
Adjusted profit before tax ⁴	64.9	56.3	15.3%	206.9	180.8	14.4%
Operating cash flow ⁶				224.7	137.1	
Basic earnings per share				7.57p	4.52p	67.5%
Basic adjusted earnings per share ⁷				8.73p	7.36p	18.6%
Continuing Operations¹						
At actual exchange rates						
Revenue – ongoing operations ³	444.8	438.4	1.5%	1,731.4	1,766.8	(2.0%)
Revenue - disposed businesses	2.1	3.9	(46.2%)	9.4	24.6	(61.8%)
Revenue	446.9	442.3	1.0%	1,740.8	1,791.4	(2.8%)
Adjusted operating profit ⁴ – ongoing operations ³	69.3	68.3	1.5%	231.8	233.5	(0.7%)
Adjusted operating profit ⁴ – disposed businesses	0.1	1.8	(94.4%)	0.4	2.6	(84.6%)
Adjusted operating profit ⁴	69.4	70.1	(1.0%)	232.2	236.1	(1.7%)
Restructuring costs and one-off items – operating ⁵	(6.5)	(26.0)	75.0%	(8.9)	(52.0)	82.9%
Amortisation and impairment of intangible assets	(6.0)	(8.8)	31.8%	(21.2)	(23.6)	10.2%
Operating profit	56.9	35.3	61.2%	202.1	160.5	25.9%
One-off items - financing	-	1.5	-	-	1.5	-
Share of profit from associates (net of tax)	0.7	0.7	-	3.9	4.3	(9.3%)
Net interest payable (excluding pensions)	(10.3)	(16.4)	37.2%	(45.3)	(59.6)	24.0%
Net interest credit from pensions	0.3	1.1	(72.7%)	2.5	5.5	(54.5%)
Profit before tax	47.6	22.2	114.4%	163.2	112.2	45.5%
Adjusted profit before tax ⁴	59.8	54.4	9.9%	190.8	180.8	5.5%
Operating cash flow ⁶				209.5	137.1	
Basic earnings per share				6.96p	4.52p	54.0%
Basic adjusted earnings per share ⁷				8.05p	7.36p	9.4%
Dividend per share (proposed/paid)				2.59p	2.31p	12.1%

1 all figures are for continuing operations unless otherwise stated

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

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

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

5 see Note 2 for further details

6 cash flow before interest, tax, acquisitions, disposals, foreign exchange adjustments and discontinued operations

7 earnings per share before the after tax effects of amortisation and impairment of intangibles (excluding computer software), restructuring costs and one-off items and net interest credit from pensions

8 prior year figures have been restated to show the Initial Facilities business that was disposed in March 2014 as a discontinued operation

Basis of preparation

Segmental information has been presented in accordance with IFRS 8 "Operating Segments" which the group has implemented with effect from 1 January 2009. This statement reflects internal organisation changes made in 2014. In 2013 our core businesses were run on a day-to-day basis by one manager per country, each responsible for the core activities in his/her region, and the countries were grouped into three geographic regions, East, West and Asia. In 2014 the East and West regions ceased to exist and have been replaced by regional clusters. Prior-year comparisons have been restated. Unless otherwise stated references to 'revenue' are for continuing businesses and references to 'profit' and 'operating profit' are for continuing businesses before amortisation, impairment of intangible assets (excluding computer software) and restructuring costs and one-off items (totalling a net cost of £9.3m) that have had a significant impact on the results of the group. These costs have been separately identified as they are not considered to be "business as usual" expenses and have a varying impact on different businesses and reporting periods. Ongoing revenue is revenue from continuing operations excluding revenue from disposed businesses but includes revenue from acquisitions. Ongoing profit is operating profit from continuing operations before amortisation, impairment of intangible assets (excluding computer software), restructuring costs and one-off items and excludes profit from disposed businesses but includes profit from acquisitions. All references to profit are at CER unless stated otherwise. All comparisons are at constant 2013 full year average exchange rates unless otherwise stated.

INTRODUCTION

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

We have implemented our strategy at pace in 2014 and in the year achieved total revenue growth from ongoing operations of 3.6% (at CER), a 6.5% increase in ongoing profit (at CER) and a significant enhancement in free cash flow, which improved by £93m to £129m at AER. Restructuring costs fell by £38m year on year, working capital outflows improved by £17m and net capex of £178.6m was £49.2m lower than 2013 reflecting our more focused approach to capital allocation and the phasing of investment. With a significant reduction in restructuring costs and with capital expenditure now in line with depreciation, we anticipate achieving over £100m per annum in free cash flow on a sustainable basis and expect to make further progress towards our medium-term revenue and profit targets in 2015. In addition, we made 30 acquisitions during the year (of which 77% are in the Emerging and Growth quadrants) generating some £66m of annualised revenue (at AER).

REGIONAL PERFORMANCE OVERVIEW

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

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

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

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

high inflationary market. Margin improvement in the UK is expected in 2015 as new contracts and acquisitions mature.

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

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

THE DIFFERENTIATED PLAN TO DRIVE SHAREHOLDER VALUE

In February 2014 we announced our **RIGHT WAY** plan to deliver sustainable revenue and profitable growth. The plan is based upon a new, focused model for the company which includes the introduction of five distinct regions: North America, Europe, UK & Rest of World, Asia and Pacific. Our core competencies are our colleagues as experts, our category leadership, and our lean multi-business model. We manage the business for profitable growth by grouping our categories and geographies into a growth potential and profit contribution matrix and by utilising six operational levers to address growth challenges.

We also announced the following medium-term targets:

1. **Driving higher revenue:** mid-single digit revenue growth, supported by M&A investment and divestment of non-core or poorly performing businesses
2. **Sustainable profit growth:** high single digit profit growth, leveraging revenue ambitions
3. **Improved free cash flow:** significant improvement in sustainable free cash flow to fund M&A, implement a progressive dividend policy and reduce debt

Implementation of the Company's strategic plan began at pace in 2014. An update on our progress in year one is outlined below by revenue, profit and cash, and by quadrant.

1. Driving higher revenue

Focus: core categories of pest control, hygiene and workwear, six operational levers and M&A to build leadership positions, boost density, enter new markets or divest non-core businesses.

Progress Report:

- *Focus on core categories of pest control, hygiene and workwear*
 - Good ongoing revenue growth in pest control of 8.5% which accelerated to 10.4% during H2
 - Improved ongoing revenue performance in hygiene up 1.0% (+1.8% excluding Benelux)
 - Marginal revenue decline of 0.3% in workwear (+0.3% excluding Benelux)
- *Targeting our offer (where to play) through innovation*
 - Strong pipeline of pest control product innovation including:
 - Pathogenic fungi – highly effective cockroach control, pilots in UK, Malaysia and USA
 - 'RodentGate' - a new rodent control unit which uses sensors to contain poisoned bait behind a gate, safe from non-target species, until activated
 - 'CageConnect' – a cage trap for small vertebrates (e.g. squirrels) that alerts technician via SMS when triggered
 - UK launch of bedbug monitoring device using chemical pheromones
 - Completion of successful pilot amongst 80 customers across 200 locations in Netherlands and Belgium of 'PestConnect', our remote monitoring system; further roll out planned for other markets
 - Significantly improved hygiene product range:
 - 'Signature' and 'Reflection' hygiene ranges now fully rolled out in all markets
 - Launch of 'Signature' colour range in nine colours and three finishes
 - Development of full range of 'No Touch' hygiene products

- Launch of 'Initial HygieneConnect', the world's first integrated wireless monitoring and display system designed to raise hand washing compliance
- o Ongoing service development and innovation in workwear:
 - Seven new garment ranges in Europe
 - 3D body scanner providing perfect fit for workwear garments live in Belgium
 - Online size taking and ordering service developed for pilot in 2015
 - Launch of new 'CleanVision' suit (with integrated hood & visor to minimise contamination)
- *Mastering our markets (customer density and new markets) through M&A*
 - o 30 companies acquired in 2014 (23 in Emerging and Growth markets), with £66m of combined annualised revenues (at AER)
- *Sales effectiveness (building the pipeline) through digital excellence*
 - o Introduction of new web presence for Rentokil in the UK, North America, Germany, France and Spain designed to maximise search performance and add local contacts:
 - Q4 2014 vs. Q4 2013: North America website delivered 52% growth in total website enquiries from a 16% increase in traffic; UK website delivered 64% growth in total website enquiries from a 60% increase in visitors to the sites

Medium-term target: mid-single digit revenue growth, supported by M&A
 Progress in year one: ongoing revenue +3.6% (organic revenue +1.2%, +2.4% acquisitions)

2. Sustainable profit growth

Focus: revenue growth, pricing and margin improvement with significant reduction in central and divisional overheads and restructuring costs, and service productivity

Progress Report:

- *Sales force to focus on yield management*
 - o Development of detailed profitability analysis tool – by sector, service line, branch, manager and sales rep – for improved price management; European roll out in 2015
- *Service productivity*
 - o Branch optimisation
 - Launch of a new scheduling tool across 12 countries, 45 branches and 750 technicians in Europe, South Africa and Pacific; further roll out in 2015
 - o Route optimisation
 - Launch of route planning tool in France and Benelux hygiene; plan to optimise over 50% of the 1,000+ routes across Europe in 2015
- *Reduction in central and divisional overheads in 2014*
 - o Reduction in central and divisional overheads of £11.4m in 2014
- *Branch admin rationalisation*
 - o Driving significant margin improvements in France, Australia and North America

Medium-term target: high single digit profit growth
 Progress in year one: ongoing profit growth of +6.5%

3. Improved free cash flow

Focus: managing working capital, bringing capex in line with depreciation and significantly reducing restructuring costs. Balanced use of cash to invest in M&A, pursue a progressive dividend policy and incremental reduction in debt

Progress Report:

- *2014 target - £20m reduction in capex versus 2013*
 - o £42m reduction in capital expenditure reflecting more focused capital allocation
- *2014 target - IT Capex no greater than £25m*
 - o IT capex of £17m reflecting tighter control and phasing of spend

- *2014 target - restructuring costs less than £20m*
 - 80% reduction vs. 2013 with P&L charge of £9.3m
- *Reduced working capital outflows*
 - Working capital outflow of £4.4m, a £17m reduction on last year, reflecting asset backed financing initiative

Targeting significant improvement in free cash flow in 2014
 £93m improvement in free cash flow at £129m (2014 target £80m)

4. Implementation of differentiated quadrant matrix

As outlined above we execute our strategy by grouping our country operations and categories into a four-quadrant matrix based upon growth potential and profit contribution (chart below updated following 2015 review). Each quadrant has a different strategy, designed to maximise performance. An update on progress is outlined below:

		EMERGING	GROWTH
Growth Potential	HIGH	<ul style="list-style-type: none"> • Categories: <ul style="list-style-type: none"> - Pest - Hygiene • Geographies: <ul style="list-style-type: none"> - Asia - Mid East, N Africa, Turkey - Latin America - Africa - Mexico - Fiji 	<ul style="list-style-type: none"> • Categories: <ul style="list-style-type: none"> - Pest, Hygiene - Cleanroom (Workwear) • Geographies: <ul style="list-style-type: none"> - North America - UK - Germany, Austria - Switzerland - Caribbean - Pest businesses in Nordics, France, SA, Australia and NZ
	MED	<ul style="list-style-type: none"> • Categories: <ul style="list-style-type: none"> - Ambius (Plants) • Geographies: <ul style="list-style-type: none"> - Spain - Portugal - Italy (Hygiene) - Greece 	<ul style="list-style-type: none"> • Categories: <ul style="list-style-type: none"> - Hygiene, Workwear • Geographies: <ul style="list-style-type: none"> - France, Benelux - Nordics - Australia, New Zealand, - South Africa - Italy (pest control) - Ireland
	LOW	MANAGE FOR VALUE	PROTECT AND ENHANCE
		LOW	HIGH
		Profit Contribution	

Emerging quadrant

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

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

2014 financial performance: ongoing revenue growth 21.7%, ongoing profits +22.6%

Strategy: build leading market positions in the key cities across those markets which we identify as the best opportunities for our pest and hygiene businesses

Key developments in 2014: sales capability upgrade in Asia, focus on building density in top 15 cities in China, sales and service productivity initiatives in Malaysia

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

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

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

Growth quadrant

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

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

2014 financial performance: ongoing revenue growth +5.7%, ongoing profits +6.3%

Strategy: focus on growing market share and on developing existing customers, whilst filling gaps in our geographic footprint through organic and acquisitive growth

Key developments in 2014: strong pipeline of new pest and hygiene products and services, investment in new enhanced digital capability

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

M&A in 2014: 15 acquisitions contributing £41.7m annualised revenues (UK, Bahamas, NA, and Lithuania)

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

Protect & Enhance quadrant

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

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

2014 financial performance: ongoing revenue down 0.1%, ongoing profits down 4.4%

Strategy: focus on customer service, pricing, productivity and cash

Key developments in 2014: appointment of new Benelux management team to improve performance, rising customer satisfaction levels in South Africa, Nordics and Benelux, branch and route optimisation tools to enhance productivity, customer profitability tool to improve price management

M&A strategy: consolidate regional and local strengths, acquire new capabilities in adjacent service areas, above average IRR (~25%)

M&A in 2014: three acquisitions contributing £2.9m annualised revenues

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

Manage for Value quadrant

Percentage of group revenue: 6.9% (2013: 7.1%)

Percentage of operating profit: 5.6% (2013: 6.0%)

2014 financial performance: ongoing revenue growth up 0.5%, ongoing profits down 4.5%

Strategy: focus on customer service, profitability, cost management, productivity and efficiency

Key developments in 2014: focus on productivity improvements in Southern European operations, stronger than expected performance from Italy pest control and Ireland pest and hygiene

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

M&A in 2014: three disposals, four acquisitions contributing £4.2m annualised revenues

Changes in 2015: movements to Protect & Enhance as noted above

ACQUISITIONS AND DISPOSALS

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

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

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

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

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

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

DIVIDEND

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

BOARD CHANGES

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

GUIDANCE FOR 2015

Central and divisional overheads are anticipated to be in line with 2014. Impact to the P&L of restructuring costs is expected to be no greater than £10m. Interest costs are likely to be in the region of £43m reflecting the impact of the Company's recent refinancings (cash impact will be slightly higher than P&L impact). Our current estimate for adjusted effective tax rate is 23.5% (vs. 23.5% for last year) with cash tax payable in the region of £40m. During 2014 adjusted profit before tax at actual exchange rates was negatively impacted by £16m due to the continued strength of Sterling. This trend has continued into 2015 and based on current exchange rates the estimated impact on 2015 adjusted profit before tax would be c. £14m. Working capital outflow is estimated to be at or below £20m, with net capex rising slightly to c. £200m.

OUTLOOK

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

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

FINANCIAL REVIEW

Central and divisional overheads (at CER)

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

Restructuring costs and one-off items – operating (at CER)

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

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

Details of restructuring costs and one-off items (operating) incurred in the period are set out in Note 2 to the accounts.

Interest (at AER)

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

Tax (at AER)

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

Net debt and cash flow

£m at actual exchange rates	Year to Date		
	2014 FY £m	Restated 2013 FY £m	Change £m
Adjusted operating profit ¹	232.2	236.1	(3.9)
Restructuring costs	(8.8)	(47.4)	38.6
One-off items - operating	(0.1)	(4.6)	4.5
Depreciation	187.6	200.7	(13.1)
Other non-cash	(1.9)	9.6	(11.5)
EBITDA	409.0	394.4	14.6
Working capital	(4.4)	(21.4)	17.0
Movement on provisions	(16.5)	(8.1)	(8.4)
Capex – additions	(191.6)	(234.0)	42.4
Capex – disposals	13.0	6.2	6.8
Operating cash flow – continuing operations	209.5	137.1	72.4
Interest	(49.5)	(51.2)	1.7
Tax	(30.1)	(37.2)	7.1
Disposal of available-for-sale investments	-	1.2	(1.2)
Special pension contributions	(1.0)	(13.6)	12.6
Free cash flow – continuing operations	128.9	36.3	92.6
Free cash flow – discontinued operations	(41.1)	(18.9)	(22.2)
Free cash flow	87.8	17.4	70.4
Acquisitions	(68.1)	(12.0)	(56.1)
Disposal of companies and businesses	256.0	2.0	254.0
Restricted cash disposed of with companies and businesses	(16.7)	-	(16.7)
Dividends	(43.2)	(38.6)	(4.6)

Foreign exchange translation and other items	44.0	(14.1)	58.1
(Increase) / decrease in net debt	259.8	(45.3)	305.1
Opening net debt	(1,034.8)	(989.5)	(45.3)
Closing net debt	(775.0)	(1,034.8)	259.8

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

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

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

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

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

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

Capital expenditure (at AER)

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

Pensions (at AER)

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

Funding (at AER)

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

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

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

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

Appendix 1

Regional Analysis – continuing operations

£million	Revenue			Adjusted operating profit		
	12 months to 31 Dec 2014 CER	Change from FY 2013 CER	Change from FY 2013 AER	12 months to 31 Dec 2014 CER	Change from FY 2013 CER	Change from FY 2013 AER
France	370.8	0.3%	(4.7%)	66.6	3.7%	(1.4%)
Benelux	236.2	(4.7%)	(9.4%)	39.7	(22.5%)	(26.4%)
Germany	206.9	2.0%	(3.2%)	47.7	3.0%	(2.2%)
Other Europe	87.9	17.4%	9.1%	13.8	9.5%	2.4%
Total Europe	901.8	0.7%	(4.5%)	167.8	(3.7%)	(8.7%)
UK & Ireland	196.7	6.7%	6.3%	37.6	(1.6%)	(2.4%)
Rest of World	125.1	3.3%	(6.9%)	29.1	(0.3%)	(9.6%)
UK & Rest of World	321.8	5.4%	1.1%	66.7	(1.0%)	(5.5%)
Asia	105.8	2.0%	(6.1%)	9.1	18.2%	5.2%
North America	366.9	6.6%	1.4%	42.9	15.6%	10.2%
Pacific	144.0	0.9%	(8.5%)	28.7	5.9%	(3.3%)
Central and divisional overheads	-	-	-	(66.1)	14.7%	15.0%
Segmental total²	1,840.3	2.7%	(2.8%)	249.1	5.5%	(1.7%)
Restructuring costs and one-off items	-	-	-	(9.3)	82.1%	82.9%
Amortisation of intangible assets ¹	-	-	-	(22.4)	5.1%	10.2%
At constant exchange rates	1,840.3	2.7%		217.4	35.5%	
Exchange	(99.5)			(15.3)		
At actual exchange rates	1,740.8		(2.8%)	202.1		25.9%

¹ excluding computer software

² includes revenue of £9.8m and profit of £0.4m from businesses disposed in 2014. Excluding these businesses ongoing revenue was £1,830.5m and ongoing adjusted profit was £248.7m

Appendix 2

Category Analysis – continuing operations

£million	Revenue			Adjusted operating profit		
	12 months to 31 Dec 2014 CER	Change from FY 2013 CER	Change from FY 2013 AER	12 months to 31 Dec 2014 CER	Change from FY 2013 CER	Change from FY 2013 AER
Pest Control	741.0	8.5%	2.5%	140.1	8.4%	2.7%
Hygiene	475.2	(0.6%)	(6.2%)	93.9	(5.6%)	(11.4%)
Workwear	427.8	(1.9%)	(6.8%)	65.9	(5.5%)	(10.2%)
Other	196.3	1.0%	(4.2%)	15.3	1.3%	(4.0%)
Central and divisional overheads	-	-	-	(66.1)	14.7%	15.0%
Total	1,840.3	2.7%	(2.8%)	249.1	5.5%	(1.7%)

Consolidated income statement

	Notes	2014 £m	Restated* 2013 £m
Revenue	2	1,740.8	1,791.4
Operating expenses		(1,538.7)	(1,630.9)
Operating profit		202.1	160.5
Analysed as:			
Operating profit before amortisation and impairment of intangibles ¹ , restructuring costs and one-off items	2	232.2	236.1
Restructuring costs	2	(8.8)	(47.4)
One-off items - operating	2	(0.1)	(4.6)
Amortisation and impairment of intangible assets ¹	2	(21.2)	(23.6)
Operating profit	2	202.1	160.5
Interest payable and similar charges	3	(56.2)	(70.5)
Interest receivable	4	10.9	10.9
Net interest credit from pensions	13	2.5	5.5
One-off items – financing		-	1.5
Share of profit from associates, net of tax of £2.8m (2013: 3.1m)		3.9	4.3
Profit before income tax		163.2	112.2
Income tax expense ²	5	(37.1)	(28.9)
Profit for the period from continuing operations		126.1	83.3
Discontinued operations:			
Profit/(loss) for the period from discontinued operations	6	135.4	(44.6)
Profit for the period (including discontinued operations)		261.5	38.7
Attributable to:			
Equity holders of the company		261.8	37.5
Non controlling interests		(0.3)	1.2
		261.5	38.7
Basic earnings per share			
- Continuing operations	7	6.96p	4.52p
- Discontinued operations	7	7.45p	(2.45p)
- Continuing and discontinued operations	7	14.41p	2.06p
Diluted earnings per share			
- Continuing operations	7	6.95p	4.50p
- Discontinued operations	7	7.44p	(2.45p)
- Continuing and discontinued operations	7	14.39p	2.06p
Basic adjusted earnings per share³			
- Continuing operations	7	8.05p	7.36p
Diluted adjusted earnings per share			
- Continuing operations	7	8.04p	7.33p

¹ excluding computer software

² taxation includes £37.1m (2013: £30.6m as restated) in respect of overseas taxation

³ earnings per share before the tax adjusted amortisation and impairment of intangibles (excluding computer software), restructuring costs and one-off items and net interest credit from pensions

*restated as a result of discontinued operations. Please refer to note 1 for further details

Consolidated statement of comprehensive income

	2014	Restated 2013
	£m	£m
Profit for the year	261.5	38.7
Other comprehensive income:		
Items that are not reclassified subsequently to the income statement:		
Remeasurement of net defined benefit asset/liability	114.3	(75.6)
Tax related to items taken to other comprehensive income	(19.9)	18.6
Items that may be reclassified subsequently to the income statement:		
Net exchange adjustments offset in reserves	17.7	(33.1)
Revaluation of available-for-sale investments	-	(0.5)
Available-for-sale investments reclassified to the income statement	-	(1.5)
Effective portion of changes in fair value of cash flow hedge	(0.1)	1.2
Recycling cumulative exchange on disposal of foreign operations	0.6	-
Net income/(loss) not recognised in income statement	112.6	(90.9)
Total comprehensive income/(expense) for the year	374.1	(52.2)
Attributable to:		
Equity holders of the company	374.4	(52.7)
Non controlling interests	(0.3)	0.5
	374.1	(52.2)

Consolidated balance sheet

	Notes	2014 £m	Restated 2013 £m
Assets			
Non-current assets			
Intangible assets	9	431.3	425.0
Property, plant and equipment	10	505.5	537.1
Investment property		-	4.4
Investments in associated undertakings		14.4	13.0
Other investments		0.1	0.2
Deferred tax assets		3.5	9.2
Retirement benefit assets	13	192.2	70.6
Other receivables		11.5	8.2
Derivative financial instruments		1.4	0.2
		1,159.9	1,067.9
Current assets			
Other investments		51.4	292.0
Inventories		58.9	63.8
Trade and other receivables		314.5	417.4
Current tax assets		6.0	5.7
Derivative financial instruments		0.6	3.4
Cash and cash equivalents	11	197.1	143.8
		628.5	926.1
Liabilities			
Current liabilities			
Trade and other payables		(382.0)	(492.8)
Current tax liabilities		(71.8)	(66.5)
Provisions for other liabilities and charges	14	(24.5)	(30.0)
Bank and other short-term borrowings	12	(31.1)	(444.2)
Derivative financial instruments		(6.7)	(7.8)
		(516.1)	(1,041.3)
Net current assets/(liabilities)		112.4	(115.2)
Non-current liabilities			
Other payables		(12.9)	(13.0)
Bank and other long-term borrowings	12	(976.1)	(1,022.5)
Deferred tax liabilities		(78.3)	(62.7)
Retirement benefit obligations	13	(25.8)	(23.6)
Provisions for other liabilities and charges	14	(59.8)	(62.9)
Derivative financial instruments		(19.4)	-
		(1,172.3)	(1,184.7)
Net assets/(liabilities)		100.0	(232.0)
Equity			
Capital and reserves attributable to the company's equity holders			
Called up share capital	15	18.2	18.2
Share premium account		6.8	6.8
Other reserves		(1,772.0)	(1,790.2)
Retained profits		1,847.2	1,533.1
		100.2	(232.1)
Non controlling interests		(0.2)	0.1
Total equity		100.0	(232.0)

Consolidated statement of changes in equity

	Called up share capital £m	Share premium account £m	Other reserves £m	Restated Retained earnings £m	Non controlling interests £m	Total equity £m
At 1 January 2013	18.1	6.8	(1,757.0)	1,598.2	6.7	(127.2)
Profit for the period	-	-	-	37.5	1.2	38.7
Other comprehensive income:						
Net exchange adjustments offset in reserves	-	-	(32.4)	-	(0.7)	(33.1)
Remeasurement of net defined benefit asset/liability	-	-	-	(75.6)	-	(75.6)
Revaluation of available-for-sale investments	-	-	(0.5)	-	-	(0.5)
Available-for-sale investments reclassified to the income statement	-	-	(1.5)	-	-	(1.5)
Effective portion of changes in fair value of cash flow hedge	-	-	1.2	-	-	1.2
Tax related to remeasurement of net defined benefit asset/liability	-	-	-	18.6	-	18.6
Total comprehensive expense for the year	-	-	(33.2)	(19.5)	0.5	(52.2)
Transactions with owners:						
Issue of Ordinary shares	0.1	-	-	(0.1)	-	-
Dividends paid to equity shareholders	-	-	-	(38.6)	-	(38.6)
Cost of share options and long-term incentive plan	-	-	-	2.0	-	2.0
Transactions with non controlling interests:						
Acquisition of non controlling interest	-	-	-	(8.9)	(3.7)	(12.6)
Dividends paid to non controlling interests	-	-	-	-	(3.4)	(3.4)
At 31 December 2013	18.2	6.8	(1,790.2)	1,533.1	0.1	(232.0)
At 1 January 2014	18.2	6.8	(1,790.2)	1,533.1	0.1	(232.0)
Profit for the year	-	-	-	261.8	(0.3)	261.5
Other comprehensive income:						
Net exchange adjustments offset in reserves	-	-	17.7	-	-	17.7
Remeasurement of net defined benefit asset/liability	-	-	-	114.3	-	114.3
Effective portion of changes in fair value of cash flow hedge	-	-	(0.1)	-	-	(0.1)
Cumulative exchange recycled to income statement on disposal of foreign operations	-	-	0.6	-	-	0.6
Tax on items taken directly to other comprehensive income	-	-	-	(19.9)	-	(19.9)
Total comprehensive expense for the year	-	-	18.2	356.2	(0.3)	374.1
Transactions with owners:						
Dividends paid to equity shareholders	-	-	-	(43.2)	-	(43.2)
Cost of share options and long-term incentive plan	-	-	-	1.1	-	1.1
At 31 December 2014	18.2	6.8	(1,772.0)	1,847.2	(0.2)	100.0

Treasury shares of £10.9m (2013: £11.1m) have been netted against retained earnings. Treasury shares represent 5.9m (2013: 6.0m) shares held by the Rentokil Initial Employee Share Trust. The market value of these shares at 31 December 2014 was £7.1m (2013: £6.9m). Dividend income from, and voting rights on, the shares held by the Trust have been waived.

Consolidated statement of changes in equity (continued)

Analysis of other reserves

	Capital reduction reserve £m	Legal reserve £m	Cash flow hedge reserve £m	Trans- lation reserve £m	Available -for-sale reserve £m	Total £m
At 1 January 2013	(1,722.7)	10.4	(1.1)	(45.6)	2.0	(1,757.0)
Net exchange adjustments offset in reserves	-	-	-	(32.4)	-	(32.4)
Revaluation of available-for-sale investments	-	-	-	-	(0.5)	(0.5)
Available-for-sale investments reclassified to the Income statement	-	-	-	-	(1.5)	(1.5)
Effective portion of changes in fair value of cash flow hedge	-	-	1.2	-	-	1.2
Total comprehensive income/(expense) for the year	-	-	1.2	(32.4)	(2.0)	(33.2)
At 31 December 2013	(1,722.7)	10.4	0.1	(78.0)	-	(1,790.2)
At 1 January 2014	(1,722.7)	10.4	0.1	(78.0)	-	(1,790.2)
Net exchange adjustments offset in reserves	-	-	-	17.7	-	17.7
Effective portion of changes in fair value of cash flow hedge	-	-	(0.1)	-	-	(0.1)
Cumulative exchange recycled to income statement on disposal of foreign operations	-	-	-	0.6	-	0.6
Total comprehensive income/(expense) for the period	-	-	(0.1)	18.3	-	18.2
At 31 December 2014	(1,722.7)	10.4	-	(59.7)	-	(1,772.0)

The capital reduction reserve arose in 2005 as a result of the scheme of arrangement of Rentokil Initial 1927 plc under section 425 of the Companies Act 1985 to introduce a new holding company, Rentokil Initial plc and the subsequent reduction in capital approved by the High Court whereby the nominal value of each ordinary share was reduced from 100p to 1p.

Consolidated cash flow statement

	Notes	Year to 31 December 2014 £m	Year to 31 December 2013 £m
Profit for the period		261.5	38.7
Adjustments for:			
- (Profit) / loss on sale of discontinued operations excluding costs of disposal	6	(146.0)	26.1
- Discontinued operations tax	6	0.4	(2.7)
- Tax		37.1	31.4
- Share of profit from associates		(3.9)	(4.3)
- One-off items – financing		-	(1.5)
- Net interest credit from pensions		(2.5)	(5.5)
- Interest income		(10.9)	(10.9)
- Interest expense		56.2	70.9
Reversal of non-cash items:			
- Depreciation and impairment of tangible assets		175.7	188.3
- Depreciation and impairment of investment properties		-	3.5
- Amortisation and impairment of intangible assets ¹		21.2	26.9
- Amortisation and impairment of computer software		13.0	17.0
- LTIP charges		1.1	2.0
- Other non-cash items		0.8	0.7
- Loss on sale of property, plant and equipment		0.6	3.4
- Profit on sale of investment property		(2.4)	-
- Loss on disposal/retirement of intangible assets		0.8	1.9
- (Profit)/loss on disposal of companies and businesses excluding costs of disposal (not included within discontinued operations)		(2.4)	1.2
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation):			
- Inventories		1.6	(11.5)
- Trade and other receivables		(19.9)	(0.6)
- Trade and other payables and provisions		(34.0)	(26.0)
Cash generated from operating activities before special pension contribution		348.0	349.0
Special pension contribution		(1.0)	(13.6)
Cash generated from operating activities		347.0	335.4
Interest received		10.9	10.6
Interest paid		(59.6)	(60.9)
Income tax paid		(30.1)	(37.2)
Net cash generated from operating activities		268.2	247.9
Cash flows from investing activities			
Purchase of property, plant and equipment		(173.1)	(201.1)
Purchase of intangible fixed assets		(12.0)	(27.6)
Proceeds from sale of property, plant and equipment		6.3	6.3
Proceeds from sale of investment properties		6.8	-
Acquisition of companies and businesses, net of cash acquired	18	(68.1)	(12.0)
Disposal of companies and businesses		256.0	2.0
Restricted cash disposed of with companies and businesses		(16.7)	-
Disposal of available-for-sale investments		-	1.2
Dividends received from associates		1.7	1.9
Net cash flows from investing activities		0.9	(229.3)
Cash flows from financing activities			
Dividends paid to equity shareholders		(43.2)	(38.6)
Dividends paid to non controlling interests		-	(3.4)
Interest element of finance lease payments		(0.8)	(0.9)
Capital element of finance lease payments		(8.1)	(8.1)
Cash (outflow)/inflow on settlement of debt related foreign exchange forward contracts		(3.1)	5.7
Net investment in term deposits		240.7	(292.1)
Proceeds from issue of debt		1.1	290.4
Net loan repayments		(390.6)	(50.0)
Net cash flows from financing activities		(204.0)	(97.0)
Net increase/(decrease) in cash and cash equivalents		65.1	(78.4)
Cash and cash equivalents at beginning of year		143.4	218.9
Exchange (losses)/gains on cash and cash equivalents		(14.4)	2.9
Cash and cash equivalents at end of the financial period		194.1	143.4

¹excluding computer software

Notes to the financial statements

1. Changes in accounting policies

The group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014:

- Investment entities - amendments to IFRS 10, IFRS 12, and IAS 27
- Joint arrangements - amendments to IFRS 11
- Offsetting financial assets and financial liabilities – amendments to IAS 32
- Recoverable amount disclosures for non-financial assets – amendments to IAS 36
- Continuing hedge accounting after derivative novations – Amendments to IAS 39

The nature and the effect of the material changes as a result of the adoption of the new standards are further explained below.

As a result of IFRS 10 (2011), the group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that focuses on whether the group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provisions of IFRS 10, the group reassessed the control conclusion for its investees at 1 January 2014. No modifications of previous conclusions about control regarding the group's investees were required.

As a result of IFRS 11, the group has changed its accounting policy for its interests in joint arrangements. Under IFRS 11, the group has classified its interests in joint arrangements as either joint operations (if the group has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the group has rights only to the net assets of an arrangement). When making this assessment, the group considered the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

No modifications of previous conclusions about joint arrangements were required.

The following tables summarise the material impacts resulting from the representation of Initial Facilities as discontinued operations on the group's income statement and earnings per share.

Condensed consolidated income statement

For the year ended 31 December 2013

	As previously reported £m	Adjustment for discontinued operations £m	As restated £m
Revenue	2,327.1	(535.7)	1,791.4
Operating expenses	(2,155.8)	524.9	(1,630.9)
Operating profit	171.3	(10.8)	160.5
Analysed as:			
Operating profit before amortisation and impairment of intangibles ¹ , restructuring costs and one-off items	261.9	(25.8)	236.1
Restructuring costs	(51.7)	4.3	(47.4)
One-off items – operating	(12.0)	7.4	(4.6)
Amortisation and impairment of intangible assets ¹	(26.9)	3.3	(23.6)
Operating profit	171.3	(10.8)	160.5
Interest payable and similar charges	(70.9)	0.4	(70.5)
Interest receivable	10.9	-	10.9
Net interest credit from pensions	5.5	-	5.5
One-off items – financing	1.5	-	1.5
Share of profit from associates (net of tax)	4.3	-	4.3
Profit before income tax	122.6	(10.4)	112.2
Income tax expense	(31.4)	2.5	(28.9)
Profit for the period from continuing operations	91.2	(7.9)	83.3
Loss for the year from discontinued operations	(52.5)	7.9	(44.6)
Profit for the year (including discontinued operations)	38.7	-	38.7

¹ excluding computer software

Earnings per share

For the year ended 31 December 2013

	As previously reported £m	Adjustment for discontinued operations £m	As restated £m
Profit from continuing operations attributable to equity holders of the Company	90.0	(7.9)	82.1
Restructuring costs and one-off items, amortisation and impairment of intangibles ¹ before tax and net interest credit from pensions	83.6	(15.0)	68.6
Tax on restructuring costs and one-off items, amortisation and impairment of intangibles ¹ and net interest credit from pensions	(20.5)	3.5	(17.0)
Adjusted profit from continuing operations attributable to equity holders of the Company	153.1	(19.4)	133.7
Loss from discontinued operations attributable to equity holders of the Company	(52.5)	7.9	(44.6)
Weighted average number of ordinary shares in issue	1,817.1	-	1,817.1
Adjustment for share options and LTIPs	6.0	-	6.0
Weighted average number of ordinary shares for diluted earnings per share	1,823.1	-	1,823.1
Basic earnings per share			
Continuing operations	4.95p	(0.43p)	4.52p
Discontinued operations	(2.89p)	0.44p	(2.45p)
Continuing and discontinued operations	2.06p	-	2.06p
Diluted earnings per share			
Continuing operations	4.94p	(0.44p)	4.50p
Discontinued operations	(2.89p)	0.44p	(2.45p)
Continuing and discontinued operations	2.06p	-	2.06p
Basic adjusted earnings per share²	8.42p	(1.06p)	7.36p
Diluted adjusted earnings per share²	8.40p	(1.07p)	7.33p

¹ excluding computer software

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

2. Segmental information

Segmental information has been presented in accordance with IFRS 8 "Operating Segments" which the group has implemented with effect from 1 January 2009. This statement reflects internal organisation changes made in 2014. In 2013 our core businesses were run on a day-to-day basis by one manager per country, each responsible for the core activities in his/her region, and the countries were grouped into three geographic regions, East, West and Asia. In 2014 the East and West regions ceased to exist and have been replaced by regional clusters. Prior-year comparisons have been restated.

Reporting segments reflect the internal management organisation and reporting structures. Each segment is headed by a regional managing director who reports directly to the Chief Executive and is a member of the company executive board responsible for the review of group performance. Operating businesses within each segment report to segment regional managing directors.

Segmental revenue represents the total revenue of each individual business unit within a reporting segment. Segmental profit is the profit measure used to measure performance internally and is calculated as profit before tax, interest, amortisation and impairment of intangibles (excluding computer software) and re-organisation costs and one-off items (adjusted operating profit).

Continuing operations	Revenue	Revenue	Adjusted operating profit	Restated Adjusted operating profit
	2014 £m	2013 £m	2014 £m	2013 £m
France	370.8	369.8	66.6	64.2
Benelux	236.2	247.8	39.7	51.2
Germany	206.9	202.8	47.7	46.3
Other Europe	87.9	74.9	13.8	12.6
Europe	901.8	895.3	167.8	174.3
UK & Ireland	196.7	184.3	37.6	38.2
Rest of World	125.1	121.1	29.1	29.2
UK & Rest of World	321.8	305.4	66.7	67.4
Asia	105.8	103.7	9.1	7.7
North America	366.9	344.3	42.9	37.1
Pacific	144.0	142.7	28.7	27.1
Central and divisional costs	-	-	(66.1)	(77.5)
Total segmental at constant exchange rates	1,840.3	1,791.4	249.1	236.1
Foreign exchange	(99.5)	-	(16.9)	-
At actual exchange rates	1,740.8	1,791.4	232.2	236.1
Restructuring costs	-	-	(8.8)	(47.4)
One-off items – operating	-	-	(0.1)	(4.6)
Amortisation of intangible assets ¹	-	-	(21.2)	(20.2)
Impairment of goodwill	-	-	-	(3.4)
Operating profit at actual exchange rates	-	-	202.1	160.5
Interest payable and similar charges	-	-	(56.2)	(70.5)
Interest receivable	-	-	10.9	10.9
Net interest credit from pensions	-	-	2.5	5.5
One-off items – financing	-	-	-	1.5
Share of profit from associates (net of tax) - Asia	-	-	3.9	4.3
Profit before income tax and discontinued operations	1,740.8	1,791.4	163.2	112.2
Amortisation and impairment of intangibles¹ (at actual exchange rates)			2014 £m	2013 £m
Europe			5.7	4.1
UK & Rest of World			2.8	3.3
Asia			1.0	4.5
North America			10.0	10.4
Pacific			0.2	0.3
Central and divisional			1.5	1.0
			21.2	23.6
Tax effect			(6.8)	(6.5)
After tax effect			14.4	17.1

¹excluding computer software

2. Segmental information (continued)

Restructuring costs and one-off items – operating

	Restructuring costs 2014 £m	One off items 2014 £m	Restructuring costs 2013 £m	One off items 2013 £m
Europe				
Restructuring costs – France	2.4	-	9.9	-
Restructuring costs – Benelux	0.8	-	7.1	-
Restructuring costs – Germany	-	-	4.9	-
Restructuring costs – Other Europe	0.8	-	1.9	-
Gain on sale – Spain Medical	-	(2.4)	-	-
One-off items - Europe	-	1.4	-	1.1
Total – Europe	4.0	(1.0)	23.8	1.1
UK & Rest of World				
Restructuring costs – UK & Ireland	0.8	-	5.7	-
Restructuring costs – Rest of World	-	-	1.7	-
One-off items – UK	-	(0.2)	-	-
One-off items – Rest of World	-	1.1	-	-
Total – UK & Rest of World	0.8	0.9	7.4	-
Asia				
Restructuring costs - Asia	0.2	-	0.4	-
One-off items – Asia	-	0.2	-	-
Loss on disposal – South Korea	-	-	-	0.2
Total – Asia	0.2	0.2	0.4	0.2
North America				
Restructuring costs – US	1.5	-	-	-
One-off items – US	-	0.2	-	2.5
Release of unpaid contingent consideration	-	(0.4)	-	(0.4)
Total – North America	1.5	(0.2)	-	2.1
Pacific				
Restructuring costs – Australia	1.1	-	2.3	-
Restructuring costs – New Zealand	0.2	-	-	-
One-off items – Australia/New Zealand	-	0.1	-	-
Total – Pacific	1.3	0.1	2.3	-
Central and divisional overheads				
Restructuring costs – Central and divisional overheads	1.0	-	13.5	-
One-off items	-	0.8	-	-
Impairment of computer software	-	2.3	-	-
Gain on sale of investment properties	-	(2.4)	-	-
Vacant property provisions	-	(0.6)	-	1.2
Total – Central and divisional overheads	1.0	0.1	13.5	1.2
Total	8.8	0.1	47.4	4.6
Tax effect	(1.7)	0.3	(11.9)	(0.2)
Total after tax effect	7.1	0.4	35.5	4.4

3. Interest payable and similar charges

	2014 £m	Restated 2013 £m
Hedged interest payable on medium term notes issued ¹	40.7	54.0
Interest payable on bank loans and overdrafts ¹	1.2	0.9
Interest and fees payable on revolving credit facility ¹	1.4	4.1
Interest payable on foreign exchange swaps	9.9	10.1
Interest payable on finance leases	0.8	0.9
Amortisation of discount on provisions	1.1	0.3
Foreign exchange loss on translation of foreign denominated loan ²	0.2	-
Fair value loss on other derivatives ^{3,4}	0.9	0.2
Total interest payable and similar charges	56.2	70.5

¹interest expense on financial liabilities held at amortised cost

²comprises retranslation loss on financing instruments of £195.1m offset by gains of £194.9m (2013: gains of £59.7m offset by losses of £59.4m (see note 4))

³loss on financial assets/liabilities at fair value through the income statement

⁴the fair value loss on other derivatives includes fair value losses relating to interest rate swaps of £0.9m (2013: £0.2m)

4. Interest receivable

	2014 £m	2013 £m
Bank interest ¹	2.0	1.5
Interest receivable on foreign exchange swaps	8.3	8.7
Foreign exchange gain on translation of foreign denominated assets and liabilities	-	0.3
Fair value gain on other derivatives ^{2,3}	0.6	0.4
Total interest receivable	10.9	10.9

¹interest income on loans and receivables

²gain on financial assets/liabilities at fair value through the income statement

³the fair value gain on other derivatives includes fair value gains/(losses) relating to interest rate swaps of £0.6m (2013: £0.4m)

5. Income tax expense

	2014 £m	Restated 2013 £m
Analysis of charge in the period		
UK Corporation tax at 21.5%* (2013: 23.25%)	1.7	1.9
Overseas taxation	32.6	28.8
Adjustment in respect of previous periods	5.1	3.6
Total current tax	39.4	34.3
Deferred tax	(2.3)	(5.4)
Total income tax expense	37.1	28.9

*the statutory mainstream rate of corporation tax was 23.0% for the year ended 31 March 2014 and reduced to 21.0% for the year ending 31 March 2015. This gives rise to a hybrid tax rate of 21.5% for the year ending 31 December 2014 (three months at 23.0% and nine months at 21.0%)

A deferred tax asset of £24.7m (2013: £16.0m) has been recognised in respect of UK tax losses carried forward as at 31 December 2014. This amount has been calculated by estimating the future UK taxable profits for 2015 to 2017, against which the UK tax losses will be utilised, and applying the tax rates (substantively enacted as at the balance sheet date) applicable for each year. Remaining UK tax losses of £199.1m have not been recognised as at 31 December 2014.

As a substantial proportion of profits are generated outside the UK, the standard rate of tax has been determined as the weighted average of the standard rates of tax in each of the different countries where profits are generated. The relevant rates were approximately 26% (2013: 27%).

The 2014 Budget on 20 March 2014 announced that the UK corporation tax rate will reduce to 20% (effective from 1 April 2015) and this rate change was substantively enacted on 2 July 2014. This will reduce the Company's future current tax charge accordingly. The deferred tax liability at 31 December 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

6. Discontinued operations and disposals

On 18 March 2014 the group sold the Initial Facilities division. The division was not previously classified as held for sale or as a discontinued operation. Management committed to a plan to sell this division early in 2014, following a decision to concentrate on the group's core international businesses in pest control, hygiene and workwear. The comparative consolidated income statement has been re-presented to show the discontinued operation separately from continuing operations.

On 26 April 2013 the group sold the City Link division. The comparative consolidated income statement shows the discontinued operation separately from continuing operations.

During the year the group also disposed of two smaller businesses that are not classified as discontinued operations.

The results of the discontinued operations are as follows:

	2014 £m	2013 £m
Revenue	85.3	630.5
Operating expenses	(84.9)	(633.9)
Operating profit/(loss)	0.4	(3.4)
Interest payable	-	(0.4)
Income tax benefit	(0.4)	0.2
Operating loss, net of tax	-	(3.6)
Profit/(loss) on sale of discontinued operation	135.4	(41.0)
Profit/(loss) for the period	135.4	(44.6)
Basic earnings per share (note 7)	7.45p	(2.45p)
Diluted earnings per share (note 7)	7.44p	(2.45p)

The profit from discontinued operations of £135.4m (2013: £44.6m loss) is attributable entirely to the owners of the Company.

Details of cash flows from discontinued operations are as follows:

	2014 £m	2013 £m
Net cash used in operating activities	(31.2)	(14.2)
Net cash used in investing activities ¹	224.5	(8.1)
Effect on cash flows	193.3	(22.3)

Details of net assets disposed and disposal proceeds in the year relating to all disposals are as follows:

	Initial Facilities £m	Other Disposals £m	Total £m
Non-current assets			
- Intangible assets	39.8	2.5	42.3
- Property, plant and equipment	7.6	0.1	7.7
Current assets	138.0	-	138.0
Current liabilities	(81.4)	-	(81.4)
Non-current liabilities	-	-	-
Net assets and liabilities	104.0	2.6	106.6
Cumulative foreign exchange recycled	0.6	-	0.6
Pension curtailment	(0.6)	-	(0.6)
Costs of disposal	10.6	1.5	12.1
Consideration	(250.0)	(6.0)	(256.0)
Deferred consideration	-	(0.5)	(0.5)
Profit on disposal	(135.4)	(2.4)	(137.8)
Consideration	250.0	6.0	256.0
Cash and cash equivalents disposed of	(16.7)	-	(16.7)
Net cash inflow from disposals	233.3	6.0	239.3

7. Earnings per share

Basic

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

	2014 £m	Restated 2013 £m
Profit from continuing operations attributable to equity holders of the Company	126.4	82.1
Profit/(loss) from discontinued operations attributable to equity holders of the Company	135.4	(44.6)
Weighted average number of ordinary shares in issue	1,817.1	1,817.1
Basic earnings per share from continuing operations	6.96p	4.52p
Basic earnings per share from discontinued operations	7.45p	(2.45p)
Basic earnings per share from continuing and discontinued operations	14.41p	2.06p

Diluted

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

	2014 £m	Restated 2013 £m
Profit from continuing operations attributable to equity holders of the Company	126.4	82.1
Profit/(loss) from discontinued operations attributable to equity holders of the Company	135.4	(44.6)
Weighted average number of ordinary shares in issue	1,817.1	1,817.1
Adjustment for share options and LTIPs	2.5	6.0
Weighted average number of ordinary shares for diluted earnings per share	1,819.6	1,823.1
Diluted earnings per share from continuing operations	6.95p	4.50p
Diluted earnings per share from discontinued operations	7.44p	(2.45p)
Diluted earnings per share from continuing and discontinued operations	14.39p	2.06p

Adjusted

Adjusted earnings per share is the basic earnings per share adjusted for the after tax effects of restructuring costs and one-off items, amortisation and impairment of intangibles¹ and net interest credit from pensions. Prior year comparatives have been restated to adjust for discontinued operations – please refer to Note 1 for further details.

	2014 £m	Restated 2013 £m
Profit from continuing operations attributable to equity holders of the Company	126.4	82.1
Restructuring costs and one-off items, amortisation and impairment of intangibles ¹ before tax and net interest credit from pensions	27.6	68.6
Tax on restructuring costs and one-off items, amortisation and impairment of intangibles ¹ and net interest credit from pensions ²	(7.7)	(17.0)
Adjusted profit from continuing operations attributable to equity holders of the Company	146.3	133.7
Weighted average number of ordinary shares in issue	1,817.1	1,817.1
Adjusted earnings per share from continuing operations	8.05p	7.36p

¹excluding computer software

²includes tax on restructuring costs and one-off items - operating of £1.4m (2013: £12.1m) (Note 2), one-off items – financing of nil (2013: £(0.3)m), amortisation and impairment of intangibles of £6.8m (2013: £6.5m) and net interest credit from pensions £(0.5)m (2013: £(1.3)m)

Diluted adjusted

	2014 £m	Restated 2013 £m
Adjusted profit attributable to equity holders of the company	146.3	133.7
Weighted average number of ordinary shares in issue	1,817.1	1,817.1
Adjustment for share options and LTIPs	2.5	6.0
Weighted average number of ordinary shares for diluted earnings per share	1,819.6	1,823.1
Diluted adjusted earnings per share from continuing operations	8.04p	7.33p

8. Dividends

	2014 £m	2013 £m
2012 final dividend paid – 1.43p per share	-	25.9
2013 interim dividend paid – 0.70p per share	-	12.7
2013 final dividend paid – 1.61p per share	29.2	-
2014 interim dividend paid – 0.77p per share	14.0	-
	43.2	38.6

An interim dividend of 0.77p per share was paid on 16 September 2014 amounting to £14.0m. A dividend in respect of 2014 of 1.82p (2013: 1.61p) per 1p share amounting to £33.1m (2013: £29.2m) is to be proposed at the annual general meeting on 13 May 2015. These financial statements do not reflect this recommended dividend.

9. Intangible assets

	Goodwill £m	Customer lists and relationships £m	Brands £m	Reacquired franchise rights £m	Product development £m	Computer software £m	Total £m
Cost							
At 1 January 2013	531.7	517.2	36.0	25.4	4.0	78.3	1,192.6
Exchange differences	(13.6)	(11.7)	(0.8)	-	-	(1.0)	(27.1)
Additions	-	-	-	-	5.9	21.7	27.6
Disposals/retirements	-	(0.8)	-	-	-	(5.7)	(6.5)
Acquisition of companies and businesses	2.8	7.3	-	-	-	-	10.1
Disposal of companies and businesses	(203.3)	(60.6)	-	(25.4)	-	(8.9)	(298.2)
At 31 December 2013	317.6	451.4	35.2	-	9.9	84.4	898.5
At 1 January 2014	317.6	451.4	35.2	-	9.9	84.4	898.5
Exchange differences	(2.7)	(7.5)	0.8	-	-	(1.7)	(11.1)
Additions	-	-	-	-	-	11.8	11.8
Disposals/retirements	-	-	-	-	(0.4)	(2.6)	(3.0)
Acquisition of companies and businesses	33.0	39.5	1.7	-	-	0.2	74.4
Disposal of companies and businesses	(30.9)	(26.8)	(3.3)	-	-	(7.4)	(68.4)
At 31 December 2014	317.0	456.6	34.4	-	9.5	84.7	902.2
Accumulated amortisation and impairment							
At 1 January 2013	(226.7)	(432.9)	(17.0)	(25.4)	-	(38.5)	(740.5)
Exchange differences	0.8	11.2	0.6	-	-	0.8	13.4
Disposals/retirements	-	-	-	-	-	3.8	3.8
Disposal of companies and businesses	203.0	61.3	-	25.4	-	4.0	293.7
Impairment charge	(3.4)	-	-	-	-	(5.2)	(8.6)
Amortisation charge	-	(19.7)	(3.2)	-	(0.6)	(11.8)	(35.3)
At 31 December 2013	(26.3)	(380.1)	(19.6)	-	(0.6)	(46.9)	(473.5)
At 1 January 2014	(26.3)	(380.1)	(19.6)	-	(0.6)	(46.9)	(473.5)
Exchange differences	0.3	8.0	(0.4)	-	-	1.3	9.2
Disposals/retirements	-	-	-	-	-	2.2	2.2
Acquisition of companies and businesses	-	-	-	-	-	(0.1)	(0.1)
Disposal of companies and businesses	-	19.6	2.4	-	-	4.0	26.0
Impairment charge	-	-	-	-	-	(2.3)	(2.3)
Amortisation charge	-	(17.9)	(2.7)	-	(1.1)	(10.7)	(32.4)
At 31 December 2014	(26.0)	(370.4)	(20.3)	-	(1.7)	(52.5)	(470.9)
Net Book Value							
1 January 2013	305.0	84.3	19.0	-	4.0	39.8	452.1
31 December 2013	291.3	71.3	15.6	-	9.3	37.5	425.0
31 December 2014	291.0	86.2	14.1	-	7.8	32.2	431.3

10. Property, plant and equipment

	Land & buildings £m	Service contract equipment £m	Other plant and equipment £m	Vehicles and office equipment £m	Total £m
Cost					
At 1 January 2013	172.5	685.0	266.6	245.4	1,369.5
Exchange differences	1.5	(3.4)	3.2	(8.2)	(6.9)
Additions	7.5	134.1	25.5	39.4	206.5
Disposals	(5.8)	(101.4)	(10.6)	(37.2)	(155.0)
Acquisition of companies and businesses	-	2.7	0.2	0.1	3.0
Disposal of companies and businesses	(12.1)	(5.6)	(7.7)	(17.1)	(42.5)
Transfer to investment properties	(8.7)	-	-	-	(8.7)
At 31 December 2013	154.9	711.4	277.2	222.4	1,365.9
At 1 January 2014	154.9	711.4	277.2	222.4	1,365.9
Exchange differences	(8.5)	(39.2)	(15.2)	(3.6)	(66.5)
Additions	3.8	135.5	14.0	25.6	178.9
Disposals	(6.2)	(169.3)	(20.1)	(33.5)	(229.1)
Acquisition of companies and businesses	1.3	2.8	1.2	2.7	8.0
Disposal of companies and businesses	(0.7)	(1.5)	(23.4)	(10.8)	(36.4)
At 31 December 2014	144.6	639.7	233.7	202.8	1,220.8
Accumulated depreciation and impairment					
At 1 January 2013	(49.6)	(439.9)	(182.6)	(147.1)	(819.2)
Exchange differences	(0.1)	3.4	(2.2)	4.5	5.6
Disposals	3.4	99.1	9.9	32.9	145.3
Disposal of companies and businesses	6.4	3.1	5.5	12.0	27.0
Depreciation charge	(5.2)	(126.4)	(20.3)	(36.4)	(188.3)
Transfer to investment properties	0.8	-	-	-	0.8
At 31 December 2013	(44.3)	(460.7)	(189.7)	(134.1)	(828.8)
At 1 January 2014	(44.3)	(460.7)	(189.7)	(134.1)	(828.8)
Exchange differences	2.8	25.7	10.5	2.8	41.8
Disposals	5.5	167.1	19.6	30.0	222.2
Acquisition of companies and businesses	-	(2.1)	(0.6)	(0.4)	(3.1)
Disposal of companies and businesses	0.1	1.5	17.9	8.8	28.3
Depreciation charge	(5.1)	(125.8)	(16.6)	(28.2)	(175.7)
At 31 December 2014	(41.0)	(394.3)	(158.9)	(121.1)	(715.3)
Net Book Value					
At 1 January 2013	122.9	245.1	84.0	98.3	550.3
At 31 December 2013	110.6	250.7	87.5	88.3	537.1
At 31 December 2014	103.6	245.4	74.8	81.7	505.5

11. Cash and cash equivalents

	2014 £m	2013 £m
Cash at bank and in hand	136.9	138.2
Short-term bank deposits	60.2	5.6
	197.1	143.8
Cash and cash equivalents include the following for the purposes of the cash flow statement:		
Cash and cash equivalents	197.1	143.8
Bank overdrafts (note 12)	(3.0)	(0.4)
	194.1	143.4

Included within cash at bank and in hand is £9.1m (2013: £16.5m) of restricted cash.

Offsetting financial assets and liabilities

The group operates legal arrangements whereby cash balances and overdrafts in the same currency held with the same bank are offset to give a net balance which is included within cash and cash equivalents on the balance sheet. The total cash and bank overdrafts figures before netting are shown in the tables below:

31 December 2014	Gross amounts before offsetting £m	Gross amounts set off £m	Net amounts presented £m
Cash at bank and in hand	1,107.8	(970.9)	136.9
Bank overdrafts (note 12)	(973.9)	970.9	(3.0)
	133.9	-	133.9
31 December 2013	Gross amounts before offsetting £m	Gross amounts set off £m	Net amounts presented £m
Cash at bank and in hand	1,778.2	(1,640.0)	138.2
Bank overdrafts (note 12)	(1,640.4)	1,640.0	(0.4)
	137.8	-	137.8

12. Bank and other borrowings

	2014 £m	2013 £m
Non-current		
RCF and other bank borrowings	0.2	0.2
Bond debt	960.6	1,008.6
Finance lease liabilities	15.3	13.7
	976.1	1,022.5
Current		
Bank overdrafts (note 11)	3.0	0.4
Bank borrowings	1.3	0.5
Bond debt	-	402.7
Bond accruals	18.7	33.4
Finance lease liabilities	8.1	7.2
	31.1	444.2
Total bank and other borrowings	1,007.2	1,466.7

Medium term notes and bond debt comprises:

	Bond interest coupon	Effective hedged interest rate
Non-current		
£300m bond due March 2016	Fixed 5.75%	Fixed 4.48%
€500m bond due September 2019	Fixed 3.375%	Fixed 3.62%
€350m bond due October 2021	Fixed 3.25%	Fixed 3.55%
£1.3m perpetual debentures	Fixed 5.00%	Fixed 5.00%
£0.3m perpetual debentures	Fixed 4.50%	Fixed 4.50%
Current		
€500m bond paid March 2014	Fixed 4.625%	Fixed 4.93%
Average cost of bond debt at period end rates		3.97%

Borrowings under the group's committed Revolving Credit Facility of £270m accrues interest when drawn at LIBOR plus a margin. The cost of borrowing under the group's Revolving Credit Facility at the year end was 1.5%, however the facility was undrawn during the year. The group's committed borrowing also includes a £40m Letter of Credit facility maturing December 2016.

At 31 December 2014, the Revolving Credit Facilities was undrawn (2013: undrawn) and £30.5m (2013: £36.2m) of letters of credit were in issue.

The committed borrowing facilities are subject to guarantees by Rentokil Initial 1927 plc.

On 27 January 2015, a new combined £315m facility of which £270m can be used for cash drawings was signed, maturing in January 2020.

The carrying values and the fair values of the group's borrowings are shown below. Fair values are based on cash flows discounted at the current market rates:

	Carrying amount 2014 £m	Carrying amount 2013 £m	Fair Value 2014 £m	Fair Value 2013 £m
Non-current				
Bank borrowings	0.2	0.2	0.2	0.2
£300m bond due March 2016	304.8	308.6	315.8	323.7
€500m bond due September 2019	386.2	412.4	431.9	430.2
€350m bond due October 2021	268.6	286.6	308.0	288.7
£1.6m perpetual debentures	1.0	1.0	1.7	1.7
Finance lease liabilities	15.3	13.7	15.3	13.7
	976.1	1,022.5	1,072.9	1,058.2
Current				
€500m bond paid March 2014	-	402.7	-	406.2
Finance lease liabilities	8.1	7.2	8.1	7.2
	984.2	1,425.2	1,081.0	1,464.4

For all financial instruments held by the group, those that are held at fair value are to be classified by reference to the source of inputs used to derive the fair value. The following hierarchy is used:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly as prices or indirectly through modelling based on prices;
- Level 3 – inputs for the asset or liability that are not based on observable market data.

The group holds all derivatives at fair value using discounted cash flow models based on market rates which are observable. Therefore all derivative financial instruments and available-for-sale assets held by the group fall into Level 2. Bonds fall into level 1, debentures, finance leases and bank borrowings fall into level 2. Deferred and contingent consideration payable by the group falls into Level 3. No financial instruments have moved between levels in the period.

13. Retirement benefit obligations

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

The principal scheme in the group is the Rentokil Initial Pension Scheme ("RIPS") in the United Kingdom, which has a number of defined benefit sections which are now closed to new entrants and a defined contribution section. The defined benefit scheme is funded through payments to a trustee-administered fund, determined by periodic actuarial calculations.

Actuarial valuations of the UK scheme are usually carried out every three years. At 31 December 2014 the group's UK defined benefit pension scheme, which is closed to new members, was valued at an accounting surplus of £192.2m on the group's balance sheet. The Trustee values the scheme on a different basis and in the valuation at 31 March 2013 a deficit of £17.8m was agreed. It is expected that this deficit will be made good by excess returns above the discount rate over the period to 31 January 2019, however the group will make contributions of £3.2m each year into escrow over this period, subject to a review as part of the actuarial valuation as at 31 March 2016. In the event that the deficit is not cleared by the time of the 31 March 2019 valuation it will be funded from the escrow account.

The group has recognised the pension surplus as an asset because the group has an unconditional right to a refund of the surplus at the end of the Scheme's life.

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

	2014 £m	2013 £m
Weighted average %		
Discount rate	3.4%	4.4%
Future salary increases	N/A	4.3%
Future pension increases	3.2%	3.4%
RPI Inflation	3.3%	3.6%
CPI Inflation	2.2%	2.6%

The amounts recognised in the balance sheet for the total of the UK RIPS and other¹ schemes are determined as follows:

	2014 £m	Restated 2013 £m
Present value of funded obligations	(1,352.2)	(1,216.6)
Fair value of plan assets	1,532.6	1,277.3
	180.4	60.7
Present value of unfunded obligations	(14.0)	(13.7)
Net pension asset	166.4	47.0
Presented in the balance sheet as:		
Retirement benefit assets	192.2	70.6
Retirement benefit obligation	(25.8)	(23.6)
	166.4	47.0

The fair value of plan assets at the balance sheet date for the total of the UK RIPS and other¹ schemes is analysed as follows:

	2014 £m	2012 £m
Equity instruments	354.3	369.1
Debt instruments - quoted	930.3	608.0
Debt instruments - unquoted	11.0	4.5
Interest and inflation rate hedging instruments	122.5	141.2
Property	0.4	0.5
Other	114.1	154.0
	1,532.6	1,277.3

The amounts recognised in the income statement for the total of the UK RIPS and other¹ schemes are as follows:

	2014 £m	Restated 2013 £m
Current service cost ²	1.4	1.8
Past service cost ²	(0.9)	(0.4)
Settlement cost	(0.1)	-
Administrative expenses ²	1.7	1.8
Net interest credit ²	(2.5)	(5.5)
Total pension income	(0.4)	(2.3)

¹ other retirement benefit plans are predominantly made up of defined benefit plans situated in Ireland, Germany, Australia, Belgium, Norway and France.

² service costs and administrative expenses are charged to operating expenses and the net interest credit is shown separately on the face of the income statement.

14. Provisions for other liabilities and charges

	Vacant properties £m	Environmental £m	Self insurance £m	Other £m	Total £m
At 1 January 2013	46.3	17.4	18.9	15.8	98.4
Exchange differences	--	0.2	(0.2)	0.2	0.2
Additional provisions	14.0	1.0	7.0	25.5	47.5
Disposal of companies and businesses	--	-	-	(1.2)	(1.2)
Unused amounts reversed	(7.3)	(1.5)	(2.1)	(1.4)	(12.3)
Unwinding of discount on provisions	0.5	0.2	-	-	0.7
Used during the year	(9.9)	(1.2)	(3.6)	(25.7)	(40.4)
At 31 December 2013	43.6	16.1	20.0	13.2	92.9
At 1 January 2014	43.6	16.1	20.0	13.2	92.9
Exchange differences	-	(0.5)	0.8	(0.4)	(0.1)
Additional provisions	9.0	0.6	6.2	11.7	27.5
Acquisition of companies and businesses	-	-	-	0.6	0.6
Unused amounts reversed	(5.0)	-	(1.7)	(2.2)	(8.9)
Unwinding of discount on provisions	0.9	0.2	-	-	1.1
Used during the period	(9.8)	(1.2)	(5.3)	(12.5)	(28.8)
At 31 December 2014	38.7	15.2	20.0	10.4	84.3

Provisions analysed as follows:

	2014 £m	2013 £m
Non-current portion	59.8	62.9
Current portion	24.5	30.0
	84.3	92.9

Vacant properties

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

The total future minimum sub-lease payments expected to be received under non-cancellable sub-leases at 31 December 2014 is £4.0m (2013: £4.9m).

On 24 December 2014 the City Link business, which was sold by the group to Better Capital LLP in 2013, was placed into administration. Under the terms of the sale of the City Link business, the group retained certain guarantees against five leasehold properties occupied by City Link. The estimated cost of settling this obligation is £5.0m and a provision has been made for this amount. The group also has the benefit of a first ranking fixed charge over the first £5.0m of City Link's receivables. This asset has been recognised in other receivables.

Environmental

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

Self insurance

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

Other

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

15. Share capital

	2014 £m	2013 £m
Authorised		
4,100,000,000 ordinary shares of 1p each	41.0	41.0
Issued and fully paid		
At 1 January and 31 December – 1,822,832,965 shares (2013: 1,817,498,329)	18.2	18.2

16. Reconciliation of net increase/(decrease) in cash and cash equivalents to net debt

	2014 £m	2013 £m
Net increase/(decrease) in cash and cash equivalents	65.1	(78.4)
Movement on finance leases	(1.2)	(2.3)
Movement on other investments	(240.7)	292.1
Movement on loans	389.5	(240.4)
Increase in debt resulting from cash flows	212.7	(29.0)
Foreign exchange translation and other items	47.1	(17.0)
Other non-cash items	-	0.7
Movement on net debt in the period	259.8	(45.3)
Opening net debt	(1,034.8)	(989.5)
Closing net debt	(775.0)	(1,034.8)
Closing net debt comprises:		
Cash and cash equivalents	197.1	143.8
Other investments ¹	51.4	292.1
Fair value of debt related derivatives	(16.3)	(4.0)
Bank and other short-term borrowings	(31.1)	(444.2)
Bank and other long-term borrowings	(976.1)	(1,022.5)
Total net debt	(775.0)	(1,034.8)

¹ other investments include term bank deposits maturing in more than 3 months

The group's interest rate swaps and foreign currency derivatives were included within net debt for the first time in 2013. This better reflects the underlying nature of these contracts.

17. Operating and free cash flow

	2014 £m	2013 £m
Cash generated from operating activities	347.0	335.4
Add back: special pension contribution	1.0	13.6
	348.0	349.0
Purchase of property, plant and equipment	(173.1)	(201.1)
Purchase of intangible fixed assets	(12.0)	(27.6)
Leased property, plant and equipment	(9.3)	(10.3)
Proceeds from sale of property, plant and equipment	6.3	6.3
Proceeds from sale of investment property	6.8	-
Dividends received from associates	1.7	1.9
Operating cash flow	168.4	118.2
Interest received	10.9	10.6
Interest paid	(59.6)	(60.9)
Interest element of finance lease payments	(0.8)	(0.9)
Income tax paid	(30.1)	(37.2)
Special pension contributions	(1.0)	(13.6)
Disposal of available-for-sale investments	-	1.2
Free cash flow	87.8	17.4

18. Business combinations

During the year the group purchased 100% of the share capital or the trade and assets of 30 smaller companies and businesses in the period. The total consideration in respect of acquisitions was £76.8m and the cash outflow from current and past period acquisitions, net of cash acquired was £68.1m.

From the dates of acquisition to 31 December 2014, these acquisitions contributed £31.7m to revenue and £5.4m to operating profit. If the acquisitions had occurred on 1 January 2014, the revenue and operating profit of the group would have amounted to £1,773.2m and £237.5m respectively.

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

	2014 £m	2013 £m
Purchase consideration:		
- Cash paid	63.9	7.4
- Businesses exchanged	-	3.5
- Deferred and contingent consideration	12.9	2.4
Total purchase consideration	76.8	13.3
Fair value of net assets acquired	(44.4)	(10.1)
Goodwill from current period acquisitions	32.4	3.2

Goodwill represents the synergies, workforce and other benefits expected as a result of combining the respective businesses. None of the goodwill recognised is expected to be deductible for tax purposes.

Contingent consideration from current year acquisitions up to a maximum of £8.3m is payable over the next four years based on earn out conditions on revenue, profit and customer retention. Deferred consideration from current year acquisitions of £5.0m is payable over the next four years.

The group incurred acquisition related costs of £1.5m in respect of the above acquisitions.

The provisional fair value¹ of assets and liabilities arising from acquisitions in the period:

	2014 £m	2013 £m
Non-current assets		
- Intangible assets	39.9	7.7
- Property, plant and equipment	4.8	3.0
Current assets ²	17.7	3.0
Current liabilities	(8.7)	(2.5)
Non-current liabilities	(9.3)	(1.1)
Net assets acquired	44.4	10.1

¹ the provisional fair values will be finalised in the 2015 financial statements. The fair values are provisional as the acquisition accounting has not yet been finalised as a result of the proximity of the acquisitions to the period end.

² includes trade and other receivables of £10.4 (2013: £2.9m) which represents the gross and fair value of the assets acquired

Changes in fair values of acquired assets and liabilities and consideration in respect of provisional assets and liabilities recorded as at 31 December 2013 have been adjusted in the current year, as follows:

	2013 Adjustment £m
Total purchase consideration	0.1
Fair value of net assets acquired	0.5
Goodwill on prior period acquisitions	0.6

These adjustments have been reflected in the disclosures in this note.

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

	2013 Adjustment £m
Non-current assets	
- Intangible assets	1.1
Current assets	(0.3)
Current liabilities	(0.9)
Non current liabilities (deferred tax)	(0.4)
Net assets acquired	(0.5)

	2014 £m	2013 £m
Total purchase consideration	76.8	13.3
Businesses exchanged	-	(3.5)
Consideration payable in future periods	(12.9)	(2.4)
Purchase consideration (paid in cash)	63.9	7.4
Cash and cash equivalents in acquired companies and businesses	(3.7)	-
Cash outflow on current period acquisitions	60.2	7.4
Deferred consideration from prior periods paid	7.9	4.6
Cash outflow on current and past acquisitions	68.1	12.0

19. Related party transactions

Rentokil Initial (B) Sdn Bhd (90%) and Rentokil Delta Libya for Environmental Protection JSCO (65%) are non-wholly owned subsidiaries of Rentokil Initial plc. All transactions between these entities and the group were transacted at arm's length during the ordinary course of business and have been eliminated on consolidation.

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

The group bears the costs of administration and independent pension advice of the Rentokil Initial Pension Scheme. The total amount of costs in the year ended 31 December 2014 was £2.1m (2013: £2.2m) of which £0.4m (2013: £0.4m) was recharged to the scheme.

20. Events occurring after the balance sheet date

There were no significant post balance sheet events affecting the group since 31 December 2014.

21. Legal statements

The financial information for the year ended 31 December 2014 contained in this preliminary announcement was approved by the Board on 26 February 2015.

The financial information in this statement does not constitute the company's statutory accounts for the years ended 31 December 2014 or 2013. The financial information for 2013 and 2014 is derived from the statutory accounts for 2013, which have been delivered to the registrar of companies, and 2014, which will be delivered to the registrar of companies and issued to shareholders in March 2015. The auditors have reported on the 2013 and 2014 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The statutory accounts for 2014 are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union. The accounting policies (that comply with IFRS) used by Rentokil Initial plc ("the group") are consistent with those set out in the 2013 Annual Report, except as noted below. A full list of policies will be presented in the 2014 Annual Report. For details of new policies applicable to the group in 2014 and their impact please refer to Note 1.

22. 2014 Annual Report

Copies of the 2014 Annual Report will be despatched to shareholders who have elected to receive hard copies on 10 April 2015 and will also be available from the company's registered office at Riverbank, Meadows Business Park, Blackwater, Camberley, Surrey, GU17 9AB and at the company's website, www.rentokil-initial.com in HTML and PDF formats.

23. Financial calendar

The Annual General Meeting will be held at Ascot Suite at The London Gatwick Hilton Hotel, (South Terminal), Crawley, West Sussex, RH6 0LL on Wednesday 13 May 2015 at 12.00 noon.