

Rentokil
Initial



**Protecting People.
Enhancing Lives.**
Annual Report 2015

Six strengths of Rentokil Initial

1

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

Rentokil is the world's leading commercial pest control company and our engine for growth. Initial Hygiene is the global leader in hygiene services. Initial Workwear is No. 2 in Europe and the only player with scale across the four big Continental markets.



2

Clear, differentiated management strategy to drive performance and capital allocation

Our targeted strategies reflect each of our operations' ability to develop and grow. We have an increasing focus on Growth and Emerging markets. Disciplined Investment in capital expenditure and M&A is focused on the strengths and areas offering sustainable growth and the best returns.



3

Highly cash generative

We are a highly cash generative business. This supports our balance sheet and enables us to fund our M&A pipeline, implement a progressive dividend policy and pay down debt. BBB rated.



4

Proven management team executing strategy at pace

We are a people- and values-based organisation. Our expert service teams are highly trained and equipped with the best tools, supported by our strong innovation pipeline. We have a proven M&A strategy, targeting city and route density.



5

Clear plan to deliver mid-single digit revenue growth

We understand customer needs for enhanced health and hygiene standards and deliver high service levels across our diverse customer base. We utilise six operational growth levers focused on retention, upselling and organic sales. We have a clear governance framework and are committed to transparent reporting.



6

Further scope for profit growth and margin enhancement

We drive margins by focusing on increasing route density through organic and inorganic revenue growth. We are leaders in commercialising innovation to deliver competitive advantage in our customer sectors. We operate a low-cost support structure through shared back office and efficient administration.



Annual Report 2015

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2015 Financial highlights (at CER)¹

Revenue – ongoing operations

Up 6.5%

£1,813.9_mAdjusted operating profit²

– ongoing operations

Up 8.5%

£252.8_mAdjusted profit before tax²

Up 12.7%

£215.1_m

Profit before tax

Up 7.0%

£174.7_mFree cash flow³ (at AER)**£147.7_m**

Dividend per share

Up 13.1%

2.93_p

Basic adjusted EPS

Up 11.7%

8.99_p

Find out more

This Annual Report will be available online at the Company's website from 8 April 2016. In addition, a full copy of our Corporate Responsibility Report will also be available.



Unless otherwise stated references to 'profit' and 'operating profit' are for continuing businesses before amortisation and impairment of intangible assets (excluding computer software) and restructuring costs and one-off items that have had a significant impact on the results of the Group. These costs have been separately identified as they are not considered "business as usual" expenses and have a varying impact on different businesses and reporting periods. References to ongoing revenue and profit are for continuing operations excluding revenue from disposed and closed businesses but includes revenue from acquisitions. All references to profit are at CER unless stated otherwise.

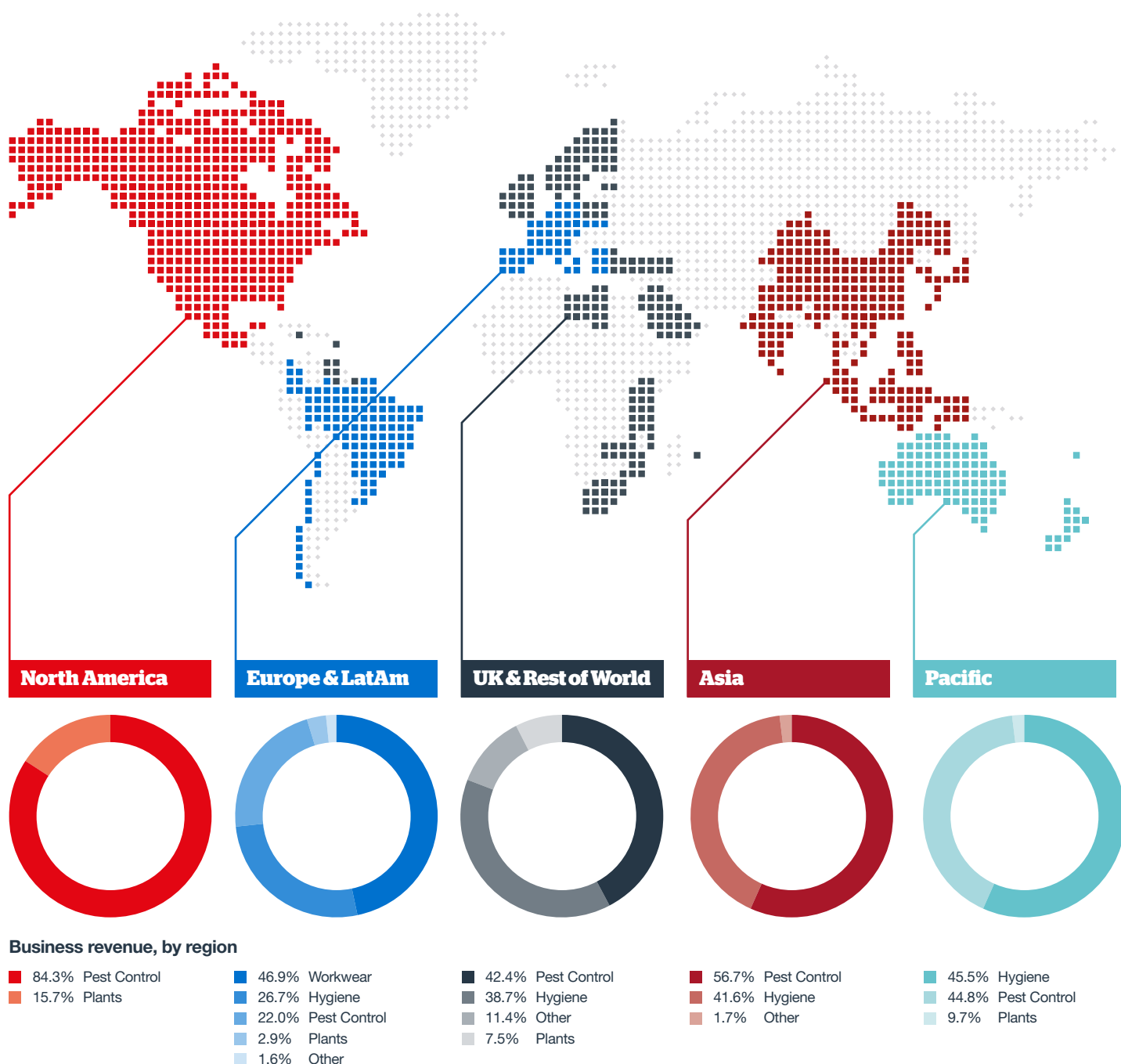
¹ results at constant exchange rates have been translated at the full year average exchange rates for the year ended 31 December 2014. £/\$ average rates: FY 2015 1.5288; FY 2014 1.6465, £/€ average rates: FY 2015 1.3770; FY 2014 1.2438.

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

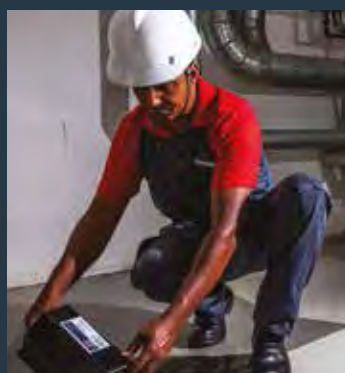
³ cash flow before acquisitions, disposals, dividends and discontinued operations.

Rentokil Initial at a glance

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



Our Brands and Businesses



Pest Control

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

Operating in 67 countries including recent entries in Guatemala and El Salvador.

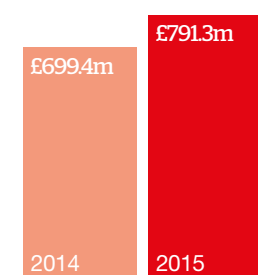
We have leading market positions in the UK, continental Europe, Asia, Pacific and South Africa, a number three position in North America and a rapidly expanding presence in Central and Latin America.

Revenue

£791.3m

Adjusted operating profit

£151.5m



Hygiene

Initial Hygiene is the world's largest hygiene services company. We are market leader in 26 of our 43 countries of operation.

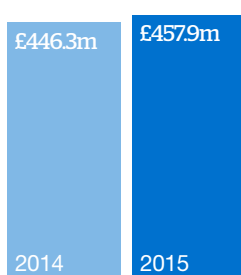
We provide high-quality hygiene products and services that minimise risk of exposure to bacteria and other infectious micro-organisms.

Revenue

£457.9m

Adjusted operating profit

£89.6m



Workwear

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

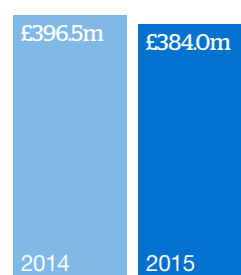
We specialise in the supply and maintenance of garments, such as workwear and personal protective equipment, throughout Europe. We also offer a specialist cleanroom service for the pharmaceutical and healthcare sectors.

Revenue

£384.0m

Adjusted operating profit

£51.5m



Other

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

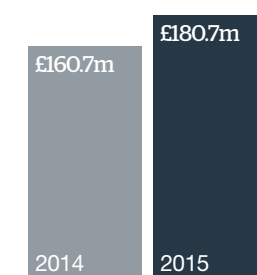
Our UK **Property Care** business provides damp proofing, woodworm, property preservation and wood rot treatment services.

Revenue

£180.7m

Adjusted operating profit

£22.8m



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

“2015 has been a year of further progress at Rentokil Initial.”

John McAdam, Chairman



Chairman's Introduction

Dear Fellow Shareholder

During 2015 we have continued to execute our differentiated strategy to drive profitable growth with both focus and pace. This strategy is centred on delivering medium-term improvements in revenue and profit and a sustainable improvement in free cash flow.

The differentiated quadrant-based strategy is working well, and we have taken further steps in shifting our portfolio towards higher growth businesses and geographies. The significant acquisition of Steritech enhances the quality and scale of our presence in the key Growth market in North America; whereas our Manage for Value quadrant now represents just 3% of our revenue, down from 35% in 2013. We have continued to experience challenging economic conditions and disappointing performance in our businesses in France and Benelux, but have a clear improvement plan being implemented. Further details can be found on page 29. Overall, however, I am pleased to say that the business continues to improve in quality and performance, and has a strong and settled executive team in place to deliver the next phase of our strategy.

Based on the encouraging progress in 2015 and as a reflection of our confidence for 2016, the Board is pleased to recommend a final dividend of 2.06p per share, an increase of 13.1% year on year.

Alignment with Shareholders

As described in more detail in the Directors' Remuneration Report on page 64, we have reviewed our remuneration arrangements to simplify the incentives for Executive Directors and to improve their alignment with the interests of shareholders. We conducted a thorough consultation with shareholders as part of this review and were pleased with the strong and supportive engagement we received.

Board Changes

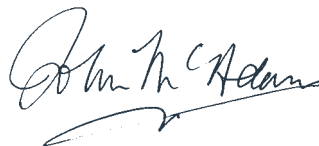
Although there have been no changes in the membership of the Board this year, Peter Bamford will step down as a Non-executive Director at the conclusion of the AGM on 11 May 2016 after nine years on the Board. I would like to thank Peter for his significant contribution to the Company over this period and to wish him the very best for the future. Board succession will remain an important topic in 2016 and beyond as other senior Board members step down. We will look to enhance the Board by progressively adding new, diverse skills and experience, to reflect and support the current and developing shape of the business, notably its international scope and scale. To that end, as described in the Nomination Committee section on page 62, we have expanded the membership of that Committee to ensure that all Non-executive Directors contribute to this important responsibility.

Our shareholders, customers and colleagues continue to give strong support to Rentokil Initial and we thank them for their ongoing trust and loyalty. We are fully cognisant of our fiduciary responsibility to all shareholders and the need to act with the highest standards of integrity and transparency. We remain committed and motivated to both as we develop the business. If you are able to attend the AGM, I look forward to seeing you in May. In the meantime we are keen to engage with shareholders and other stakeholders and would welcome your feedback on this Annual Report. Please e-mail investor@rentokil-initial.com and let us know what you think.

People

In 2015 we have welcomed into Rentokil Initial new colleagues through the many good businesses we have acquired and through the ongoing process of improving the capability and efficiency of the group. We would like to thank all our colleagues who have put in a huge effort over the last year to meet the needs of our customers as well as helping to deliver our strategy at pace. We continue to invest heavily in developing and maintaining our colleagues' expertise, and I was pleased to see impressive colleague participation in learning and development programmes during 2015. Full details can be found on page 38 and in our 2015 Corporate Responsibility Report.

Yours faithfully



John McAdam

Chairman

24 February 2016

“We are confident of delivering further value for shareholders as we enter the Next Phase in the execution of our strategy.”

Andy Ransom, Chief Executive



Chief Executive's Q&A

Your questions answered

Q. What are the key takeaways for investors from the Company's performance in 2015?

A. This year we have delivered ongoing revenue growth of 6.5%, profit growth from ongoing operations of 8.5% and free cash flow of £147.7m. We are particularly encouraged by the performance of our pest control business which grew by 13.1% during the year, of which 4.6% was organic.

Our focus on cash has enabled us to accelerate our acquisition plans during the year, particularly within Emerging and Growth markets. We acquired 23 businesses (21 in Pest Control) in North America, UK, Australia, Puerto Rico, the Dominican Republic, Germany, Korea, South Africa, Poland, Colombia and Brazil, with combined annualised revenues in the 12 months prior to acquisition of £158m. The total combined consideration of these acquisitions, including deferred consideration, was £386m. Through the larger acquisitions of Steritech, Anderson and Oliver and smaller bolt-on deals in North America, we continue to reinforce our presence as the third largest player in the world's largest pest control market. We will continue to acquire businesses to infill locally, to build further density and grow margins, particularly in Emerging and Growth markets.

Q. Can you update us on how your quadrants have performed during the year?

A. We execute our strategy by grouping our business lines and geographies into a four-quadrant matrix based upon growth potential and profit contribution. This continued to work well for us in 2015. Revenue growth in the Emerging (+14.0%) and Growth (+12.0%) quadrants was strong with good performances from North America, UK, Germany, Latin America, Asia and Pacific. Revenue in the Protect & Enhance quadrant declined by 1.2%, largely driven by France and Benelux, with the Manage for Value quadrant down 0.3% on the prior year. During the year we closed our Austrian and Northern Ireland flat linen businesses and four other non-core businesses, predominantly in the Manage for Value quadrant. These, together with other businesses divested in 2014, reduced revenue growth by 1.0%, resulting in total revenue growth of 5.5%.

Q. What has driven your excellent cash flow performance in 2015?

A. We are also pleased to report that restructuring costs were maintained at under our £10m target for 2015, contributing to an increase in profit before tax of 7.0%. Free cash flow from continuing operations amounted to £147.7m, driven by continued strong operating cash flow, a reduction in interest and tax payments and the proceeds from a beneficial settlement of a legacy legal claim during the year.

Q. Are there any areas with which you are less pleased? What could you do better?

A. While we have achieved much in 2015, we are less satisfied with some areas of our performance. Despite an overall improvement in organic growth from our core businesses, this is not as strong as we would have liked and reflects primarily a continuation of the challenging economic conditions in France and Benelux. On page 20 of the Strategy in Action section of this report we provide an update on the actions we are currently undertaking in our European workwear business to counter these continuing market challenges.

Q. How are you creating value in Rentokil Initial?

A. First, we have developed a clear strategy for profitable growth and are implementing that strategy at pace. As a brief reminder of the **RIGHT WAY** plan, after many consecutive quarters of changes to our operating model we set out a clear, fixed business model with five geographic regions and three core business lines – all operating on a low cost, single country operating structure. We established our differentiated model with its four quadrants which we have used to align capital allocation and prioritise our growth strategies. For the first time in the Company's history, we set out medium-term targets for revenue, profit and cash. We have made very good progress towards them this year. Details can be found on page 9 of this report.

Second, we are far more focused. In Pest Control we have strengthened our position as global leaders through innovation, digital expertise and acquisitions. In our Hygiene business we have addressed many years of under-investment and now have the most complete and modern range of hygiene products across the industry, ranging from stainless steel to No-Touch to Colour. In our European workwear business, while we have made good progress in parts of the business, including Germany and in Cleanrooms, more work is needed – particularly in the challenging markets of France and Benelux. Improving this business will be a key focus for the Next Phase of the plan.

Finally, the use of our four-quadrant matrix and our capital allocation discipline across the business has helped us to get the 'biggest bang for our investment buck'. Not only have we been very clear on the businesses that we want to be in – we have completed 40 acquisitions over the last two years in our Growth and Emerging markets – but we've been just as clear on the businesses that we don't want, with disposals of the Initial Facilities business and other non-core businesses within our Manage for Value quadrant. Probably the most profound change to the group over the last two years is the fact that revenues in the Growth and Emerging quadrants now account for approximately 60% – this was just over a third of group revenues back in 2013 – and that the remaining businesses within Manage for Value now account for just 3% of revenue. We have significantly reshaped the portfolio and repositioned the group for enhanced growth and performance for the long term.

Chief Executive's Q&A

Q. What can investors expect to see in the Next Phase of the plan?

A. We have lots to go for in the Next Phase. We will continue the migration of the portfolio into the faster growth markets and have also set clear strategies for our three core businesses. We will drive continued acceleration in Pest Control, it's all about sales execution in Hygiene, and in Workwear we want to create the quality champion of the industry. We will exploit our digital expertise (which will be critical in the next phase) and bring to market our pipeline of innovations. We remain focused on a clear model of density-building and targeting local market share including bolting on high-quality businesses through our proven M&A capability. This will enhance margins and profitability. Sales and service productivity remain a priority, of course, and we also plan to increase the pace of best practice sharing across the group.

Q. What's the role of Emerging markets for future value creation in Rentokil Initial?

A. Rentokil Initial has an unmatched geographic footprint across the Emerging markets from Asia to parts of Africa and Central and South America. However, the scale of these businesses remains relatively small at less than 10% of group revenue, while the future opportunity there remains as large as ever. Structural changes in Emerging markets such as population growth, in particular a rapidly growing, urbanised middle class demanding higher standards, and the associated development of hygiene and food safety regulation, all point towards increasing future demand for pest and hygiene services. Our services thrive on density; some of the most highly concentrated urban areas are in Emerging markets such as Latin America and China. We have an excellent team in place and we will continue to grow our Emerging businesses, focusing on key target urban areas and using the power of our brands and international reputation.

Q. Towards the end of the year the Company completed its major acquisition of Steritech. What was your rationale for the deal and how is the integration of the business going?

A. For some time we have been pursuing a growth strategy in North America, the world's largest pest control market (roughly 50% of the global market), with Steritech at the top of our target list. Steritech was the last remaining independent business with national scale in the US and is also the market leader in the provision of brand standards auditing services. The acquisition strengthens our position as the number three pest control business in North America and also makes us the third largest player in Canada. This is a transformational deal for our North American pest control business, providing us with the opportunity to accelerate revenue growth and significantly enhance margins. While it's early days in the integration process we're absolutely on track – it's a super business with a top-class team delivering a world-class service to customers and a strong cultural fit with our own organisation.

Three months into our ownership the integration of Steritech is proceeding well and we are on course to deliver our commitments for 2016. All integration work streams are now underway. Progress includes the development of detailed work plans for 'add-on' services into the Steritech portfolio (such as fumigation and termite control) and the identification of route density opportunities. In addition, we have developed a combined Regional & National Accounts programme and put in place a roadmap for the migration and application of a new IT infrastructure. A back office rationalisation programme is underway, focused on removing duplicate activities. Steritech exited 2015 with an annualised profit run-rate of \$20m, representing good progress towards our \$25m to \$30m target for the coming year.

Q. Given this size of the deal, should we expect you to scale back on M&A over the coming months or are you still committed to pursuing additional in-fill acquisitions?

A. Clearly we remain committed to our BBB rating. However acquisitions will remain a core part of our differentiated strategy and our primary focus is on Emerging and Growth markets and Pest Control in particular. So, yes, we will continue to look for new acquisitions. We target city-focused deals to build presence and density and over the past two years we've successfully acquired 53 businesses with annualised revenues of £224m. However, M&A is an opportunistic activity and while there may be some years when we meet or exceed our target spend of £50m there may well be others in which we spend less. In terms of target areas, the Emerging and Growth markets are a top priority, particularly Latin America, China and India and of course, North America.



Andy Ransom
Chief Executive Officer
24 February 2016

Progress Towards Medium-Term Targets



Achieved ambitions
Good progress
Limited progress

Progress in Year Two

Target and Key Activities

Medium-term target: mid-single-digit revenue growth

	Ongoing* revenue growth of 6.5%
	Organic revenue growth of 1.8% (2.6% excluding France and Benelux)
	Good organic growth across most markets
	Revenue decline in France and Benelux
	Strong growth in Pest Control of 13.1% (4.6% organic)
	23 companies acquired adding £158m of annualised revenues, principally in Pest Control in Emerging and Growth quadrants
	Stronger performance from North American business, up 16.8% (2.7% organic)
	Launched new digital presence in 21 markets. Organic traffic up 47% in Pest Control and enquiries up 24%
	Improvements in customer retention at 85.2% (2014: 84.3%)
	Further launch of new products including PestConnect, HygieneConnect and AutoGate

Medium-term target: high-single-digit profit growth

	Ongoing* operating profit growth of 8.5%
	Further £3.3m reduction in central and regional overheads (£14.6m reduction in two years). Restructuring costs maintained at under £10m
	Divestments of loss-making Austrian and Northern Ireland flat linen businesses and four non-core businesses predominantly in Manage for Value quadrant
	Benelux – operationally stable, returned to profit but revenue and margins remain a challenge
	France – decline in revenue and profit reflecting difficult market conditions

Medium-term target: free cash flow of £100m+ per annum

	£147.7m free cash flow in 2015 well in excess of target – target now raised to £110m+ for 2016 and £120m+ for 2017
	Capital expenditure maintained at below £200m (2015: £181.4m)
	Investment in IT maintained at £20m

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

We are leaders in our chosen markets

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

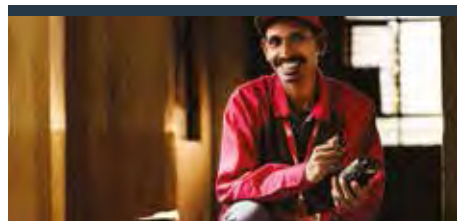
Pest control

The commercial pest control market is worth c. £4.8bn p.a. and the total pest control market is worth c. £10bn.

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

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

Around the world



Global pest control market is expected to reach \$18bn by 2019

18bn

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

8bn

Customer segments

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



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

Hygiene

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

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

Hand washing



45% of people worldwide believe washing hands regularly is the most effective way to protect against catching colds and 'flu



More productivity from better hand hygiene – the typical office worker's hands come into contact with 10m bacteria per day

10m

According to research from 17 studies, the simple act of hand washing will reduce the risk of a stomach bug by 47%



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

Workwear

The European workwear market (including general workwear, cleanroom, flat linen and personal protective equipment) is valued at c. €4.7bn. With a compound annual growth rate of 2% it is expected to reach €5.3bn by 2020.

Industry and trade services sectors comprise 35% of the market while hotels, restaurants, caterers and healthcare comprise 50% (principally flat linen). The cleanrooms market is valued at €625m, of which €250m is laundry related, and is growing at 5%-7% p.a.

Laundries



Initial Workwear operates 51 laundries and performs 125m washes each year



Garments



Initial Workwear has approximately 15m garments in circulation and provides laundering services to over 1.5m individual wearers



Our Markets

What dynamics are shaping our markets?

World population is expected to grow to 8bn by 2025

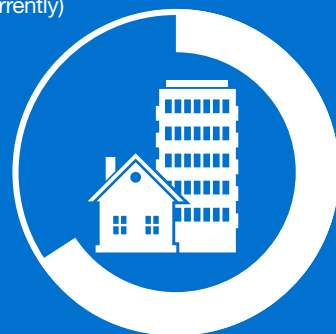
(3bn in 1960)



Changes in age distribution and rising middle classes (in Asia and Latin America in particular) - rising demand in healthcare, housing and food production sectors.

66% of the world's population will live in urban areas by 2050

(54% currently)

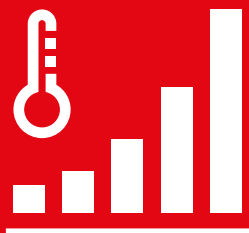


This raises the transmission risk of infectious diseases.

(Source: UN)

Global warming

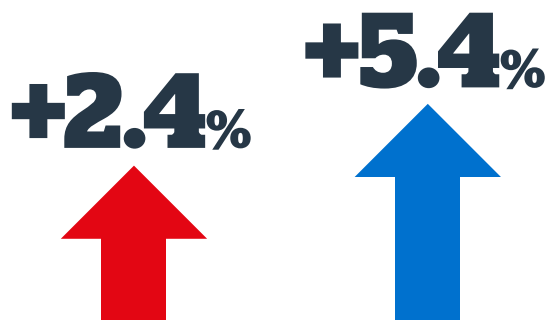
Pests are becoming more endemic. Global warming is leading to longer breeding seasons, while fewer harsh winters are maintaining pest populations.



Increased economic activity and employment levels

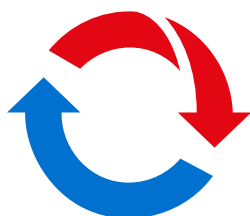
2016 GDP growth forecasts for 'High Income' countries (USA, UK, Europe) are +2.4% and 'Developing' countries +5.2%.

(Source: World Bank)



Environmental standards

Growing demand for sustainable products and services.



Regulatory standards

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



Increased reputational risk

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



Increased risks to public health

Mosquito-transmitted Dengue fever, Zika virus, Chikungunya, West Nile virus, and the spread of the influenza virus. In 2015 there were 120,836 cases of Dengue fever in Malaysia, up 11%.



120,836

Dengue fever cases in Malaysia

How we create shareholder value

What we offer

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

Different countries have their individual challenges from snakes in South Africa to termites in North America. Our global technical centre provides effective and innovative solutions for pest control with a specific emphasis placed on health, safety and protection of the environment.

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

These include air fresheners, sanitisers, feminine hygiene units, hand dryers, paper and linen towel dispensers, soap dispensers, toilet paper dispensers and floor protection mats. This is a complementary business to Pest Control with a compatible operational model and a strong profit contribution.

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

We support some of Europe's largest hospitality and industrial organisations to ensure that their employees have the right workwear to support safe and effective working. This business is a good complementary fit with Hygiene, benefiting from a shared brand, linked service and integrated route-based operations.

What we do

1

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

2

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

3

We **market, sell** and **provide retained services** to customers.

4

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

Our Business Model

Why we're different



RIGHT PEOPLE

Our colleagues as experts

Rentokil Initial employs 31,442 experts and invests in training and development to ensure their know-how is unrivalled. We choose people who live our values of Service, Relationships and Teamwork. Experience is less important in some roles as we provide the best training in our industries. Learning and development is delivered primarily through U+, our in-house university, as well as through on the job training. In 2015 we created nearly 600 courses and videos internally around topics such as sales, technical and operations for our businesses. We also undertake dedicated

management development programmes and have begun to offer our customers access to some of our own training programmes.

In the UK our Technical Academy is designed to deliver professional industry-accredited training to service colleagues through coordinated training courses, Technical Performance Assessment training and support through the Technical Field Consultant network. In 2015 our UK operations delivered over 3,250 days of technical training in pest control, hygiene services and property care.



RIGHT THINGS

Industry leadership

Rentokil is the global and brand leader in commercial pest control. We gain leverage through our business model founded on the best people, tools and training in the industry. Our training programmes focus on safety, service, technical excellence and innovation to generate future growth. Since 2012 we have acquired 68 businesses, principally in Emerging and Growth markets.

Initial Hygiene is the world's leading hygiene services brand. Our focus is on product and service quality to sell more services per customer; targeting higher-margin customers

and increasing retention. We achieve high customer satisfaction levels and believe this is a key competitive advantage.

Initial Workwear is the No. 2 player in the European workwear market and the only operation with scale across the four big Continental markets. We are creating a business that has clear market differentiation through the highest level of product and service quality, thus driving greater customer satisfaction and in turn generating improved revenue and margins.



RIGHT WAY

Strong regional business and lean, multi-business operations

We have five strong geographic regions: North America, Europe, UK & Rest of World, Asia and Pacific. Rentokil Initial has unrivalled expertise in the delivery of its route-based business model. We have a clear operating model – single-country management teams leading integrated, multi-service operations. Common back office functions, systems and processes leverage our strong expertise in running route-based businesses such as route optimisation and measurement of customer satisfaction. We are also one of the largest users of Google Apps, Hangouts and social media.

Central functions are kept lean, providing focused Centres of Excellence, group governance and sharing best practice to support our regional businesses and their customers. Underpinning it all is a 'One Rentokil Initial' culture – a 'one team' mentality with a common set of values and promises to our colleagues and customers, delivering great customer experience and shareholder value.

Our Differentiated Strategy

We use a quadrant analysis tool for capital allocation and operational management. We group our businesses by geography and business line into a four-box growth potential and profit contribution matrix. Using this approach we are able to introduce different growth levers to maximise impact, and apply differential investment hurdle rates.

By way of illustration, the strategies we need to deploy to grow in Brazil are very different to what we need to do to manage our businesses in Spain and Greece. We review quadrant composition annually, looking carefully at business performance and developments in the economic environment.

Our four quadrants

Emerging

Building a platform for future success

8% of group revenue, 7% of group profit

Geographies

Asia, Latin America, Central America, Middle East, Kenya, Mozambique and Fiji.

Strategy and M&A

Build leading market positions in cities offering best opportunities for Pest Control and Hygiene. In M&A, pest control-led market entry, focus on strong local management capabilities, adding bolt-ons for density. Internal Rate of Return (IRR): ~15%.

Performance in Phase One

A growing presence in higher-GDP markets to drive stronger organic growth. Eight new territories of operation, including Latin America, securing

leading positions through city-focused acquisitions. India operations now profitable, losses in China reduced, enhanced sales capability in Malaysia. 11 acquisitions with annualised revenues prior to purchase of £21m.

Focus for the Next Phase

Accelerate revenue and profit growth through scale – city and route density – and focus on sales. Selective entry into new geographies where opportunities arise. Use brand strength to target international customers. Pursue pipeline of attractive M&A opportunities.

Growth

Delivering margin improvement through scale and density

52% of group revenue, 53% of group profit

Geographies

North America, UK, Germany, Baltics, Caribbean, France (Pest Control), Italy, Nordics (Pest Control), South Africa (Pest Control), Australia, New Zealand and Ireland.

Strategy and M&A

Grow market share and develop existing customers, in-fill locally to drive organic and acquisitive growth. In M&A, extend geographic reach into new cities and build out sub-scale regions. IRR: >15%.

Performance in Phase One

Our pest control business is now No.3 in North America. Strong performance in UK driven by

product and service innovation. Strengthening performance in Pacific Pest Control. Robust performance in Germany, aided by growth in Cleanrooms. 34 acquisitions with annualised revenues of £205m.

Focus for the Next Phase

Enhance margins through density and market share, leverage position in North America and UK to drive national accounts. Ongoing focus on product and service innovation, technology improvements and web development programme. Capitalise on strong M&A pipeline, North America in particular.

Manage for Value

Reducing exposure to low-growth, low-margin business

3% of group revenue, 3% of group profit

Geographies

Pest Control, Hygiene and Plants in Southern Europe. Ambius (in smaller markets), Hong Kong (IT Hygiene), Taiwan (Pest Control), Indonesia (Cleaning).

Strategy and M&A

Focus on customer retention, cost management, service productivity and efficiency. Opportunistic M&A, acquiring bolt-ons for density (requires high IRR: ~30%). Divest sub-scale and unprofitable businesses.

Summary of performance in Phase One

Major reduction in exposure to this quadrant over past two years, going from 35% of group revenues to just 3%. Exit from Initial Facilities, Austrian Products, Spanish Medical and flat linen operations in Northern Ireland and Austria. Improved business moved into Protect & Enhance.

Focus for the Next Phase

Continue to execute country plans targeting productivity, density, cost management and retention.

Protect & Enhance

Lower-growth European markets remain challenging

37% of group revenue, 37% of group profit

Geographies

France (Hygiene and Workwear), Benelux, Nordics (Hygiene), CEE, Ireland (Medical) and South Africa (Hygiene).

Strategy and M&A

Focus on customer retention, profit and cash. In M&A, consolidate regional and local strengths, acquire new capabilities in adjacent service areas. Above average IRR: 20%

Performance in Phase One

Higher cash flow performance reflecting reductions in capex and

restructuring costs. Businesses in France and Benelux remain challenged.

Focus for the Next Phase

Execute Workwear Quality Programme to drive quality of product and service. Execute country-specific action plans for France and Benelux given ongoing market challenges. Maintain focus on productivity, route density, retention and up-selling, and development of new services.

Our Operational Growth Levers

At Rentokil Initial the drive for growth is being delivered through our differentiated plan for each quadrant, referred to earlier on the previous page. However, in addition, the businesses utilise six revenue growth levers to drive performance.

First, we target our offer appropriately, ensuring we are providing the right offer to the right customers but also that we are masters of our markets, adapting our thinking to local needs. Second, we deliver sales effectiveness in both building the sales pipeline and through sales brilliance. Finally, we drive retention and growth through delivery of outstanding customer service, account management and service differentiation.

More about our growth levers

Over the next several pages, we describe some of our growth initiatives including the development of new innovations including PestConnect and HygieneConnect, how we can respond to the growing threat from mosquitoes and our recent acquisition of Steritech.

Targeting our offer

1

Where to Play

2

Mastering our Markets

Sales Effectiveness

3

Building the Pipeline

4

Sales Brilliance

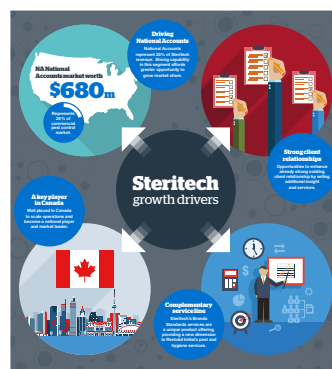
Retention & Growth

5

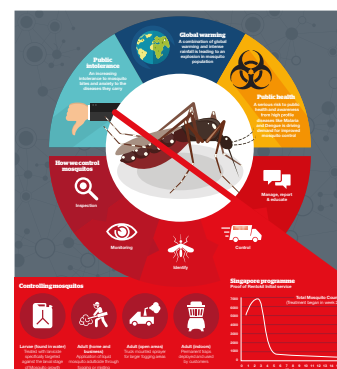
Delivering our Promise

6

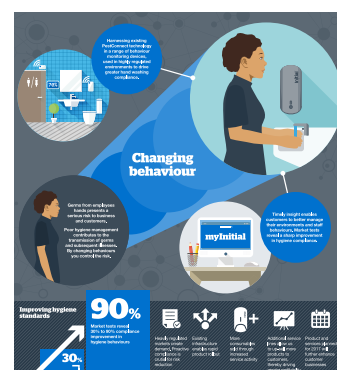
Engaging our Customers



Steritech
go to page 22



Mosquito control
go to page 23

PestConnect
go to page 24

HygieneConnect
go to page 25



Pest Control



Strategy in action



Digital Leadership

We invest in technology to drive short-term growth and long-term differentiation. In 2015 we put our web platform into 23 markets, resulting in a 13% increase in web enquiries. In the UK 65% of new business has been generated from digital channels.



Innovation

This year we launched a new monitoring and control service in Malaysia to protect people from dangerous diseases (such as dengue fever) transmitted by mosquitoes. A similar service has also been launched in Brazil to help protect against the Aedes mosquito, associated with the rapidly increasing threat posed by the Zika virus.



PestConnect

In 2015 PestConnect (our remote monitoring system for rodents) was launched in five countries with roll-out planned for a further 10 countries in 2016, including the UK. It has resulted in a 10%-20% uplift in the value of customer contracts for those customers using the product.



AutoGate Rodent Monitoring Unit

AutoGate uses sensors and a barrier to protect poisoned bait from non-target species until activated. Created to address changes in European legislation on use of anticoagulant rodenticide products, it is particularly effective in areas where these products have been most restricted. It will be launched across north Europe in 2016.

Strategy in Action

Revenue +13.1%

£791.3m

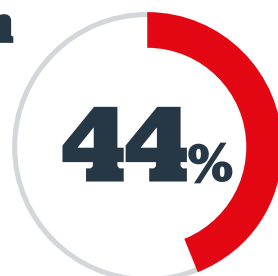
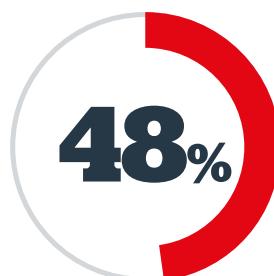
Operating profit +14.2%

£151.5m

Operating margin*

19.1%

*pre central and regional overheads

Percentage of group
revenuePercentage of group
operating profit*

Our engine for growth

Rentokil is the world's leading commercial pest control business providing the highest levels of risk management, reassurance and responsiveness to customers. Over recent years we have broadened our geographic presence through acquisitions in North, Central and Latin America, Africa, Asia and the Middle East.

Why choose Rentokil?

Our USPs are our global reach, service quality, brand strength, expertise of people, innovation, management information systems and digital capability.

We have an unrivalled global leadership position complemented further by the Steritech acquisition.

We have strong positions in growing markets across the world and a strong M&A pipeline enabling us to infill locally and build density, particularly in Emerging and Growth markets.

Challenges

Our key challenges are to accelerate organic growth and to compete in online lead generation, especially in our largest market of North America.

Priorities for the Next Phase - 'Acceleration'

We plan to deliver continued acceleration through:

- deployment of new products and services from our innovation pipeline;
- roll-out of our performance-enhancing web presence;
- our leadership in the 'Internet-of-Things' for pest control, for example monitoring devices and risk-based reporting through extranets/apps;
- leverage of our North America position and growth in Emerging markets; and
- continued M&A programme to build density.

Progress update

During Phase One of the execution of our strategy, we have launched performance-enhancing websites in 20 markets and have developed a strong proprietary innovation pipeline including PestConnect remote monitoring, AutoGate and myRentokil (see page 24 for infographic case study on PestConnect). Further, we have expanded our global reach through the acquisition of 43 pest control companies, including the major acquisition of Steritech.

Market

We are the world's largest commercial pest control company and have 15% of the global commercial market and are continuing to increase our international presence through a combination of organic growth and targeted acquisitions. For further information on the pest control market, please see page 10.

Customers

In over 67 countries businesses and homeowners trust Rentokil to solve their pest problems and prevent them from reoccurring. Commercial customers account for approximately 80% of revenue and include food processing, food service and food retail sectors, largely as a result of their regulatory requirements for pest control services.

Residential pest control represents approximately 20% of business revenue with over 75% of this coming from the US and Australia. On a per capita basis both countries have much larger residential markets for pest control than in Europe, primarily because of the presence of termites. In Europe residential pest control tends to be typically around 10% of business revenue.

Outlook

Pest control is a highly resilient industry and offers sustainable, long-term growth prospects. We are well placed to take advantage of major growth drivers which include: the convergence of international standards (particularly in the food industry); the drive for consistency from multi-nationals; rising expectations from consumers driving companies to invest in brand protection; and growing demand in developing markets.

Pest control benefits from exposure to higher GDP growth territories, principally within the Growth and Emerging markets and these will remain our primary focus for investment. In 2016 we will continue to build our business in North America and central to this will be the successful integration of recent acquisitions including Steritech. In addition, we will accelerate deployment of new products and services, increase digitalisation of our services, complete the roll-out of our enhanced global web presence and seek additional M&A opportunities.

Hygiene



Strategy in action

+19.9%

Rising Levels of Customer Satisfaction

Following the launch of our Signature and Reflection ranges, Hygiene Customer Voice Counts (CVC) scores rose 5.7% in 2014. In 2015 we launched a full range of No-Touch products meeting consumer demand to touch fewer washroom products, thereby reducing risks from cross infection. CVC scores rose by 19.9% in 2015.



50%

Signature Success

The Signature Colour range has proven particularly popular in France which now accounts for 50% of total Colour sales and which has doubled the number of service lines per customer. 15% of total Signature sales have come from new products launched in the last year, No-Touch in particular.

+50%

Roll-out of HygieneConnect

HygieneConnect is the world's first integrated wireless monitoring and display system designed to raise hand washing compliance. In 2015 60% of customers using the system reported a 50% improvement in hand washing compliance. Please see our HygieneConnect infographic on page 25 for further details.

+10%



Operational Best Practice

In 2015 we implemented country action plans focused on delivering operational best practice in our operations. In Indonesia we targeted premium hotels and offices on specific routes in Jakarta with structured hygiene surveys to build relationships. This contributed to a 10% increase in portfolio and higher local density.

Strategy in Action

Revenue +2.6%

£457.9_m

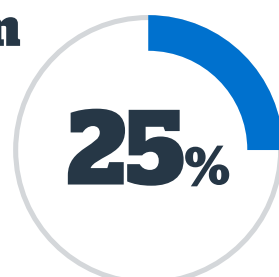
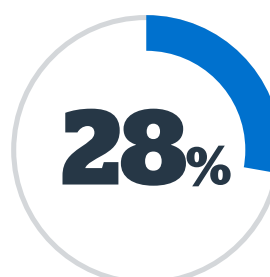
Operating profit +1.2%

£89.6_m

Operating margin*

19.6%

*pre central and regional overheads

Percentage of group
revenuePercentage of group
operating profit*

Initial Hygiene is the global leader in hygiene services and market leader in 26 of its 43 countries of operation.

Challenges

These are differentiating our offer through service and innovation, gaining share and building density to enhance margins.

Priorities for the Next Phase - 'Execute Now'

Our 'Execute Now' growth strategy aims to leverage our strengths by:

- building on the power of our hygiene brand and market positions;
- selling our new product ranges including Reflection, Signature, Colour, No-Touch and Premium Scenting;
- leading on innovation through 'Internet-of-Things', for example sensing and hand hygiene compliance; and
- building city density and extending our footprint through organic growth and targeted M&A.

Progress update

We continue to strengthen our washroom range to maximise our range-selling capabilities. Signature has been fully launched across our markets and includes four new products and a No-Touch range. Signature Colour has been launched into 13 countries. The development of our high-end Reflection range continues, with six new additions in 2015. Premium Scenting continues to grow strongly, particularly in Asia.

We continue the development of HygieneConnect, the world's first integrated wireless monitoring and display system designed to raise hand washing compliance. In 2015 all customers using the system reported increases in handwash compliance, with 60% increasing their compliance levels by over 50%. Further deployment, starting with the UK, is planned for 2016.

During the year we launched our new web platform in Australia. The new design is focused on product searches, and the up-selling and cross-selling of products and services.

Operational best practice

In 2015 we implemented country action plans to drive best practice. Our Italian operations have developed a new service concept by addressing specific customer sectors, involving different product delivery options. This initiative has driven a 3.3% increase in revenue per technician and a 5.7% increase in product delivery revenue per technician. We have also introduced incentives in Germany to encourage our technicians to identify additional sales opportunities while on customer premises.

The benefits of good hygiene

A clean and hygienic environment is a safer, healthier and more pleasant place to live or work; it is mission critical for the food, hospitality and healthcare sectors. Establishing good hygiene practices throughout an organisation reduces the risk of infection being passed from person to person. As a result, fewer days are lost to sickness, which translates directly into real cost savings and increased productivity.

Why choose Initial Hygiene?

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

Market

We operate in a competitive market with good growth opportunities. We are well placed to increase market share through market segmentation and the introduction of value propositions to customers. Significant investment has been made in updating and delivering best-in-class product solutions. For more details please see page 10.

Customers

We achieve high customer satisfaction levels and believe this is a key competitive advantage. We have account management processes in place for contacting customers at least annually to confirm service requirements are being met. We use feedback from our Customer Voice Counts surveys to improve service levels and every detractor score is followed by a call from an account or branch manager within 24 hours. The launch of myInitial gives complete transparency about customer service including proof of service and proof of delivery (with e-invoicing rolled out to 22% of customers during 2015).

Outlook

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

Workwear



Strategy in action

Our Workwear Quality Programme has started well in 2015. See below for some examples of progress we are making already.



Rigorous Application of KPIs to Measure Service Quality

During 2015 we introduced a number of new customer-focused quality KPIs. As a result, we have seen customer satisfaction rise between 2 to 8 percentage points across all countries of operation in the fourth quarter of 2015, and a 2.4% increase in overall customer retention.



Best-in-Class Processing

37 of our laundries have converted to new processing detergents, resulting in a 50% reduction in the use of bleach, a 30% reduction in textile 'wear' through improved wash processes, a 9.6% reduction in water usage and a 14.8% reduction in rewash rates.



Greater Responsiveness to Customer Needs

Progress in this area in 2015 includes implementation of a new sale to start-up process to measure systematic workflow and performance, improved delivery performance for additional and replacement garments and establishment of a new Workwear Centre of Excellence for bespoke design and innovation.



Improved Product Visibility through Service Process

Following successful testing on the reliability of reading Radio Frequency Identification tags attached to customer garments, we are expanding this pilot to cover a number of branches and key customers. Full track and trace of garments could bring customer benefits, improving our operational effectiveness and service quality.

Strategy in Action

Revenue -3.2%

£384.0m

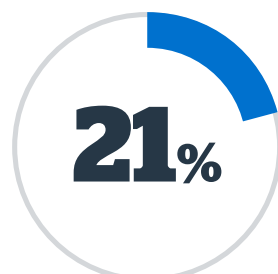
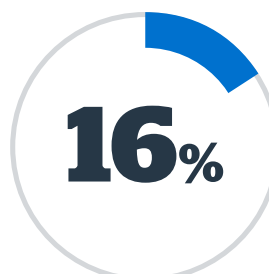
Operating profit -16.9%

£51.5m

Operating margin*

13.4%

*pre central and regional overheads

Percentage of group
revenuePercentage of group
operating profit*

Service offering

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

Why choose Initial Workwear?

Our promise to customers is to provide a consistent, reliable, flexible and high quality laundry service, helping customers meet a changing regulatory environment that is always on time, and delivered in full.

Initial Workwear is the overall No. 2 player in Europe. We are No. 1 in Belgium, No. 2 in France and the Netherlands.

Challenges

Our key challenges are the continuing economic pressures in France and Benelux and differentiating our service offering in a highly competitive market.

Priorities for the Next Phase – 'Focus on Quality'

Our aim is to create a workwear business that has clear market differentiation through the highest level of product and service quality, thus driving greater customer satisfaction and in turn generating improved revenue and margins. Our Workwear Quality Plan involves:

- rigorous application of KPIs to measure quality of service;
- improved product visibility through the entire service process;
- best-in-class processing – highest standards in washing and repair quality, higher quality detergents;
- greater responsiveness to customer needs – shorter lead time between contract and deployment;

- smarter selling – 'selling a service rather than a product';
- creation of a product and service innovation action group; and
- leveraging European scale and best practice – to create a more effective organisation through best practice sharing in supply chain, R&D, processing, sales and marketing.

Progress update

While Germany has continued to grow robustly, aided by growth in the higher-margin cleanrooms business, France and Benelux have continued to decline, reflecting ongoing economic and competitive challenges. However, both regions have shown operational improvements on 2014. Implementation of our Workwear Quality Plan began in the second half of the year and is delivering operational improvements as we re-engineer quality standards across the business. We cite a number of examples of progress on the previous page.

Market

Initial Workwear operates across three main European areas – France, Germany and Benelux. The west European workwear market (which includes general workwear, cleanroom, flat linen and personal protective equipment) is valued at c. €4.7bn. With a compound annual growth rate of 2% it is expected to reach €5.3bn in 2020. For more details on the market, please see page 10.

Customers

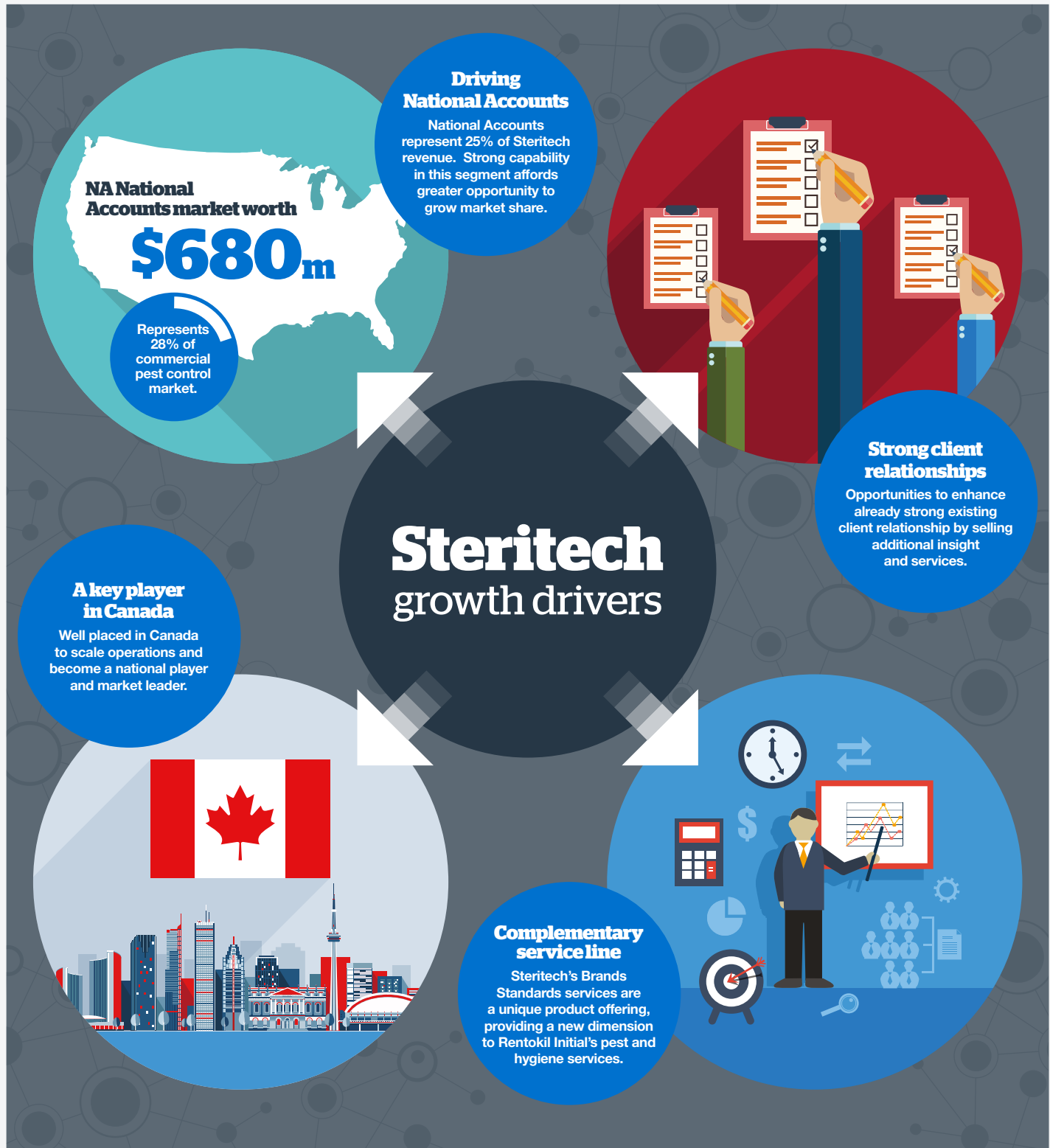
Based on our research-led understanding of people at work, we can help our customers perform better by providing them with the highest quality workwear solutions. The trend in some sectors to outsource their workwear requirements is still providing elements of growth (approximately 75% of the market is self-service). Industrial customers are seeking both functional and now fashionable workwear, maintained to the highest standard and with greater transparency on costs and performance. Workplace safety regulation also supports the market for protective as well as functional workwear.

Outlook

Our workwear business is profitable and cash generative and enjoys a strong position in the European workwear market. However we do not expect to see a material improvement in trading conditions across the business in the coming year and this will impact on its overall performance for 2016. The coming year will see continued focus on successful implementation of the Quality Workwear Plan described above.

Steritech - accelerating growth

1 Where to Play	2 Mastering our Markets	3 Building the Pipeline	4 Sales Brilliance	5 Delivering our Promise	6 Engaging our Customers
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Growth Levers

Mosquito control - eliminating the threat

1

Where to Play

2

Mastering
our Markets

3

Building
the Pipeline

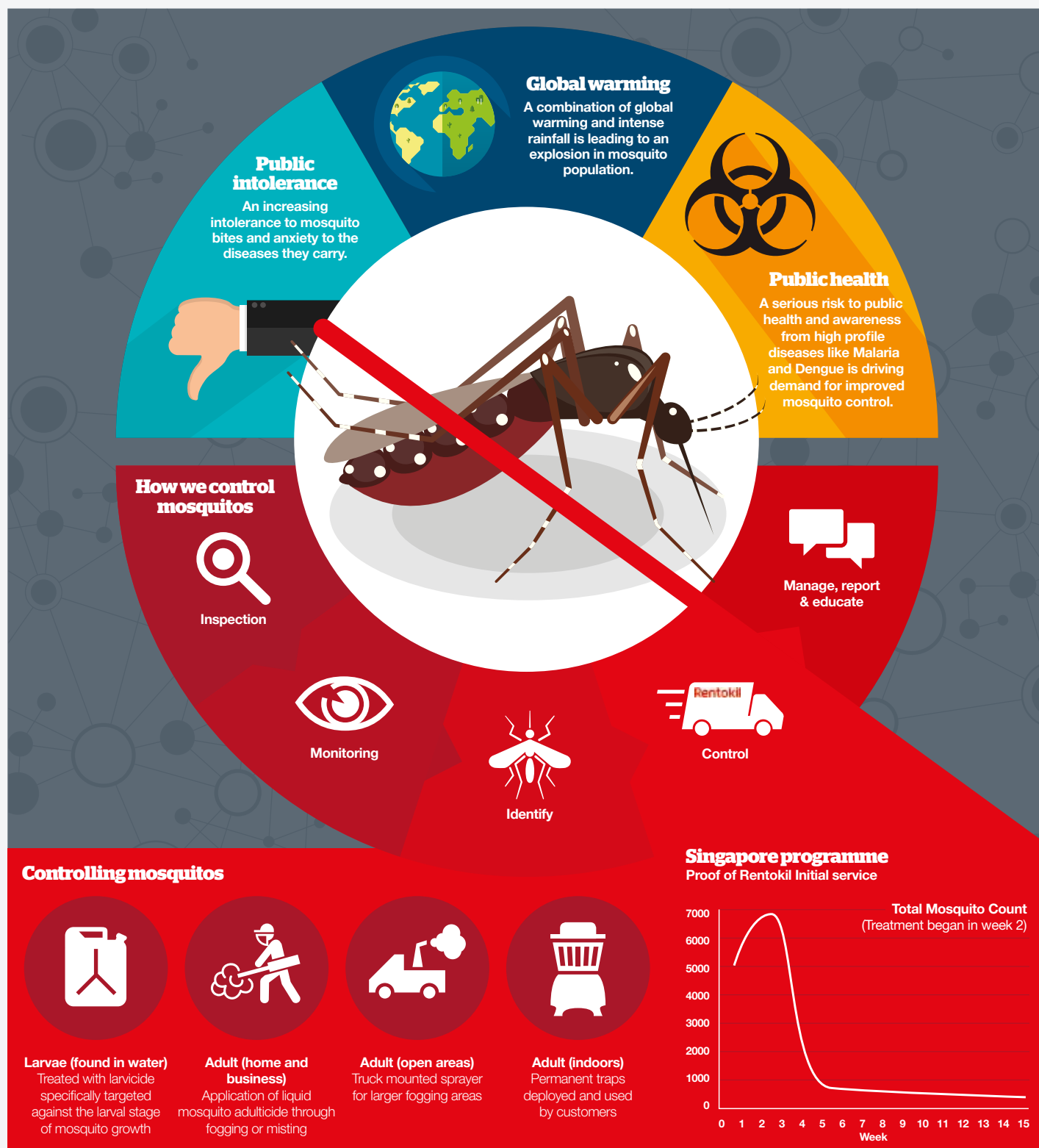
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Sales Brilliance

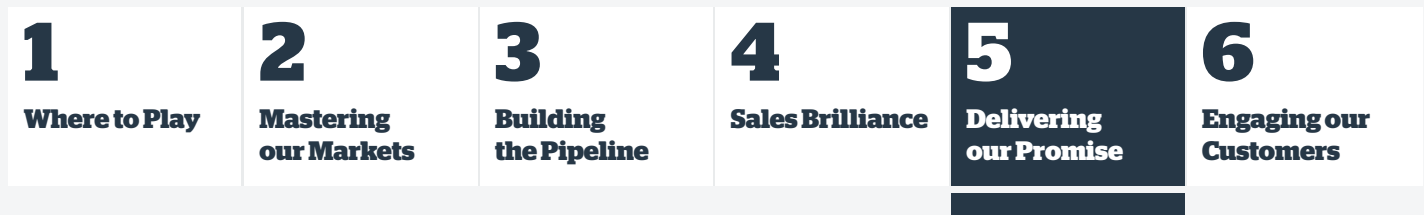
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Delivering
our Promise

6

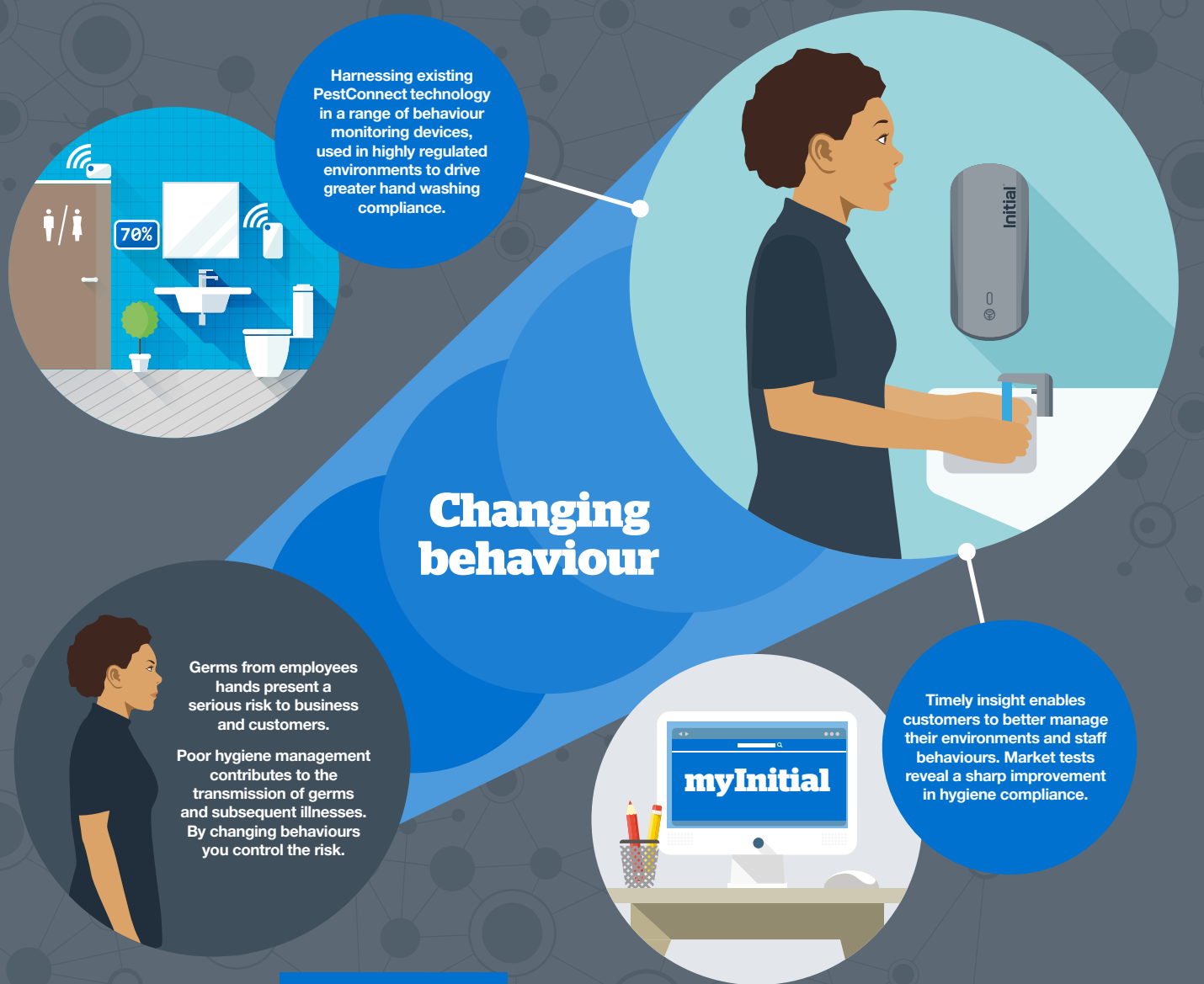
Engaging our
Customers

PestConnect - revolutionising pest control



Growth Levers

HygieneConnect - changing behaviours

1**Where to Play****2****Mastering
our Markets****3****Building
the Pipeline****4****Sales Brilliance****5****Delivering
our Promise****6****Engaging our
Customers****Improving hygiene standards****30%****90%**

Market tests reveal 30% to 90% compliance improvement in hygiene behaviours



Heavily regulated markets create demand. Proactive compliance is crucial for risk reduction



Existing infrastructure enables rapid product rollout



More consumables sold through increased service activity



Additional service lines allow us to up-sell more products to customers, thereby driving greater profitability



Product and services planned for 2016 and 2017 will further enhance customer businesses

Measuring achievement in 2015

Priorities

Ensuring 'Everyone Goes Home Safe'

- As a service organisation, our people make our company what it is
- Our priority is ensuring 'Everyone Goes Home Safe' at the end of the day
- Health & Safety (H&S) is the first agenda item in senior management meetings including the Executive Leadership Team and Board
- Annual Board review of H&S Policy

Investing in our people

- We invest in training and development to ensure our colleagues' expertise is unrivalled
- We recruit, appoint and promote on merit
- We listen to our colleagues via the 'Your Voice Counts Everyday' process of surveys and act on feedback to make improvements

Keeping our promises to customers

- We are passionate about delivering excellent service to every customer and keeping our promises to them

Delivering outstanding customer service

- Our business model depends on servicing the needs of our customers in line with internal high standards and to levels agreed in contracts
- Measuring customer satisfaction allows us to identify unhappy customers, reduce churn and increase revenue, profit and cash

Retaining our customers

- Customer retention is crucial to our long-term success
- Benefits include: increased purchasing and cross-selling activity; lower price sensitivity and terminations; positive word of mouth recommendations and a strengthened USP

Driving higher revenue

- We aim to drive shareholder value through higher revenue through focusing on our core businesses of Pest Control, Hygiene and Workwear, supported by M&A investment and divestment of non-core or poorly performing businesses
- **Medium-term target:** mid-single-digit revenue growth.

Achieving greater profitability

- Our objective is to deliver sustainable profit growth through reductions in central and regional overheads and restructuring costs, and by improving service productivity pricing and margin improvement
- **Medium-term target:** high-single-digit profit growth

Delivering sustainable free cash flow

- We aim to generate sustainable free cash flow through managing working capital, bringing capex in line with depreciation and significantly reducing restructuring costs
- **Medium-term target:** £110m+ p.a.

Link to strategy

Progress

LTA rate
(2014: 0.99)

0.77



WDL rate
(2014: 27.08)

19.02



Sales colleague retention
(2014: 72.8%)

76.8%

Service colleague retention
(2014: 82.1%)

81.9%

State of service
(2014: 97.6%)

97.4%

Customer Voice Counts
(2014: 25.0)

28.2

Customer retention
(2014: 84.3%)

85.2%

Ongoing revenue growth
(2014: +3.5%)

+6.5%

Ongoing growth in APBITA
(2014: +7.2%)

+8.5%

Free cash flow (at AER)
(2014: £128.9m)

£147.7m

Colleagues

Customers

Shareholders

Key Performance Indicators for 2015

Performance

Lost time accident (LTA) rate

- LTA rate defined as number of lost time accidents per 100,000 standard working hours

Working days lost (WDL) rate

- WDL rate defined as number of working days lost as a result of LTAs per 100,000 standard working hours

Sales and service colleague retention

- Defined as total sales and service staff retained in year as a percentage of sales and service headcount at start of year
- YVC trend score analysis

State of service

- Defined as total number of service visits performed divided by total number of visits due

Customer Voice Counts ('CVC')

- Measured by implementation of an average Net Promoter Score across all branches, including in-year acquisitions. CVC score represents the net balance of those customers promoting our service compared with those neutral or not promoting

Customer retention

- Defined as total portfolio value of customers retained as a percentage of opening portfolio

Ongoing revenue growth

- Defined as revenue with disposals and business closures removed and includes revenue from acquisitions at CER

Ongoing growth in APBITA

- Defined as adjusted profit before tax, interest, tax and amortisation with disposals and business closures removed expressed as a percentage of total revenue

Free cash flow at AER

- Defined as cash flow before acquisitions, disposals, dividends and discontinued operations

Commentary on performance

- Strong improvements driven by execution of the Company's H&S operating plan
- In-year achievements included:
 - Deployment of 'SHE Golden Rules' to 95% of colleagues to build an entrenched safety culture where rules are consistently followed
 - Improved driver safety and fuel efficiency through development of global minimum standards, to be implemented in 2016
 - "In Focus" campaign resulted in improved H&S standards in France Workwear business (50% reduction in LTA, 55% reduction in WDL in 2015)
- Regrettably, there were two fatalities in 2015. One was a UK colleague involved in a road traffic collision, and the other was a pedestrian who died after being hit by a company service vehicle in North America

- Further performance improvement in skills development in 2015
- Over 20,000 views of U+ (our in-house university) content per week as well as on the job training
- Colleague engagement remains high – +80% response rate to colleague YVC survey
- Group engagement and enablement levels now five points above global norms (for more details please see page 38)



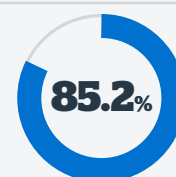
- Continued strong management focus within all markets and businesses
- In addition, new routing and scheduling tool for pest control deployed in over 15 countries with positive results



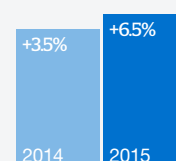
- Increase driven largely by considerable improvements in Asia (+26.5%) and Pacific (+77%)
- Higher year-on-year CVC scores across all three main business lines
- CVC respondents asked to rate five service elements: technician, compliant handling, customer contact, product quality and documentation – each area has shown improvement over the past two years
- Rated most highly is technicians, achieving a service rating of 8.6 out of 10



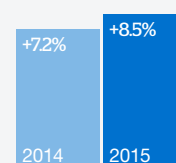
- In-year improvements have been generated through:
 - Increased customer account management to drive customer loyalty
 - Improved customer service responsiveness within European operations



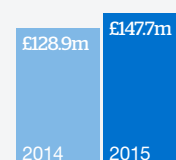
- Organic growth +1.8%, growth from acquisitions +4.7%
- Particularly strong performance from Pest Control: +13.1% (4.6% organic)
- Stronger performance from North America: +16.8% (2.7% organic)
- 23 companies acquired adding £158m of annualised revenues
- Supporting actions include launch of new digital presence in 21 markets, new product launches and improvement in customer retention



- Improvement reflecting growth in North America, the UK, Germany, Asia and Pacific, offset by lower profits in France and Benelux
- 2015 APBITA margin 13.9% (2014: 13.7%)
- Further c.£3.3m reduction in central and regional overheads, lower restructuring cost maintained at under £10m
- Exit from loss-making businesses (including Austria and Ireland flat linen)



- Cash flow delivery driven by strong operating cash flow, a reduction in interest payments and the beneficial settlement of a legacy legal claim
- Free cash flow target raised to £110m+ for 2016 and £120m+ for 2017 reflecting strength of performance in 2015



“This year we have delivered ongoing revenue growth of 6.5%, profit growth from ongoing operations of 8.5% and free cash flow of £147.7m.”

**Jeremy Townsend, Chief Financial Officer
and Chief Information Officer**



Financial Review

Overview of group performance

Revenue (at CER)

Revenue from ongoing operations increased by 6.5% in 2015, comprising organic growth of 1.8% and growth from acquired businesses of 4.7%. Revenue in the pest control business grew strongly at 13.1% during the year, of which 4.6% was organic. Growth in 2015 in the Emerging (+14.0%) and Growth (+12.0%) quadrants was driven by good performances from North America, UK, Germany, Latin America, Asia and Pacific. Revenue in the Protect & Enhance quadrant declined by 1.2%, largely driven by France, with the Manage for Value quadrant down 0.3% on the prior year. During the year we closed our Austrian and Northern Ireland flat linen operations and four other non-core businesses, predominantly in the Manage for Value quadrant. These, together with other businesses divested in 2014, reduced revenue growth by 1.0%, resulting in total revenue growth of 5.5%.

Profit (at CER)

Adjusted operating profit from ongoing operations increased by 8.5% in 2015, reflecting growth in North America, the UK, Germany, Asia and Pacific, offset by lower profits in France. Adjusted profit before tax of £198.0m (at AER) was negatively impacted by foreign exchange of £17.1m due mainly to the strengthening of Sterling against the Euro in the year. Restructuring costs of £8.3m (2014: £8.8m) were maintained at under our £10m target for the year.

One-off costs netted to £6.4m (2014: £0.1m) with the costs associated with the business closures noted above (£14.6m) partially offset by income of £10.8m from the settlement of a legacy legal claim. The majority of the one-off costs were non-cash items, with the net cash impact of one-offs a cash inflow of £2.7m. Profit before tax grew by 7.0% to £174.7m.

Cash (at AER)

Free cash flow from continuing operations amounted to £147.7m in 2015, driven by continued strong operating cash flow, a reduction in interest and tax payments and the beneficial settlement of the legacy legal claim noted

above. After taking into account the expenditure on current and prior-year acquisitions (£369.2m) and exchange rate movements, net debt increased by £251.6m to £1,026.6m (31 December 2014: £775.0m).

Overview of regional performance

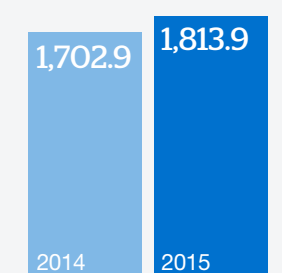
In the **North America** region revenue grew 16.8% for the full year, driven by organic revenue growth (+2.7%) and the continuing acquisition programme (+14.1%) including the acquisition of Steritech in Q4. Organic revenue growth from Pest Control was 3.0%. Strong profit growth of 28.6% was driven by acquisitions, the leverage impact from higher revenues, further margin improvement from back office and property rationalisation and lower fuel prices. This has improved net operating margins by 1.2% points. The integration of the Steritech business is proceeding well, further details of which can be found on page 8. We expect further margin improvement in 2016 as the business builds scale and density.

In the **Europe** region ongoing revenue rose 0.1% in 2015 (organic revenue decline of 0.7%). Good revenue growth in Germany (+3.2%), Southern Europe (+5.3%) and Latin America (which is partly managed out of the European region and which grew by 33.5%) was offset by declines in France (-3.4%) and Benelux (-1.1%). Profit declined by 4.6% primarily driven by the revenue reduction and margin pressure in France.

Our German and Southern European businesses are experiencing relatively positive trading conditions and are expected to continue to make good progress. However, the outlook in France and Benelux is more difficult with these countries continuing to face challenging economic conditions and very competitive market conditions - France in particular. We see opportunities to support margins through the quality initiative in the Workwear business, service and distribution productivity and continued cost discipline. While we expect trading conditions in Europe to remain difficult, based on the actions that we are proactively taking to improve performance, we expect the level of profit decline in the region to be considerably lower in 2016 than in 2015.

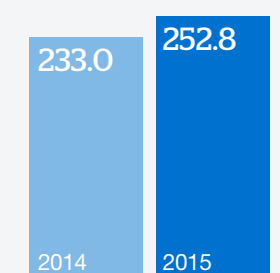
Revenue (ongoing operations¹)
at CER (£m)

£1,813.9_m



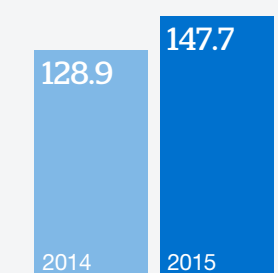
Adjusted operating profit² (ongoing
operations¹) at CER (£m)

£252.8_m



Free cash flow from continuing
operations at AER (£m)

£147.7_m



¹ ongoing revenue and profit exclude the financial performance of disposed and closed 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

In the **UK & Rest of World** region ongoing revenue rose by 11.5% in 2015, reflecting organic growth of 4.2% and acquisition growth of 7.3%, largely from the Peter Cox acquisition made at the end of 2014. The region delivered continued growth from the UK pest control and hygiene businesses, with Pest Control benefitting from increased jobbing work in particular. The Rest of World operations delivered good revenue growth driven by the Caribbean and South Africa. Ongoing profit in the region grew by 12.5%, reflecting higher revenues and the Peter Cox acquisition.

The **Asia** region had another strong year with ongoing revenue increasing by 11.3% (+8.6% organic) with both the pest control and hygiene businesses performing well. Our operations in the less established markets of India, China and Vietnam continue to deliver strong growth (26.0%). High single-digit revenue increases were delivered in the more developed markets of Indonesia and Malaysia. Profit in the region grew by 27.5% in 2015, reflecting leverage from higher revenues and service productivity, with margins higher by 1.2% points on the prior year.

In the **Pacific** region revenue grew by 4.3% in 2015 (+3.5% organic), reflecting increased contracts in the pest control and hygiene businesses and more jobbing work in Pest Control. Profit in the region grew by 7.3%, reflecting higher revenues and also supported by continuing tight cost control.

Acquisitions & Disposals

In line with our strategy we have continued to pursue M&A targets in Growth and Emerging markets and building density in markets in which we are already active. During the year the group acquired 23 businesses (21 in Pest Control) with combined annualised revenues in the 12 months prior to acquisition of £158m. Our primary focus in 2015 was expanding the presence of our pest control business in the North American market. In October we completed our purchase of Steritech, one of the leading pest control businesses in North America, operating in both the US and Canada. The business generated revenues of approximately £97m in its last financial year. We also acquired Oliver Exterminating (which complements the Company's existing pest control activities in Arizona and Florida and also provides market entry into Puerto Rico and the Dominican Republic) and Chicago-based Anderson Pest Solutions. Combined annualised revenues for these two companies were approximately £34m in the year prior to acquisition. During the first half of the year we expanded our presence in Central America through the acquisition of Sagrip which gives us access to the main cities in Guatemala and El Salvador.

The Company acquired a further 17 bolt-ons in Pest Control (along with two small acquisitions in Plants), in the UK, US, Australia, South Korea, South Africa, Poland, Colombia and Brazil. The process of integration is underway and on track with all acquisitions and the pipeline remains strong with further opportunities to create value, particularly in Pest Control.

During the year we exited our loss-making Austrian and Northern Ireland flat linen businesses and four other non-core businesses, predominantly in the Manage for Value quadrant.

We monitor the integration and performance of acquired businesses closely to ensure they meet our financial hurdles and resourcing capabilities. Of the 37 acquisitions completed between 1 July 2013 and 31 December 2014, two small acquisitions in the Protect & Enhance quadrant are delivering expected returns slightly lower than the quadrant's target hurdle rate. All other deals are delivering expected returns at or above their respective target hurdle level. The group will continue to seek further acquisitions in 2016 particularly within the Growth and Emerging

quadrants and the pipeline remains strong. Our targeted annual spend on bolt-on acquisitions is c. £50m.

Central and regional overheads (at CER)

Central and regional overheads decreased again in 2015 by £3.3m to £62.6m, reflecting our continued focus on cost discipline.

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

Restructuring costs of £8.3m, consisting mainly of redundancy costs, were in line with the prior year (2014: £8.8m).

One-off costs netted to £6.4m (2014: £0.1m) with the costs and asset write-downs associated with the closure of businesses (£14.6m) partially offset by income of £10.8m from the settlement of a legacy legal claim. A significant element of the one-off costs were non-cash items with the net cash impact of one-offs an inflow of £2.7m.

From 2016, with the exception of integration costs for significant acquisitions, we will report restructuring costs within APBITA. We estimate that restructuring costs reported within APBITA in 2016 will be c. £7m. Integration costs associated with significant acquisitions will be reported as one-off costs and excluded from APBITA. In 2016 this will include costs in relation to Steritech which are estimated at c. £5m.

Details of restructuring costs and one-off items (operating) incurred in 2015 are set out in Note A1 to the financial statements.

Interest (at AER)

Net interest payable was £39.6m at actual exchange rates compared to £45.3m in the prior year, a decrease of £5.7m. The decrease is primarily due to the prior year including one quarter of interest on a 4.625% €500m bond which was repaid at the end of Q1 2014. Debt from the Steritech acquisition added c.£1.5m to interest in the final quarter of 2015. The full year included a £1.5m benefit from the strengthening of Sterling against the Euro. The average cost of gross debt for the group is less than 4% and this will fall further to c.3.5% following the refinancing of the 5.75% £300m bond in March 2016.

Tax (at AER)

The income tax expense for the year at actual exchange rates was £34.7m on the reported profit before tax of £159.0m. After adjusting profit for the amortisation of intangible assets (excluding computer software), restructuring costs and one-off items and the net interest credit from pensions, the effective tax rate for the year was 23.8% (2014: 23.5%). This compares with a blended rate of tax for the countries in which the group operates of 26% (2014: 26%). The lower adjusted tax rate compared to the blended tax rate is principally due to the benefit of previously unrecognised brought forward tax losses being set off against UK profits and an increase in the deferred tax asset recognised on the UK tax losses.

Tax governance

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

Financial Review

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

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

Net debt and cash flow (at AER)

The business delivered a strong operating cash inflow (£220.7m at AER for continuing operations). This was £11.2m favourable to 2014 reflecting income from the settlement of a legacy legal claim (£10.8m) and reduced working capital outflows, with adverse exchange impacts in EBITDA broadly offsetting favourable foreign exchange impacts in capital expenditure.

Capital expenditure from continuing operations of £181.4m was £10.2m lower than 2014 in part due to exchange rate movements and phasing of certain projects from 2015 into 2016.

Interest payments (including finance lease interest) were £5.3m lower than last year at £44.2m, principally due to the phasing of interest payments and a lower P&L interest charge following the bond refinancing in 2014. This, combined with a £2.2m reduction in cash tax paid, resulted in free cash inflow from continuing operations of £147.7m, which was £18.8m favourable on the prior year.

Cash spent on acquisitions totalled £369.2m and the Company made dividend payments of £48.9m in 2015 (a 13.2% increase on the prior year).

Foreign exchange translation and other items reduced net debt by £18.9m, leaving an overall increase in net debt of £251.6m compared to 31 December 2014 and closing net debt of £1,026.6m.

Pensions (at AER)

At 31 December 2015 the Company's UK defined benefit pension scheme, which is closed to new members, was valued at an accounting surplus of £237.0m on the Company's balance sheet. The trustees value the scheme on a different basis and the most recent triennial actuarial valuation at 31 March 2013 showed that the Scheme was 98.7% funded with a deficit of £17.8m. A recovery plan was agreed with contributions of £3.2m per annum over a six-year period being paid into a joint escrow account by the Company. The first payment was made in October 2014 and the escrow balance was £6.4m at 31 December 2015. 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. Based on movements since 31 March 2013 the Scheme is now estimated to be effectively fully funded. An interim valuation of the Scheme is being carried out at 31 December 2015 and the current recovery plan will be discussed by the Company and the Trustee later in the year in light of the strong funding position.

Funding (at AER)

At 31 December 2015 the group had net debt of £1,026.6m. The group has over £150m of centrally held funds and £370m of available undrawn committed facilities which are available to fund the £300m bond maturing in March 2016. The ratio of net debt to EBITDA at the Year End was 2.5x. The Company's credit rating post the acquisition of Steritech has been reaffirmed at BBB. Based on our expectations for the coming year, our strong cash flow projections for 2016 and into 2017 and progress we are making with the Steritech integration, we are confident of maintaining the credit rating at our committed BBB level.

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

Dividend

Following an encouraging performance in 2015, and in anticipation of further progress in 2016, the Board is recommending a final dividend in respect of 2015 of 2.06p per share, payable to shareholders on the register at the close of business on 8 April 2016 to be paid on 18 May 2016. This equates to a full year dividend of 2.93p per share, an increase of 13.1% compared to 2014.

Outlook for 2016

2015 has been a year of further improvement at Rentokil Initial. We have continued to execute our differentiated strategy to drive profitable growth with both focus and pace. This year we have delivered ongoing revenue growth of 6.5%, profit growth from ongoing operations of 8.5% and free cash flow of £147.7m.

We have also achieved a step change in the scale of our presence in Growth markets through the acquisitions of Steritech, Anderson Pest Solutions and Oliver Exterminating, cementing our position as the number three player in North America, the world's largest pest control market. We will continue to pursue high-quality pest control businesses to infill locally and build further density and margins, particularly in Emerging and Growth markets.

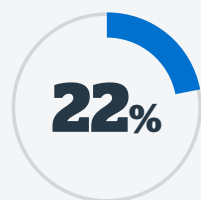
Prospects in the majority of our markets are good and, while conditions in France and Benelux remain difficult, we are confident of making further progress in the coming year.

How the Regions Performed in 2015

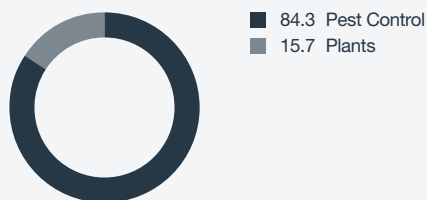
North America



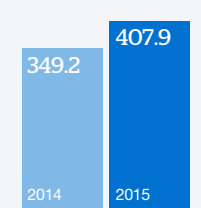
Group revenue



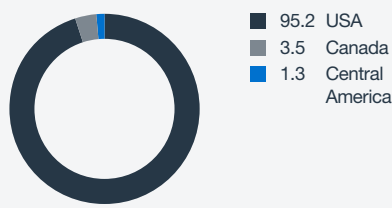
Business mix (%)



Revenue CER (£m)



Countries of operation (%)



Overview of 2015 performance

- Strong performance in 2015, supported by acquisitions
- Revenue¹ up 16.8% (+2.7% organic, +14.1% from acquisitions), +3.0% organic growth from Pest Control and operating profit^{1,2} up 28.6%
 - Operating profit performance and +1.2% points margin improvement reflecting leverage from higher revenues, back office & property rationalisation and fuel cost savings
 - Integration of Steritech proceeding well – annualised exit profit run rate in excess of \$20m
 - 13 acquisitions in 2015 with annualised revenues of c. £149m
- **Strategic focus for 2016** – the integration of Steritech (delivering improved margins through density and National Accounts capability), ongoing focus on driving organic growth, continued M&A to build density and further margin improvement opportunities from M&A, scale efficiencies and service productivity

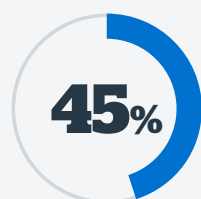
¹ ongoing revenue and profit represents revenue and profit with disposals & business closures removed and includes revenue from acquisitions

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

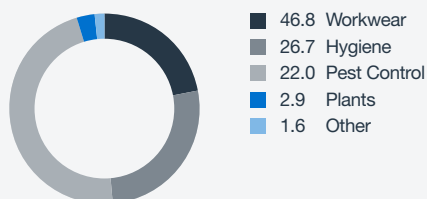
Europe



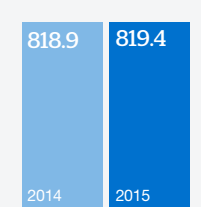
Group revenue



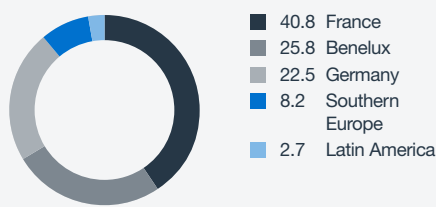
Business mix (%)



Revenue CER (£m)



Countries of operation (%)



Overview of 2015 performance

- Revenue flat, good growth in central and southern Europe
- Overall performance held back by France and Benelux
- Revenue¹ +0.1%, operating profit^{1,2} down 4.6%:
 - Good revenue growth in Germany (+3.2%), southern Europe (+5.3%) and Latin America, which is partly managed out of the Europe region (+33.5%) offset by declines in France (-3.4%) and Benelux (-1.1%)
 - Profit decline driven by revenue reductions and pricing pressure in France
- Outlook for European businesses in 2016 remains mixed:
 - German and Italian businesses experiencing positive trading conditions therefore further progress expected
 - Challenging economic and competitive conditions in France and Benelux anticipated to continue
 - As a result of actions being undertaken to improve performance, level of profit decline anticipated to be considerably lower in 2016

- **Strategic focus for 2016** – support margins through the Quality Initiative in Workwear, service and distribution productivity, branch & back office rationalisation and cost discipline

¹ ongoing revenue and profit represents revenue and profit with disposals & business closures removed and includes revenue from acquisitions

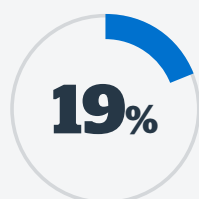
² before amortisation and impairment of intangible assets (excluding computer software), restructuring costs and one-off items

Regional Performance

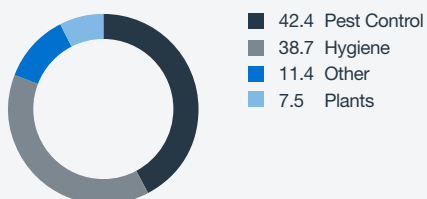
UK & Rest of World



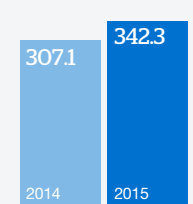
Group revenue



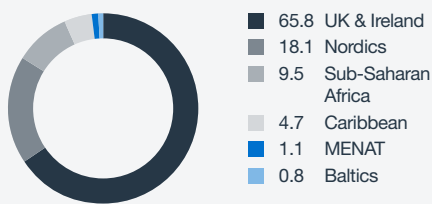
Business mix (%)



Revenue CER (£m)



Countries of operation (%)



Overview of 2015 performance

- Revenue¹ +11.5% (+4.2% organic) in 2015, and operating profit^{1,2} +12.5% reflecting revenue performance and impact of Peter Cox Property Care acquired end 2014:
 - Continued growth from UK pest control and hygiene businesses, pest jobbing work in particular
 - Strong revenue growth in RoW, driven by the Caribbean and South Africa
 - Increase in operating margins reflecting leverage from revenue growth and continued strong cost control
- **Strategic focus for 2016** – further improvements in performance through application of successful UK operating model across the region

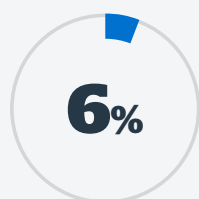
¹ ongoing revenue and profit represents revenue and profit with disposals & business closures removed and includes revenue from acquisitions

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

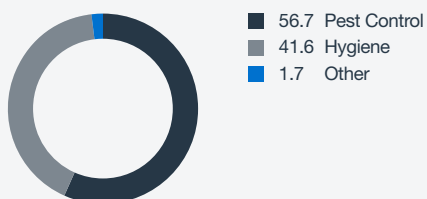
Asia



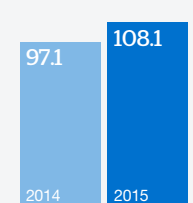
Group revenue



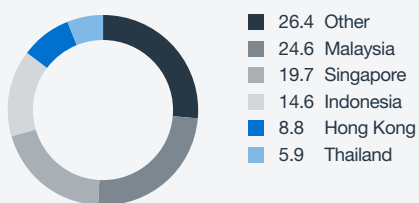
Business mix (%)



Revenue CER (£m)



Countries of operation (%)



Overview of 2015 performance

- Revenue¹ up 11.3% (+8.6% organic), operating profit^{1,2} up 27.5% reflecting leverage from revenue:
 - Good performances from both pest control and hygiene businesses
 - Combined revenue growth of 26.0% from India, China and Vietnam
 - Combined high-single-digit revenue growth from Indonesia and Malaysia
 - Profit increase reflecting leverage from revenue growth and ongoing benefits from back office rationalisation
 - +1.2% point improvement in operating margin – further improvement opportunities from revenue growth, service productivity and back office rationalisation
 - Pest control acquisition in South Korea with annualised revenue of £0.5m
- **Strategic focus for 2016** – further M&A opportunities sought across region to build scale in this key strategic market

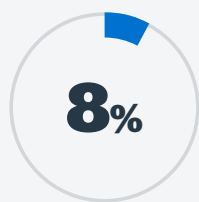
¹ ongoing revenue and profit represents revenue and profit with disposals & business closures removed and includes revenue from acquisitions

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

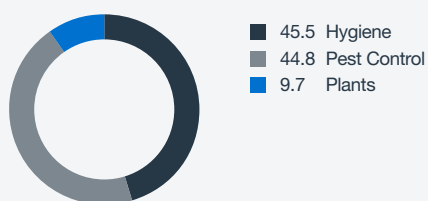
Pacific



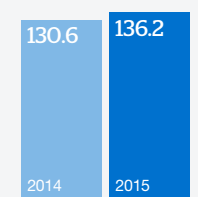
Group revenue



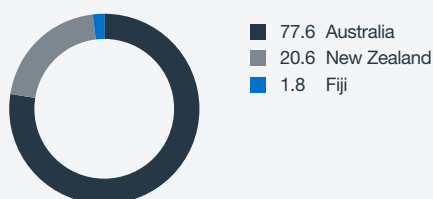
Business mix (%)



Revenue CER (£m)



Countries of operation (%)



Overview of 2015 performance

- Revenue¹ up 4.3% (+3.5% organic), operating profit^{1,2} up 7.3% reflecting leverage from revenue:
 - Revenue driven by growth in contract revenue in pest control and hygiene businesses and higher levels of jobbing work in pest control
 - Margin improvement reflecting higher revenues and supported by procurement savings and reduction in overheads
 - Three pest control acquisitions in Australia with annualised revenues of just under £3.0m
- Strategic focus for 2016** – further improvements in performance through additional acquisitions in Pest Control and Hygiene and improved service productivity

¹ ongoing revenue and profit represents revenue and profit with disposals & business closures removed and includes revenue from acquisitions

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

Risks and Uncertainties

Principal risks

The group's overall risk management approach, described on page 60, is designed to provide reasonable, but not absolute, assurance at all levels of the group that risks are properly identified and are being effectively managed. This includes the provision of appropriate mechanisms to ensure that issues and concerns relating to risk can be escalated up through the organisation confidentially.

The principal risks most relevant to the group are described in the table below, together with mitigating actions. 'Assurance Risks', which relate to activities that the group must undertake in order to meet legal, fiscal and governance obligations, are also shown. Full details of the Company's financial risks can be found in Note C4 on pages 121 to 122. The exact financial impact of one or more of our principal risks materialising will depend on the precise operational impact of the risk, its interaction with other risks and whether mitigating actions are successful in reducing the overall financial impact. However, as a rule of thumb, a 1% decrease in revenue, if not mitigated at all, would have an impact on operating profit in

the range of £8.0m to £12.0m and on operating cash flow in the range of £6.0m to £10.0m.

Review of risks

Risks and mitigating activities are regularly reviewed by the Board and the Senior Leadership Forum, but it should be noted that remedial actions taken may not be sufficient on their own to fully mitigate the risks, should they materialise.

Other risks

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

Managing our principal risks

Growing our business profitably in an increasingly competitive environment

The Company's three primary businesses (Pest Control, Hygiene and Workwear) operate in competitive environments and, in the pest control business, an increasingly regulated environment. Acquiring new customers and retaining existing customers in such competitive environments remains challenging; failure to do so may have a negative impact on growth, profitability and cash flow.

Markets in the Protect & Enhance quadrant remain competitive especially in Workwear and Hygiene. We anticipate this competitive environment to continue in the short term.

In the Growth and Emerging quadrants where labour markets are tighter it remains challenging to attract and retain the most capable sales and technical personnel.

Mitigating actions

- Regular tracking of customer satisfaction and the perception of both customers and non-customers of Rentokil Initial, benchmarked against competitors
- Targeted investment in innovation to support value-added and innovative concepts to maintain profitability and protect against commoditisation
- Investing in new digital platforms to provide improved channels of communication and marketing
- Rolling out of the Sales Capability Framework by the new Sales Excellence Director
- International Accounts team developing business with multinational customers across geographies to take advantage of the Company being the most international player in our businesses
- Acquisition of targets that have a strong cultural fit with the brand and our service model whilst supporting growth
- Graduate recruitment programme in key markets to improve future talent pipeline
- Exit from unprofitable businesses with commodity characteristics, e.g. flat linen

Maintaining margins during periods of weak economic growth

The global economic environment is volatile, with many Western economies experiencing historically low GDP growth. There is high volatility in global commodity prices and exchange rates and wide variations in local market price and cost inflation across the globe. In the face of these economic pressures, our customers may choose not to renew

contracts, or may look for reductions in prices or delay payments, which may have a negative impact on our ability to develop margins and cash flow.

In our Protect & Enhance countries, which have low or negative inflation, it remains difficult to maintain margins due to weak pricing power.

Mitigating actions

- Regular review of the quadrant model to ensure that resources are directed to countries and businesses that have the most attractive returns and future prospects
- Regular monitoring of market pricing trends and individual customer profitability to ensure that margin erosion is minimised
- Continuing focus on cost, with regular reviews of cost base and productivity programmes
- Group functions with executive authority to deliver economies of scale in procurement, especially in IT, fleet, energy and logistics
- Establishment of a European Supply Chain for Workwear and Hygiene
- Continued reduction in central and regional overheads of £3.3m in 2015
- Roll out of automated tools to monitor customer profitability
- Regular monitoring of debtor days outstanding with action taken against customers with overdue debts

Managing our principal risks - continued

Delivering consistently high levels of service to the satisfaction of our customers

Our business model depends on servicing the needs of our customers in line with internal high standards and to levels agreed in contracts. If our operatives are not sufficiently qualified, or do not have the right technical and interpersonal skills, or we fail to deliver successful innovations, this may negatively impact our ability to acquire new customers and/or retain existing

customers, with the consequent impact on growth, profitability and cash flow.

Service levels have improved over the period 2013 to 2015 due to increased focus on operational excellence and improvements in training programmes.

In the medium to long term we risk the loss of key service personnel as labour markets tighten.

Mitigating actions

- Expansion of the Operational Excellence team to drive superior customer service
- Targets for front-line staff and management based on delivering and improving customer service levels
- Customer Voice Counts – feedback sought from a range of customers, used to track customer service

quality, with improvement in CVC scores year on year targeted at all locations

- State of Service Key Performance Indicators used to monitor service delivery
- HR development processes including leadership & development training, performance management, reward and incentives

Business continuity

The ability to continuously service customers without interruption is essential in a service industry. In our Workwear business, in particular, where clothing is often tailored to individual needs, business could be adversely affected if access to the laundries is not possible due to issues such as fire, flood, IT failure or industrial action. Failure to service our customers may adversely affect our

ability to retain those customers and may badly damage the Company's reputation. This may have a negative impact on growth, profitability and cash flow.

In the short and medium term, actions taken to drive efficiency savings to remain competitive, especially in the Protect & Enhance quadrants, may result in higher risk of industrial action.

Mitigating actions

- All countries and units required to maintain Business Continuity plans
- Ongoing programme to transfer key data and applications from local servers to regional data centres with higher levels of backup capability and resilience
- Regular feedback sessions with workforce
- Procedures in place to ensure that potential industrial disputes are escalated quickly to Group HR Director
- Local plans to service customers from adjacent laundries/branches where supply has been interrupted

Financial market risks

We operate in international markets and are therefore exposed to foreign exchange risk, interest rate risk, liquidity risk, counterparty risk and settlement risk. If any of these risks materialise, this may have a negative impact on profitability, cash flow and financial statements, and may have a negative impact on financial ratios, credit ratings and/or the ability to raise funds for acquisitions.

During 2015 the net debt of the group has increased following completion of several acquisitions, most notably Steritech in the US. Any additional net debt required to fund future acquisitions may affect our investment grade credit rating.

Further details of the impact of financial market risks are given in the notes to the Financial Statements on pages 121 to 122. See also the Viability Statement on page 37.

Mitigating actions

- Financing policy in place to ensure that the Company has sufficient financial headroom to finance all but the very largest acquisitions. Target credit rating of BBB achieved in 2014 and maintained in 2015
- Treasury policies that limit key financial transactions, such as use of derivatives, hedging, raising bank finance and opening bank accounts
- Monthly reporting of financial and liquidity ratios
- Cash pooling and debt financing arrangement to match, as closely as possible, currency availability/demand across borders

Fraud, financial crime or material financial mis-statement

Theft of property including personal information, deliberate cyber attacks that results in denial of service and/or deliberate misstating of financial

records may result in fraud and financial loss to the business and damage the Company's reputation.

Mitigating actions

- Code of Conduct regularly circulated and reviewed locally including annual Letter of Assurance for all senior management: refresh of Code communications planned for 2016
- Mandatory training on Code of Conduct, competition laws, anti-bribery and corruption, information security and privacy
- 26 key financial controls defined centrally and independently assessed at country level in all material business units every year
- Self-assessment exercise carried out across the group to assess the Company's resilience to cyber attack and remedial action to improve controls where necessary; progress on implementing remedial actions will be followed up in 2016 and a further self-assessment exercise will be carried out
- Specific review of adequacy of controls in Group Treasury and remedial actions implemented
- International confidential 'Speak Up' hotline and e-mail address, monitored by Internal Audit
- Significant frauds investigated by Internal Audit and lessons learned widely shared

Risks and Uncertainties

Managing our principal risks - continued

Health, safety & the environment

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

- Use of poisons and fumigation materials in pest control
- Driving to customers across all our categories
- Working at height

- Bio-hazards from laundering of medical and hospital workwear and linen

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

Mitigating actions

- Robust and up-to-date Health and Safety (H&S) policies re-issued in 2015, with increased focus given to higher risk and regulated activities
- H&S officers appointed in all jurisdictions
- Regular training of all relevant employees in safe working practices, including mandatory driving training
- H&S considered as first item on all board and senior management meetings
- H&S KPIs discussed at all country and regional board meetings
- Formal review of accidents and lessons learned widely circulated
- Monitoring of energy-derived emissions and water usage (see pages 40 and 41)

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

The Company is a multinational business that operates in many jurisdictions and is increasing its business in emerging markets, including by acquisition and new country entry. Failure to comply with local laws such as anti-bribery and corruption laws, employment legislation and/or financial reporting requirements may result in fines and/or withdrawal of licence to operate, which could have an adverse impact of growth, profitability and cash flow.

The Company operates across many different tax jurisdictions and is subject to periodic tax audits which sometimes challenge the basis on which local tax has been calculated and/or withheld.

Successful challenges by local tax authorities may have an adverse impact on profitability and cash flow.

Mitigating actions

- Group Legal involvement in all acquisitions, including advising on risk and regulatory issues
- Regular compliance exercises, for example on anti-corruption and anti-bribery legislation, competition law, labour law and data protection; monitoring of online U+ training completion rates
- Authority schedule in place and regularly reviewed
- Group and local policies in place and regularly reviewed
- Requirement to report breaches in controls and/or laws to Group General Counsel and Head of Internal Audit
- Mandatory training on Code of Conduct, competition, anti-bribery and corruption, IT security and privacy
- All major business transactions or internal reorganisations are subject to a rigorous internal and external review
- A dedicated and experienced central tax department is involved in all tax audits
- Group Tax policy reviewed and approved by the Board periodically
- Our tax planning is aligned with the Company's business activities and artificial transactions to avoid tax are not undertaken

Integration of acquisitions

The Company has a strategy which includes growth by acquiring existing companies to extend its geographic footprint and/or to improve its market share in existing geographies. If the Company fails to successfully integrate these acquisitions into its existing organisation structures, the business may not achieve the expected financial and operational benefits which may have an adverse impact on growth, profitability and cash flow.

During 2014 and 2015 the Company has been successful in acquiring a significant number of new businesses in all regions.

In 2016 the most significant integration programme will be in North America, especially Steritech, which is expected to deliver year three cost synergies of at least \$25m.

Mitigating actions

- Integration plans considered by Investment Committee as part of acquisition approval process
- Dedicated integration team established for Steritech with clear deliverables over three months, six months and one year
- Tried and tested induction programme for first 100 days for all acquisitions
- Continuity of management/ leadership in acquired companies, where possible
- Group departments, e.g. H&S, Group Legal, Group Insurance, Group IT, Group HR, involved early with new acquisitions to drive compliance with group standards, especially when entering new geographies
- Review of acquisition benefits against original plan within two years

Viability Statement

The Directors have assessed the viability of the group over a period of three years. The Directors have determined that a three year period is appropriate as it is consistent with the period reviewed by the Group Board in the strategic planning process and is aligned with the typical length of customer and supplier contract periods in the business (three to five years). In making their assessment, the Directors have considered the current position of the business and have taken into account the potential impact of the principal risks, described above. The assessment has included stress testing the financial forecasts for severe but plausible scenarios (both individually and in aggregate) together with the effectiveness of mitigating actions. It has also considered the level of financing headroom and the ability of the group to raise additional finance and deploy capital. In particular, the Directors have considered the impact of a prolonged downturn in trading performance and have assessed liquidity in the context of a credit rating downgrade.

The Directors have taken account of the group's strong liquidity position, with a current net debt to EBITDA ratio of 2.5x, and its ability to raise new finance if required in most market conditions. The geographic and category diversification of the group's operations helps minimise the risk of a serious business disruption. In addition, the group's ability to flex the cost base protects the viability of the business in the face of adverse economic and/or political uncertainty. The Directors have also considered the key potential mitigating actions of reducing capital expenditure or expenditure on acquisitions and ultimately restricting dividend payments. Based on this assessment and after careful consideration, the Directors have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the three-year period ended December 2018.

Corporate Responsibility

As a global leader in Pest Control and Hygiene services, and a European leader in Workwear, Rentokil Initial's corporate responsibility actions focus on its social and environmental contribution, linked to the Company's mission: **Protecting People. Enhancing Lives. These include helping to improve public health, protecting property from pest damage and reducing risk of poor workplace hygiene, together with environmental contributions reducing emissions and water and energy usage.**

Governance and focus

During the year the Company paid wages and salaries of £680.5m (2014: £648.8m). In 2015 the total cash tax paid was £27.9m (£30.1m in 2014, the decline being due to favourable foreign exchange movements) on the reported profit before tax of £159.0m (2014: £163.2m). The Company also paid employer social security contributions on employee salaries £119.4m for 2015 (2014: £117.5m).

Independent acknowledgements of the Company's corporate responsibility performance in 2015 included accreditation in the Dow Jones Sustainability World Index and the FTSE4Good Index, being named one of the Top Employers in the UK, a Top Service company in Germany, and being ranked second amongst European business service companies against 20 corporate responsibility issues by Generali.

The Chief Executive has responsibility for Corporate Responsibility and has committed the Company to operating responsibly and in line with its Code of Conduct (updated periodically, and reinforced on an annual basis with online training). The Company has a robust policy framework, monitored by internal audit, supported by colleague training and a Speak-Up reporting system. The Company asks senior executives formally to confirm adherence to this policy framework annually in writing.

Engaged workplace

Rentokil Initial is committed to workplace best practices, based on equal opportunities for colleagues (irrespective of age, race, gender, colour, sexual orientation, disability or marital status). Women represent about 35% of colleagues (based on a survey of our top 10 countries in 2015), 27% of management roles and 25% of Board members. Sales colleague retention improved by 4% points in 2015.

Colleague engagement is assessed through the confidential Your Voice Counts survey. 22,000 colleagues participated in the 2015 survey. Results showed engagement and enablement levels five points above the global norms. 87% of colleagues said they had a 'good understanding of our values' (three points above the High Performing norm). Other High Performance areas include 'Company takes safety seriously', 'Motivation and loyalty of colleagues', 'Diversity' and innovation with the 'Company being open to new ideas'.

Colleagues' skills development is delivered through two primary resources. The Technical Academy delivers accredited training to service colleagues and U+ is the in-house learning and development 'university'. In 2015 the Company delivered over 43,000 online training courses. Many courses and videos were created in-house around topics such as sales, technical and operations for our business categories. Other programmes focused on the Code of Conduct, health and safety, legal compliance and leadership development. In June 2015 the Company launched myLearning in the UK, a digital learning portal for customers, which has over 200 customers signed up.

In addition, there are active apprenticeship and graduate programmes across Europe. In the UK the Company employs some 100 graduates and also has a recruitment programme amongst the ex-military.



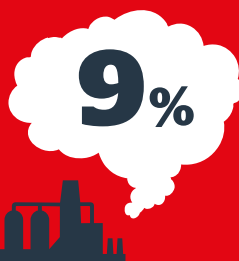
Corporate Responsibility

£128,000**Donated to charities
including £40,000 raised
for Malaria No More****22%**

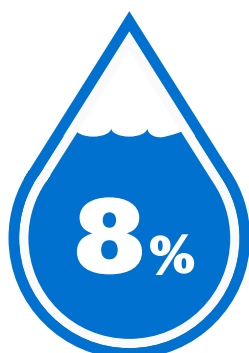
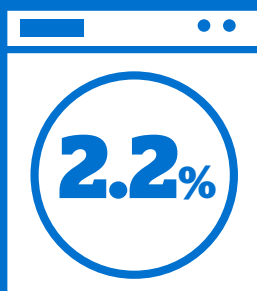
(2015: 0.77 vs 0.89 target)

**Improvement
in Lost Time
Accident Rate****30%**

(2015: 19.02 vs 23.02 target)

**Improvement
in Working Days
Lost Rate****Online
courses
undertaken
by colleagues****SHE Golden Rules
launched and
deployed
to over 95%
of colleagues****Reduction in the
index of energy
derived emissions**





at CER (19% improvement since 2011)

**Reduction in
water used in
workwear plants****Improvement in
workwear emissions
per tonne of product
processed****3,250****technical training days
delivered in the UK**

Innovation for our customers

The Company's customer-related policies, performance measures and training programmes help ensure consistent service standards delivery.

The Company's customer focus is on:

Innovation	Pace	Product and service quality	Care
<p>The company has a strong pipeline of innovations with 2015 launches including HygieneConnect and PestConnect, as well as AutoGate in Germany.</p> 	<p>The use of technology such as extranets and apps enable more efficient and effective customer responses, offering rapid advice and quick access to service data.</p> 	<p>Product and service quality – remains a key focus and the Customer Voice Counts survey saw customer satisfaction rise by 12.8% in 2015 to 28.2. Increasingly customers access advice through the 100+ local language customer websites, with site traffic up by 19% and web-based enquiries up by 13% in 2015.</p> 	<p>Where practical, products are changed to reduce environmental impacts. The UK Hygiene business replaced 50,000 aerosol-based air fresheners with units with less waste and fewer chemicals. The Company provides safety sheets online for each product. Adopting industry leadership, the Company was instrumental in the introduction of a European Standard for pest management services, designed to improve the industry-wide quality of services.</p> 

Responsible supply chain

The Company is developing a supply chain based on partnership and responsibility, and its Supplier Standard sets out its expectations of suppliers. All suppliers are audited based on a risk assessment, and fabric suppliers are selected only if they meet international environmental, social and governance standards. The recent workwear processing detergent supply contract demonstrates the Company's focus on a sustainable supply chain. Conversion to the new processing detergents took place in all 37 laundries during 2015 resulting in:

50%

Reduction in bleach

30%

Reduction in textile 'wear' through improved wash processes

10%

Reduction in water and 8.5% in gas consumption (on like-for-like volumes)

14.8%

Reduction in rewash rates – well ahead of target

The Company also begun to develop a new CO₂ washing system (similar to dry cleaning), which is waterless, offering a 64% reduction in energy usage but with the CO₂ being constantly recycled – a first in Europe.

Further improved Health & Safety

Health & Safety performance continues to progress towards world class standards, with the Lost Time Accidents (LTA) improving by 22% (0.77 from 0.99, vs 0.89 target) and Working Days Lost (WDL) improving by 30% (19.02 from 27.08, vs 23.02 target). Regrettably there were two fatalities in 2015. One was a UK colleague involved in a road traffic collision, and the other was a pedestrian who died after being hit by a Company service vehicle in North America.

The Company's Safety, Health and Environment (SHE) team reports to the Executive Leadership Forum and at every Board meeting, where in both cases it is the first item on the agenda. The SHE Golden Rules were launched in 2015 and reached over 95% of our 31,442 colleagues globally by the end of the year. These are supported by an extensive range of health and safety courses focused on the Golden Rules (including language variations) on U+.



22%

Improvement in Lost Time Accidents (LTA)



30%

Improvement in Working Days Lost (WDL)



95%

Global reach of the SHE Golden Rules

Corporate Responsibility

Reducing Environmental Impacts

In 2015 the Company reduced its emissions by 9% and water usage by 8%. This continues a five-year trend of improvement, through the use of technology and developing responsible behaviour.

2015 environmental KPIs

Indicators	2015	2014
Index of energy derived CO ₂ emissions at CER (from 100 in 2011)	81.0	88.6
Workwear – Kilogrammes of CO ₂ emissions per tonne processed	297.3	304.6
Workwear – Water usage per unit washed – litres used per kilogramme	8.3	9.0

Having achieved its 2016 emissions reduction target of 10% (compared to a 2011 baseline) a year early, the Company will set new emissions targets during 2016. The Company reports on greenhouse gas absolute emissions derived from property energy and vehicle fuels over the past five years.

Absolute values of energy derived emissions - tonnes of CO₂e

Type of scope	2015	2014	2013	2012	2011
Total scope 1	172,943	180,107	180,536	176,976	178,060
Total scope 2	21,443	23,173	24,988	26,400	27,206
Total scope 3	10,570	12,048	12,279	12,871	12,861
Total outside scope	4,147	4,040	4,023	3,758	3,810
Total – all scopes & outside scopes	209,102	219,367	221,826	220,006	221,937

Main emissions sources are European workwear plants and vehicle fleets. The plants continue to benefit from investment and delivered improvements of 1.8% in energy efficiency and 8% in water consumption in 2015.

With a global vehicle fleet of approximately 17,000 vehicles and an estimated aggregate total 340m miles driven per year by colleagues, vehicle emissions represented 64% of energy derived emissions in 2015. To improve vehicle efficiency, programmes including route optimisation, engine control unit mapping, vehicle eco-selection, driver telemetry and training were introduced.

The Company reports on fugitive sulfuryl fluoride gas emissions. The gas is used to fumigate large buildings. Absolute emissions derived from the use of sulfuryl fluoride were 597,268 tonnes (2014: 850,883 tonnes). Currently, there is no suitable regulatory approved fumigation alternative to sulfuryl fluoride.

Supporting our communities

Colleagues enthusiastically support local and national charities. Rentokil Initial's charitable cash donations amounted to £128,000 in 2015 (2014: £77,000). The Company focuses on three main areas:

Local community support

In the UK the Company has been a long term supporter of Malaria No More. To date, local fundraising for the charity has reached £100,000, with over £40,000 raised in 2015.



Global community support

The Community Health Education Programme is a global community health initiative, with projects in India, South Africa and Indonesia delivering basic hand hygiene and road safety education through schools to children.



Providing response to national disasters

During the 2015 flooding of Chennai in India the Company formed a team to support colleagues and others impacted. Immediate needs included clothes, blankets, and medicines, water cans, cooking utensils, basic cutlery and water purifiers. Many customers, especially customers situated at IT parks, were badly affected by floods and needed immediate attention with core pest and anti-bacterial treatment. Within 36 hours the team was able to develop three additional service lines (anti-fungal, microbial and dead/decaying organic matter treatment), source materials, train staff and begin executing the jobs for customers.



Further information about Rentokil Initial's corporate responsibility programmes can be found in this year's Corporate Responsibility Report, available on www.rentokil-initial.com

Corporate Governance

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Directors' Report

This Corporate Governance Report for the year on pages 43 to 83 forms part of the Directors' Report. Disclosures elsewhere in the 2015 Annual Report are cross-referenced, where appropriate, and taken together fulfil the requirements of the Companies Act 2006, the UK Listing Authority's Listing and Disclosure and Transparency Rules. The Directors' Report and Other Statutory Disclosures can be found on pages 140 to 142.

Other Statutory information

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

Statutory information

Statutory information	Location in this Annual Report
Accountability and audit	Page 141
Acquisitions and disposals	Page 30 and Note B1 Financial Statements
Appointment of Directors	Page 5
Board of Directors and Committee membership	Pages 44 and 45
Directors' conflicts of interest	Page 52
Directors' interests in shares	Page 79
Directors' liabilities and protections	Page 53
Employees and gender diversity	Page 38
Going concern	Page 141
Greenhouse gas emissions	Page 41
Key performance indicators	Pages 26 and 27
Operating model	Pages 12 and 13
Pension scheme	Note A10 Financial Statements
Post balance sheet events	Note D3 Financial Statements
Risks and uncertainties	Pages 35 to 37 and Note C4 Financial Statements
Share capital	Note C13 Financial Statements and Note 11 Parent Company Accounts
Parent Company Accounts	Pages 132 to 138
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Chairman's Statement

Dear Fellow Shareholder



During 2015 the Board and I have focused on our three primary responsibilities: to determine the strategy of the group, to ensure that the best team is in place to execute that strategy and to ensure that effective controls are in place to mitigate and manage risk. Strong corporate governance underpins all three elements.

This requires more than compliance with the latest regulatory guidance, but needs to be an overarching strategic and risk framework within which management can operate with confidence. It also sets the tone and expectation for the high standards of conduct and professionalism across the business.

I remain confident that the Board and its Committees operate to the highest standards of governance and integrity, something supported by the outcome of the Board review in 2015 as well as in previous years. We have worked during this year to implement the follow-up actions and areas for improvement identified in last year's evaluation. Those items as well as the suggestions of areas for focus in 2016 are set out on page 51.

Challenge

The Board takes seriously its responsibilities under the 2014 UK Corporate Governance Code (the 'Code') to provide appropriate challenge to the executive, and to ensure that it has sufficient understanding of the drivers of the business to do so effectively. In March we visited our Global Science Centre to look in depth at the impressive pipeline of innovative products and services that the group has developed. Many are now being successfully commercialised (more details are available on pages 16 to 25). In June the Board travelled to Marseille to review our French business, which has been under particular pressure this year, as well as the Workwear business generally. This included a visit to one of our laundries. In September the Board toured our UK Sales Academy to improve our understanding of the way that professional standards and careers are developed for our frontline sales and service colleagues. In addition, this year we have for the first time conducted deep dive reviews on all five regional businesses (see pages 51 and 54); we also spent time with over 90% of the Senior Leadership Forum during the year, to improve our understanding of the internal talent pool and succession options for key functions and businesses across the group.

Reporting and engagement

I hope that you have found the Strategic Report to shareholders on pages 2 to 41 a helpful explanation of our strategy and of how the strategy is executed through our business model. We have taken into account the guidance of the Financial Reporting Council (FRC) on strategic report preparation, issued in June 2014, the Code and ongoing developments in remuneration reporting under the new regulations. Our Remuneration Policy, approved by shareholders at the Annual General Meeting (AGM) in May 2014, is available to view on www.rentokil-initial.com/investors. Although that approval did not require the Remuneration Policy to be put to the vote again until 2017, there are some changes to the Remuneration Policy (for details, see pages 66 to 72 of the Directors' Remuneration Report), so we intend to submit the proposed revised Remuneration Policy to shareholders at the 2016 AGM.

I trust that the remainder of this report gives you a clear understanding of the governance process as well as how the Board complies with its obligations under the Code, the Listing Rules and the Disclosure and Transparency Rules. We will continue to keep these obligations under review during 2016.

Yours faithfully

John McAdam

Chairman

24 February 2016

Board of Directors



CC Committee Chair
N Nomination Committee
A Audit Committee
R Remuneration Committee

1. John McAdam, Chairman (67)

Date appointed: May 2008

Key strengths

John has extensive experience of senior leadership of global businesses. He brings to the group a deep and strategic understanding of a wide range of industry sectors gained from his career with ICI and Unilever over more than 30 years and his other Board and advisor appointments. He has a strong scientific background with a doctorate in chemical physics and as a former research fellow at Manchester University.

Current external commitments

- Chairman, United Utilities Group PLC
- SID, J Sainsbury plc
- NED, Rolls-Royce Holdings plc

Previous roles

- Chief Executive, Imperial Chemical Industries plc (ICI)
- Held senior executive positions at Unilever, including with Birds Eye Walls, Quest International and Unichema International
- Director of Severn Trent plc
- Director of Sara Lee Corporation (USA)

2. Andy Ransom, Chief Executive (52)

Date appointed: May 2008

Key strengths

Andy has broad commercial experience gained in senior executive positions and legal roles and is a qualified solicitor. He joined Rentokil Initial in 2008 as the Executive Director of the global Pest Control business and was also responsible for the Group Legal and M&A functions.

Current external commitments

- Director and Trustee of Street League

Previous roles

- Senior executive at ICI, EVP of M&A and General Counsel and Company Secretary
- Responsible for a number of group functions and international businesses including ICI's regional and industrial divisions

3. Jeremy Townsend, Chief Financial Officer and Chief Information Officer (52)

Date appointed: August 2010

Key strengths

Jeremy joined Rentokil Initial as Chief Financial Officer and, in addition, became Chief Information Officer in November 2013. A Chartered Accountant.

Current external commitments

- Member of the Accounting Council of the Financial Reporting Council
- Non-executive Director of parkrun Limited

Previous roles

- Finance Director of Mitchells & Butlers plc
- A senior executive at J Sainsbury plc (various finance roles including Group Financial Controller, Corporate Finance Director and Strategy Director)
- Ernst & Young, working in audit and corporate finance

4. Peter Bamford, Non-executive Director (61)

Date appointed: July 2006

Key strengths

Marketing: one of the key architects of the global Vodafone brand as Chief Marketing Officer of Vodafone, and brings extensive experience to the Board over developing the marketing agenda for Rentokil Initial's brands.

Current external commitments

- Chairman of SuperGroup Plc

Previous roles

- Chief Marketing Officer and Director of Vodafone Group plc from 1998 to 2006
- Chief Executive of Northern Europe, Middle East and Africa operations and Chief Executive of Vodafone UK
- Held senior positions at Kingfisher plc and Tesco PLC and was a Director of WHSmith PLC and Six Degrees Technology Group Ltd
- Chairman of PRS for Music Limited
- Chairman of Brandtone Holdings Limited (Ireland)

Corporate Governance

5. Angela Seymour-Jackson, Non-executive Director (49)

Date appointed: March 2012

Key strengths

Marketing: member of the Chartered Institute of Marketing with a master's degree in marketing. Financial services: member of the Chartered Insurance Institute.

Current external commitments

- Managing Director, Corporate Solutions at Aegon UK plc
- NED, Henderson Group plc
- NED, esure Group plc

Previous roles

- Chief Executive of RAC Motoring Services
- Distribution Director of Aviva UK Life and Norwich Union Insurance

6. Julie Southern, Non-executive Director (56)

Date appointed: July 2014

Key strengths

Julie has had a long, successful career in a number of commercially oriented finance and related roles working for some of the world's best known consumer brands. A Chartered Accountant with a degree in economics.

Current external commitments

- NED, NXP Semi-Conductors N.V. (NASDAQ)
- NED, DFS Furniture plc
- NED, Cineworld Group plc
- NED, Gate Group Holdings AG

Previous roles

- Chief Financial Officer (2000–2010) and Chief Commercial Officer (2010–2013) of Virgin Atlantic Limited
- Held a number of financial and operational roles in Porsche Cars, Great Britain and WHSmith PLC

7. Richard Burrows, Non-executive Director (70)

Date appointed: January 2008

Key strengths

He has significant international business experience ranging from leading successful manufacturing and service businesses in the drinks industry to banking and financial services roles.

Current external commitments

- Chairman of British American Tobacco p.l.c.
- NED, Carlsberg A/S (Denmark)

Previous roles

- Governor of the Bank of Ireland
- Joint Chief Executive and latterly NED, Pernod Ricard SA (France)
- Chairman and Chief Executive of Irish Distillers
- Chairman of Voicesage Global Holdings Ltd.
- NED, CityJet Ltd (Ireland)
- NED, Mey İçki (Turkey)
- NED, Eurasian Natural Resources Corpn. plc

8. Alan Giles, Non-executive Director (61)

Date appointed: May 2006

Key strengths

He has extensive commercial and strategic service industry experience having led two major retail brand businesses through significant periods of change.

Current external commitments

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

Previous roles

- Chairman of Fat Face Group Limited
- Chief Executive of HMV Group plc
- Managing Director of Waterstones
- Director, WHSmith PLC and Book Tokens Limited
- NED, The Office of Fair Trading
- NED, Somerfield plc
- NED, Wilson Bowden plc

9. Daragh Fagan, General Counsel & Company Secretary (46)

Date appointed: September 2013 (GC);
July 2014 (Company Secretary)

Key strengths

Extensive in-house legal and company secretarial experience in major listed multinational corporations, including significant businesses in emerging markets.

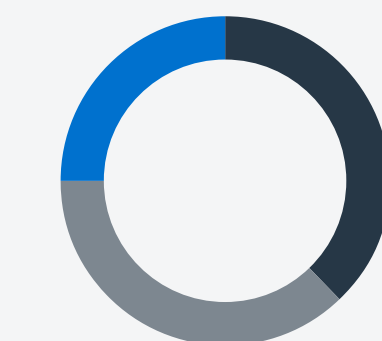
Current external commitments

- None

Previous roles

- General Counsel, Europe & Asia Thomson Reuters, previously General Counsel EMEA for Reuters Group plc
- Associate General Counsel, N. America, N. Sea & Middle East, Eni SpA

Age of Directors (%)



- 38% 45-55 years
- 37% 55-65 years
- 25% 65-70 years

Executive Leadership Team



1. Andy Ransom, Chief Executive (52)

Please see page 44.
The Chief Executive chairs the Executive Leadership Team, comprising the key regional business and functional leaders, which reviews operational performance, execution against strategy, governance and risk management.

2. Jeremy Townsend, Chief Financial Officer and Chief Information Officer (52)

Please see page 44.

3. Jürgen Höfling, Managing Director, Europe (52)

Date appointed: October 2014
Key strengths

Significant experience in senior positions in the logistics sector and in sales and marketing, principally 14 years at Deutsche Post and DHL International. He also has international management consultancy experience. A German national and fluent in English, French and German. He has an Integration & Marketing degree from the Wharton School, University of Pennsylvania.

Previous roles

CEO of DHL Global Mail – worldwide mail business of DHL/Deutsche Post outside Germany. Founding partner of Theron Management Advisors, an international management consultancy.

Current external commitments
None.

4. Vanessa Evans, Group Human Resources Director (47)

Date appointed: January 2016

Key strengths

Vanessa has had a successful career with some of the world's best known consumer brands. She joins from RSA Group plc where she was Group HR, Communications and Customer Director. She is a Fellow of the Chartered Institute of Personnel and Development and holds BA (Hons) Geography from Bulmershe College, University of Reading.

Previous roles

She has held a number of senior HR and operational roles at LEGO and Gap.

Current external commitments
None.

5. Stewart Power, Chief Marketing Officer (45)

Date appointed: March 2014

Key strengths

Stewart has broad experience in marketing and strategy and holds an MBA from London Business School and a BSc in Physics from Imperial College, University of London. He is a member of the Chartered Institute of Marketing.

Previous roles

He joined Rentokil Initial in 2006 as Director of Marketing and Strategy for the Rentokil division and became Group Marketing Director in 2010. Prior to this he held roles as Marketing and Strategy Director at RAC Business Solutions, Director of Business Solutions at Capita Group and was a management consultant with the Boston Consulting Group. He started his career at BOC Group plc spending seven years in strategy, marketing and sales roles.

Current external commitments
None.

6. Phill Wood, Managing Director, UK & Rest of World (50)

Date appointed: October 2013

Key strengths

Phill has extensive commercial and business development experience having held a number of senior roles in Pest Control and in commercial fleet and outsourced vehicle solution operations. He is a Chartered Management Accountant and holds a first class BSc (Hons) in Management Science from Loughborough University.

Previous roles

Phill joined in 2006 as MD Europe (Pest Control) and was appointed MD of the Pest Control division, UK and Ireland in 2009. He had been previously at Lex Service/RAC plc for 15 years, holding Managing Director and senior operational roles within the Lex Service Group.

Current external commitments
None.

7. John Myers, Managing Director, North America (58)

Date appointed: October 2013

Key strengths

Sales, operations and business development, having held senior roles in large US corporations. MBA, Mercer University; degree in Business Administration, University of Vermont.

Previous roles

He joined the Company in 2008 as President and Chief Executive of North America Pest Control division. Prior to this he was SVP Sales, Cintas Corporation and prior to that he was President and Chief Executive at Bio Quest LLC. John began his career with American National Can Company.

Current external commitments
Member of the United Way Board in Berks County.

8. Daragh Fagan, General Counsel & Company Secretary (46)

Please see page 45.

Corporate Governance Report

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

Compliance statement

As noted in the Chairman's statement, the principal governance framework applying to the Company is the UK Corporate Governance Code, published in September 2014 ('the Code'). The Company has complied throughout 2015 with the requirements of the Code. The Code is published by the Financial Reporting Council (FRC) and the full text is available on its website at www.frc.org.uk

We describe how we have applied the main principles of the Code in the table below, cross-referring to other parts of this Annual Report for further information on internal control and risk management and Directors' remuneration. This table is intended to assist with the evaluation of our compliance during the year and should be read in conjunction with the Governance section as a whole on pages 43 to 46. Headings in the table correspond to the Principles headings contained in the Code.

A Leadership	B Effectiveness Information can be found on page 49 of this Corporate Governance Report.	C Accountability Information can be found on pages 59 to 60 of the Audit Committee Report and this Corporate Governance Report on pages 54 to 55.	D Remuneration Information can also be found on pages 64 to 83 of the Remuneration Committee Report.	E Relations with shareholders Information can also be found on pages 54 to 55 of this Corporate Governance Report.
A1. The role of the Board The Board's responsibilities are set out in the governance framework outlined on page 49. The Board held 11 scheduled meetings plus one to discuss the Steritech acquisition during the year and holds additional Board Committee meetings, as required. All Directors are expected, wherever possible, to attend all Board and relevant Committee meetings, and the AGM. Details of Board meetings attendance for the year are set out on page 53 of this Corporate Governance Report.	B1. The composition of the Board Our Board consists of eight Directors, all of whom served throughout the year. There are five Non-executive Directors in addition to the Chairman and two Executive Directors. Changes made to the composition of the Board and Committees during the year are set out in the Nomination Committee Report and Corporate Governance Report. The balance and independence of our Board is kept under review by our Nomination Committee. Peter Bamford will be stepping down from the Board at the AGM on 11 May 2016, having served nine years as a Non-executive Director. The Board considers that all of the Non-executive Directors bring strong independent oversight and continue to demonstrate independence.	C1. Financial and business reporting The Directors' Statement of Responsibility regarding the financial statements, including (i) the going concern assessment and identifying any material uncertainties to the Company's ability to continue to operate for a period of at least 12 months from the date of approval of the financial statements, and (ii) the Viability Statement, is set out on page 37 of the Strategic Report. A statement is provided on page 55 of this Corporate Governance Report confirming that the Board considers that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable. It provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The responsibility of our auditor is set out in the Audit Committee Report on pages 59 to 60.	D1. The level and components of remuneration The Remuneration Committee assesses and makes recommendations to the Board on the remuneration policies and packages for individual Directors. More information can be found on pages 66 to 72 in the Directors' Remuneration Report.	E1. Dialogue with shareholders The Chairman has overall responsibility for ensuring that there is effective communication with investors. Further information on how we engage with our shareholders can be found on page 54 of this Corporate Governance Report and on page 64 of the Directors' Remuneration Report.

A.2 Division of responsibilities

The roles of the Chairman and Chief Executive are separate and the key responsibilities of each are set out on page 50 of this Corporate Governance Report.

B.2 Appointments to the Board

There were no appointments during the year to 31 December 2015. Further details on the process leading to the appointments of the current Directors is set out in the Nomination Report on page 62 and Corporate Governance Report on page 49.

C.2 Risk management and internal control

An overview of the group's framework for determining the nature and extent of the principal risks and identifying and managing risk is set out on page 54 of this Corporate Governance Report. Further information on (i) the Board's responsibility for the system of internal control and risk management can be found in the Director's Statement of Responsibility on page 142, and (ii) information on the oversight of the group's system of internal control and the monitoring of the group's risk management system and its effectiveness can be found in the Audit Committee Report on pages 56 to 61. Further details are set out in the terms of reference for the Audit Committee published at www.rentokil-initial.com/investors

D.2 Procedure

The Board has delegated a number of responsibilities to the Remuneration Committee, including determining the policy on remuneration of the Chairman, executives and senior management team. Full details are set out in the terms of reference for the Remuneration Committee published at www.rentokil-initial.com/investors

E.2 Constructive use of the AGM

Our AGM will be held on 11 May 2016. Further information can be found on page 55 of this Corporate Governance Report and a copy of our Notice of Meeting can be found at www.rentokil-initial.com/investors

A.3 The Chairman

The role of the Chairman is set out on page 50. Board meetings are arranged to ensure sufficient time is available for the discussion of all items. In accordance with the Code, the Chairman was not considered independent on appointment as a result of his participation in a one-off share incentive arrangement approved by shareholders in 2008 in connection with his recruitment to the business. The share incentive arrangement lapsed in 2014.

B.3 Commitment

During the year, the Board considered the external commitments of all of its Directors and is satisfied that these do not conflict with their duties and time commitments as Directors of the Company. Details of their commitments are set out in their respective biographies on pages 44 and 45 of this Corporate Governance Report. Changes to the commitments of all Directors are reported to the Board. Directors regularly review a conflicts register and any conflicts identified are submitted to the Board for consideration and, as appropriate, authorisation in accordance with our articles of association and the Companies Act 2006.

C.3 Audit Committee and Auditor

The Board has delegated a number of responsibilities to the Audit Committee including governance over the appropriateness of the performance of both the internal audit function and the external auditor and oversight of the group's systems of internal controls. Further details of the composition of the Audit Committee and its activities are set out in the Audit Committee Report on pages 56 to 58.

A.4 Non-executive Directors

Details can be found on the role responsibilities of the Senior Independent Director on page 50 of this Corporate Governance Report and the role of the Non-executive Directors on page 49 of this Corporate Governance Report.

B.4 Development

Details of Board induction and training and development is set out on pages 51 and 63 of this Corporate Governance Report.

B.5 Information and support

Details of support for the Directors taking independent legal and/or financial advice at the Company's expense and the role of the Company Secretary who assists the Chairman in ensuring that all Directors have full and timely access to all relevant information can be found on page 52 of this Corporate Governance Report.

B.6 Evaluation

Information on the Board's own evaluation of its performance and that of the Committees and individual Directors is set out on page 51 of this Corporate Governance Report.

B.7 Election/re-election

All Directors have submitted themselves for re-election at the 11 May 2016 AGM with the exception of Peter Bamford who will step down from the Board after the AGM. Further information can be found on page 55 of this Corporate Governance Report and the Notice of Meeting.

Corporate Governance Report

Role and effectiveness of the Board

The role of the Board

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

Specifically the Board must:

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

A schedule of the matters reserved for the Board's attention is reviewed annually and was most recently reviewed in December 2015. The schedule sets out the Board's ultimate responsibility for the group's strategy, operations and risks, and reserves to the Board power to approve a range of decisions of a significant nature. The schedule is available at www.rentokil-initial.com

In addition to its other responsibilities, the Board is mindful of its responsibility for the group's risk management approach. The Board has carried out a robust assessment of the principal risks facing the Company,

including those that would impact its business model and future performance. More detail of the key risks identified and considered is set out on page 35.

An overview of the matters considered by the Board in 2015 is shown on page 54.

Key Board roles

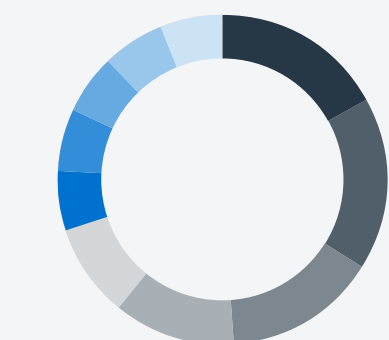
The division of responsibilities between the Chairman and Chief Executive is set out in writing and is summarised on page 50, together with the primary responsibilities of the Senior Independent Director and Company Secretary. Non-executive Directors have regular opportunities to meet with members of Executive management and also hold discussions under the leadership of the Chairman without Executive members present. At least once a year Non-executive Directors meet under the leadership of the Senior Independent Director without the Chairman being present.

Appointments to the Board and composition

A Nomination Committee comprising independent Non-executive Directors and chaired by the Company Chairman has responsibility for managing the appointment process to ensure a formal, rigorous and transparent procedure for appointing Directors. Its work is described on page 62.

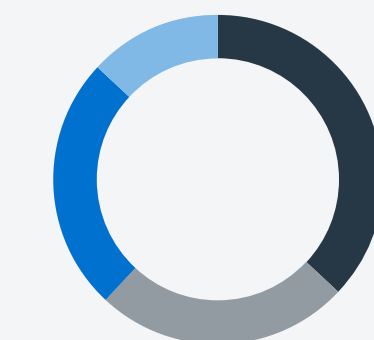
In order for the Board to discharge its duties and responsibilities effectively, it must comprise a diverse group of individuals whose skills and experience are gained in a variety of backgrounds. Successful candidates must demonstrate independence of mind and integrity, and must enhance the overall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

Board industry sector experience (%)



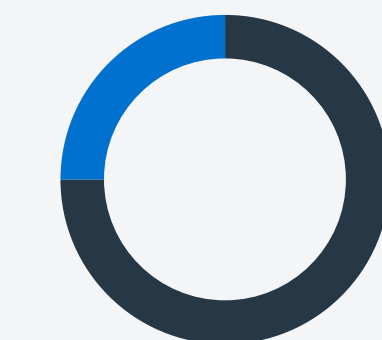
- 17% Professional/Business Services
- 17% Retail
- 15% Financial Services
- 12% Hospitality (Food Processing)
- 9% Engineering
- 6% Airline
- 6% Chemical Manufacturing
- 6% Clothing Manufacturing
- 6% Entertainment
- 6% Telecommunications/IT

Professional background (%)



- 37% Finance/Accountancy
- 25% Marketing
- 25% Science
- 13% Law

Gender diversity (%)



- 75% Male
- 25% Female

At the date of this report the Board has eight members: the Chairman, five Non-executive Directors and two Executive Directors. The names of the Directors serving throughout 2015 and their biographical details are set out on pages 44 and 45.

Balance and independence of Board members

The Board considers that it and its Committees have an appropriate composition to discharge their duties effectively and to manage succession issues. The Board keeps its membership and that of its Committees under review to ensure that an appropriate balance is maintained.

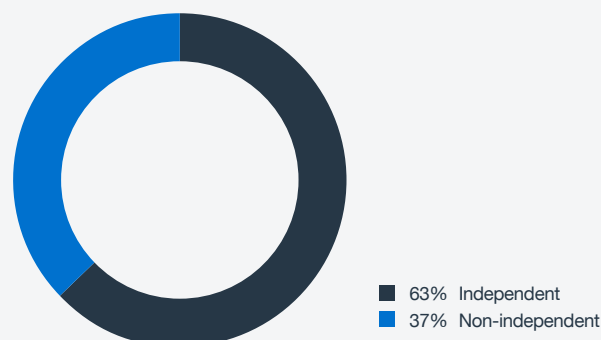
All Directors may serve on a number of other Boards, provided that they can demonstrate that any such appointment will not interfere with their time commitment to the Company and that they obtain the agreement of the Chairman before proceeding. This also ensures that any potential conflicts of interest are considered and addressed. The major commitments of the Directors are shown in their biographical information on pages 44 and 45. Currently Non-executive Directors are obliged to commit at least 20 days a year and the Chairman is obliged to commit at least two days a week to the Company.

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

The Board considers that an individual's independence cannot be determined arbitrarily on the basis of a particular period of service. In the case of Alan Giles, who has served as a Director for ten years (eight years following the change in Executive management in 2008, and less than two years as Senior Independent Director), the Board benefits from his considerable experience and knowledge resulting from the length of his service as well as from his wider business experience.

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

Directors' independence (%)



Board responsibilities

Principal governance responsibilities

Chairman John McAdam

Duties include:

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

Chief Executive Andy Ransom

Duties include:

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

Senior Independent Director Alan Giles

Duties include:

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

Company Secretary Daragh Fagan

Duties include:

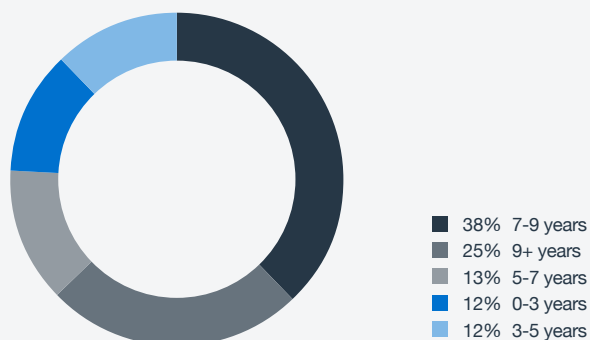
- Secretary to the Board and each of its Committees, reporting directly to their Chairmen
- Secretary to the Executive Leadership Team, reporting directly to the Chief Executive
- Assisting the Chairman and Senior Independent Director in their evaluation of the Board's effectiveness
- Keeping the Board and its Committees informed on governance matters and advising on these through their Chairmen
- Management of the legal and health and safety functions, and assisting the overall development of group governance and compliance arrangements

* the group's corporate responsibility performance is in the group's web-based 2015 Corporate Responsibility Report which is available online at www.rentokil-initial.com

Corporate Governance Report

Directors' length of service

Directors' length of service (%)
(as at 24 February 2016)



Board performance, training and succession

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

Performance evaluation

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

The performance evaluation was positive with all responses indicating continued high or increased performance. Actions taken following the 2014 evaluation were as follows:

- **Operational business reviews:** It was recommended that the Directors allocate additional time to consider operational matters. In response, a programme of regional and functional deep dives was instituted from the beginning of 2015, which covered all five regions and key group functions.
- **Committee time:** The format of Board and Committee meetings was changed so that Committees take place on the afternoon before the main Board. This allows greater time for Committee discussions, as well as more informal discussion time at additional Board dinners.
- **Risk oversight:** The regional deep dives, referred to above, included reports from the regional Finance Directors to the Audit Committee on the control environment in their regions, and functional reviews included the treasury function and controls. The risk framework was restructured more clearly to separate strategic from operational risks, facilitating Board oversight and clarity of understanding, as well as appropriate mitigation activity. Strategic risk issues were identified in the 2014 evaluation and annual report, and more detail is set out overleaf.
- **Digital marketing:** The Board continued to receive periodic updates on progress at Board meetings and digital marketing performance was reviewed in depth at the strategy away day in November.

Succession planning and exposure to senior management:

Over 90% of the Senior Leadership Forum presented to or spent time with the Board during 2015, with agendas arranged to facilitate greater formal and informal contact with the pool of potential Executive succession candidates.

The external evaluation in 2015 covered: the Board's balance of skills and experience, independence and knowledge, and diversity including gender of Board members. It also covered how the Board works together and the effectiveness with which it used its time. As in 2014 this year's review included an assessment of the strategy away day. The review also covered strategic and operational risk oversight, key talent and succession, and the quality of information flow and Board support. The anonymity of all respondents was ensured in order to promote an open and frank exchange of views.

The Board considered the output from the 2015 review at its meeting on 17 February 2015. The review reported further progress in the effectiveness of the Board and against the actions identified in the 2014 review. Following some suggestions for further improvements, the Board agreed a number of actions, summarised below:

- **Operational business reviews:** Continuing with deep dive reviews of all five regional businesses, the core categories and key functions; implementing reviews of the control environment with regional Finance Directors at the Audit Committee or with its chairman; the Board plans to visit North America in June 2016
- **Risk oversight:** Continuing the progress in this area, and considering key or new risks in depth, such as emerging markets or cyber security; monitoring key operational risks such as the integration of Steritech and other North American acquisitions in 2015, and performance of the Workwear business (especially in France and Benelux)
- **Succession planning:** Maintain focus on refreshing the Board's range of skills as new appointments are made, and succession planning for Executive and Non-executive Directors; extending the membership of the Nomination Committee to include all Non-executive Directors
- **Talent management:** Spending additional time on Executive succession and talent development

We will report on progress in implementing the actions in the 2016 Corporate Governance Report.

Succession planning

The Board is ultimately responsible for succession planning for Executive and Non-executive Directors. The Nomination Committee has conducted a performance evaluation of each Non-executive Director seeking re-election and concluded that their performance (individually and in aggregate) continues to be effective and that each demonstrates commitment to the role. Further information on the succession planning process is included in the Nomination Committee Report on page 63.

Training

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

Annual re-election

In accordance with the Code, the Directors are subject to annual re-election by shareholders. To enable shareholders to make an informed decision, the 2016 AGM notice includes biographical information and a statement as to why the Company believes the Directors should be re-elected.

The Board recommends to shareholders the re-appointment of all Directors retiring at the meeting on the basis that they are all effective Directors of the Company and demonstrate the appropriate level of commitment to the role. Peter Bamford, who joined the Board in July 2006, will be stepping down from the Board at the 2016 AGM and so will not be put forward for re-election. The terms of the Directors' service contracts are disclosed in the Directors' Remuneration Report starting on page 64. Directors' interests in shares are disclosed on page 79. Directors' service contracts and the letters of appointment of the Non-executive Directors are available for inspection at the Company's registered office and will be available at the AGM which will take place on 11 May 2016. A pro-forma of the Non-executive Directors' letters of appointment is available at www.rentokil-initial.com

Board Committees and Board support

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

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

Reports by the principal Board Committees (Audit, Remuneration and Nomination), including a full discussion of their terms of reference, role, structure and composition are set out between pages 56 and 83. For more details see: Audit Committee – page 56, Nomination Committee – page 62, Remuneration Committee – page 66.

The Chairman, supported by the Company Secretary, ensures that the Board receives appropriate information to allow full preparation for meetings and to carry out its responsibilities effectively. All Directors are able to make further enquiries of the Executive Directors, Company Secretary or management whenever necessary. The Company Secretary is responsible for advising the Board through the Chairman on corporate governance matters, and there is also a procedure in place for Directors to take independent legal advice, if they judge this to be necessary, at the Company's expense.

Managing conflicts of interest

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

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

Details of Directors' interests are shown on pages 44 to 45. No Director has had a material interest in any contract of significance in relation to the Company's business at any time during the year or to the date of this report.

Governance overview



Corporate Governance Report

Corporate responsibility

The Chief Executive is responsible for corporate responsibility and the Executive Leadership Team has authority for reviewing all aspects of corporate responsibility. The Board reviews specific corporate responsibility matters on a regular basis and on a broader basis at least once a year. A Safety, Health and Environment (SHE) report, including a review of SHE KPIs, is the first item on the agenda at each meeting of the Board, Executive Leadership Team and Senior Leadership Forum. Further information can be found in the Corporate Responsibility section on pages 38 to 40 and at www.rentokil-initial.com/responsible-delivery

Directors' liabilities and protections

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

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

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

Board meetings

The Board met 11 times during the year, all scheduled meetings, and a Committee of the Board met five times in relation to the release of quarterly results and the acquisition of Steritech. As in previous years the Board has this year visited one of its overseas operations, on this

occasion France. The Board had the opportunity to meet the extended management team of the business and conduct a detailed review of the business in France and Europe generally, focusing in particular on the Workwear business. The agenda included a visit and tour of one of the group's laundries in Marseille, and a review of the latest workwear designs for different market segments.

A summary of the activities carried out by the Board during the year is shown on page 54 and Directors' membership and attendance at Board and Committee meetings is shown below.

Non-attendance at meetings by Directors was either as a result of unavoidable changes in commitments, illness, or from ad hoc meetings called by the Company which conflicted with existing arrangements. The Chairman (or Committee chairman) seeks the views of any Director unable to attend a meeting and provides a briefing on outcomes.

Executive responsibilities

Executive governance

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

Executive Leadership Team

To support the Chief Executive in managing the business at group level the Executive Leadership Team has been established under the Chief Executive's chairmanship and comprises the group's operational heads for Europe, North America and UK & Rest of World and the heads of the Finance & IT, Human Resources and Marketing & Innovation functions, as well as the Company Secretary. They meet regularly to review safety, performance, operational plans and actions, governance and risk management. Biographical information on the Executive Leadership Team is provided on page 46.

Senior Leadership Forum

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

Directors' attendance and Committee membership

	Board	Audit Committee	Remuneration Committee	Nomination Committee
John McAdam	11/11 (Chairman)	–	–	2/2 (Chairman)
Andy Ransom	11/11	–	–	–
Jeremy Townsend	11/11	–	–	–
Peter Bamford	11/11	5/5	–	2/2
Richard Burrows	9/11	–	3/5	2/2
Alan Giles	11/11	5/5	5/5 (Chairman)	2/2
Angela Seymour-Jackson	11/11	–	5/5	–
Julie Southern	10/11	5/5 (Chairman)	–	–
Total number of meetings	11	5	5	2

Primary group committees/Boards

Disclosure Committee

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

Group Risk Committee

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

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

Copies of the minutes of the Group Risk Committee are provided to the Audit Committee. Information on the risk management and control framework is provided in the Risks and Uncertainties section on pages 35 to 37 and in the Audit Committee Report on pages 56 to 61.

Investment Committee

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

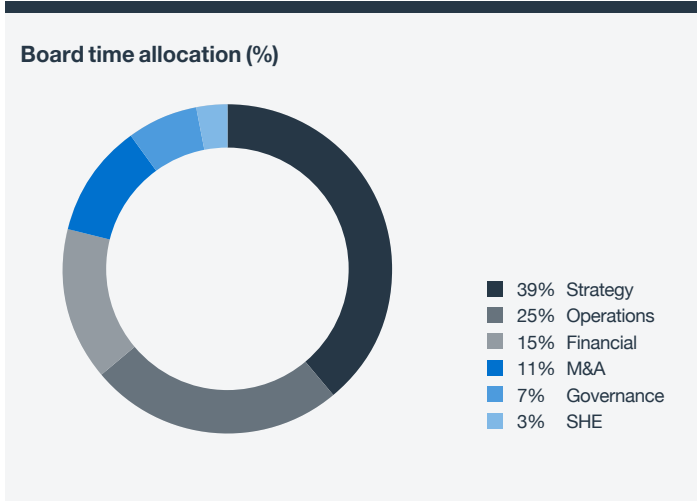
Category Boards

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

Business units

The governance process in business units comprises acting in accordance with the the application of group and local policies and procedures, management oversight and the analysis and management of risk, all underpinned by the group's values and behaviours. The group operates through locally constituted and governed legal entities in 67 countries. All staff are required to act in accordance with principles set out in the group's Code of Conduct which is available to shareholders at www.rentokil-initial.com

Key items discussed by the Board



In 2015, the Board considered:

- Safety, Health & Environment (SHE) performance and governance
- Operational and financial performance, including review of the annual operating plan and deep dive review of all five regional businesses and key functions
- Visits to the Global Science Centre to review the innovation pipeline, to France to review the French and European business and Workwear business, and to the UK Sales Academy to review the training and career development arrangements for frontline staff
- Preparation of the Annual Report and Accounts, and quarterly and half year financial results, and associated investor relations activity
- M&A activity including the acquisitions of Eradico, Anderson Pest, Steritech and Oliver Exterminating
- Reviews of key risks to the business, including material disputes
- Governance arrangements and processes including conflicts of interest, Board evaluation, and Board governance
- Strategy for the group and its businesses
- Succession planning
- Corporate responsibility

Accountability to shareholders

The Board fulfils its obligations of accountability to shareholders by clear and open reporting on current performance and plans for the future, engagement with shareholders and investor representative bodies and taking into account the views expressed by shareholders.

The Company has a premium listing on the London Stock Exchange and an ADR listing on the New York Stock Exchange to facilitate shareholding by retail investors in the United States. All ordinary shares carry the same rights and no shareholder enjoys any preferential rights, regardless of the size of their holding. Further information on the rights attaching to shares can be found in the Directors' Report on page 140.

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

Corporate Governance Report

Substantial interests in shares at 24 February 2016

	%	No. of Ordinary shares	Nature of holding
Ameriprise Financial Inc.*	10.02	182,600,557	Indirect
Schroders plc	9.94	181,246,797	Indirect
BlackRock, Inc.	6.31	115,064,870	Indirect
Majedie Asset Management Ltd	5.61	101,963,126	Indirect
Artemis Investment Management LLP	5.37	97,646,833	Direct
Invesco Ltd	5.04	91,879,258	Indirect
AXA SA	4.80	87,093,421	Indirect
Aviva plc (and its subsidiaries)	4.01	73,177,456	Direct

* Ameriprise Financial Inc. includes Threadneedle Asset Management Holdings Ltd

Formal reporting

The Company publishes a half yearly unaudited interim statement at the end of July/early August as well as audited financial statements which are announced in February and circulated to shareholders in early April. In accordance with the changes implemented by the Financial Conduct Authority with effect from 7 November 2014, we now only provide simplified quarterly trading updates in May and November. We will continue to keep under review our quarterly reporting practice, and seek shareholders' views on the benefits of doing so.

The Board considers that the Annual Report and Accounts for 2015 meets the Code requirement to provide a fair, balanced and understandable assessment of the Company's position and prospects in its external reporting.

Over 88% of shareholders obtained their primary information on the Company through electronic communications and the Company's website. The Company strongly encourages shareholders to use electronic means for accessing shareholder communications, saving resources and cost that would be involved in distributing printed material (each printed copy of the Annual Report costs approximately £22 to produce). Shareholders who elect to receive electronic communications can revert to paper communications at a future time, if they so wish. The Company continues to canvass shareholders on how they wish to receive their shareholder communications and did so in February 2015 and January 2016.

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

Shareholder communications

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

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

- The Chairman, Chief Executive and Chief Financial Officer make themselves available to shareholders at all appropriate times
- Regular dialogue with institutional shareholders through one-to-one and group meetings, formal investor and analyst conference calls as well as ad-hoc communications, where appropriate, and through exchanges with shareholder representative organisations
- Formal presentations are held after full-year and half-year results, to which investors and sell and buy-side analysts are invited. These presentations are webcast and any investor is able to hear the presentation and related questions and answers via the Company's website. Slide presentations of results are hosted as are recordings of meetings
- Investor roadshows are conducted after full-year and interim results, involving extensive investor meetings on each occasion, as well as opportunities for private client investor presentations across the UK. In May 2015 a highly successful Pest Control Investor Seminar was held to provide investors with additional information on the Pest Control business and our leading position within it globally
- The Chief Financial Officer, supported by the Group Financial Controller and Treasurer, regularly meets with and hears the views of representatives of the debt capital markets
- The Chairman, the Senior Independent Director and Committee Chairmen are available to attend meetings with investors, as required, and will typically do so on a number of occasions annually
- Dialogue with both private and institutional shareholders at the AGM; the Board and executive welcome this opportunity to engage with all our shareholders on the performance of the business they own
- The Board is briefed on the Company's investor relations programme through a regular report from the Head of Investor Relations as well as by periodic updates from the Chief Executive and the Chief Financial Officer

Additional information for investors can be found on pages 143 to 144.

Annual General Meeting (AGM)

The AGM will be held at 12 noon on 11 May 2016 in the Ascot Suite at The London Gatwick Hilton Hotel, (South Terminal), Crawley, West Sussex RH6 0LL. A separate notice of meeting, containing explanation of the items of special business has been sent to all shareholders and is available at www.rentokil-initial.com. The Company encourages all shareholders to attend the AGM and to participate in discussion of the matters at the meeting. The Chief Executive will present to shareholders on the Company's strategy and performance and all Directors will be available to answer questions both formally at the meeting and informally over lunch. Voting at the AGM will be conducted by a poll and the results announced to the market and displayed on the Company's website the day following the AGM.



John McAdam

Chairman
24 February 2016

Audit Committee Report

Julie Southern
Chairman,
Audit Committee



Dear Fellow Shareholder

The Audit Committee has a clear set of responsibilities which are laid down in its terms of reference and agreed by the Board. These terms of reference were reviewed and updated during the year and conform with the requirements of the UK Corporate Governance Code 2014 (the Code) and to the best practice standard laid down by the Institute of Chartered Secretaries and Administrators (ICSA).

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

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

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

In the Auditor's Report on pages 84 to 86 the auditor also provides a commentary on what it considers to be the significant matters of judgement taken in respect of the financial statements. I am comfortable that all material issues of accounting judgement have been fully discussed by the Committee and that there were no divergent views between management and the auditor that were not resolved.

In addition to consideration of areas of accounting judgement we have set out on pages 57 to 58 a summary of all the activities of the Committee during the year divided between the Committee's primary areas of focus – internal controls and risk, external audit and financial reporting.

As I indicated in last year's Audit Committee Report we have maintained a focus during the year on improving the internal control framework. This is particularly important as the Company continues to acquire new businesses and expand into new territories. In general the standard of internal controls remains high but we have seen issues of control failure in Mexico, and some fraudulent activity in our Sydney branch in Australia and in our specialist hygiene business in the Netherlands.

Although it is always disappointing to identify control failures I am very encouraged by the transparency with which matters are reported and the thoroughness of the follow-up actions agreed.

During 2015 the Committee also reviewed both the tax and treasury policies of the group, both of which support comprehensive levels of internal control.

Last year we also highlighted that we intended to meet with the regional finance directors to allow us to better assess the independence of the finance function and the quality of finance function talent outside the UK. The Committee has found the meetings to be informative and helpful and has been reassured by the quality of presentations that we have seen. We will continue with a similar programme in 2016.

Although inorganic growth is a core part of the Company's strategy, the acquisition of Steritech in the fourth quarter of 2015 is of an unusual scale and will significantly enlarge our Pest Control business in North America. The Committee will take a special interest in the integration and development of the Steritech business in 2016.

As described in this report, we will continue to monitor the effectiveness of the internal audit assurance process. A planned external review of the effectiveness of the internal audit function was carried out in 2015 by Grant Thornton LLP. The outcome of the review was very positive with the internal audit function being found to be highly respected, value-adding and supportive of management, while retaining an appropriate functional independence. Some recommendations were made in relation to the nature and level of experience of the team, and some refinements to the methodology and processes were proposed, all of which will be carefully evaluated by the Director of Risk and Internal Audit and the Audit Committee. Overall I was reassured that the comprehensive and considered reporting from Internal Audit to the Committee was reflective of a generally strong and well-regarded function within the business.

In summary I believe that 2015 has seen continued development of the Rentokil Initial reporting and control framework and I look forward to seeing this maintained in 2016.

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

The 2014 audit was selected for an Audit Quality Review by the Financial Reporting Council (FRC), as part of their routine processes. This review is provided to the Committee to support our responsibility to review and monitor the external auditor's independence. The Committee reviewed the report and discussed its findings with KPMG. Overall we remain satisfied that the external auditor maintains a high level of independence and that we have robust processes in place to ensure that this is not compromised.

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

Yours faithfully

Julie Southern

Chairman, Audit Committee
24 February 2016

Audit Committee Report

Role of the Committee

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

The Committee:

- monitors the integrity of the annual and half-year results and interim management statements, including a review of the significant financial reporting judgements contained therein; see page 142 for the Statement of Directors' Responsibilities for preparing the Annual Report and Accounts
- keeps under review the Company's internal financial controls and internal control and risk management systems
- reports to the Board on its activities and provides the Board with an independent assessment of the group's accounting affairs and financial position to enable it to meet the Code requirement to present a fair, balanced and understandable assessment of the Company's position and prospects
- monitors and reviews the effectiveness of the Company's internal audit function
- establishes and oversees the Company's relationship with the external auditor, including setting their fees, monitoring their independence and effectiveness and ensuring that the Company's policy relating to their engagement on non-audit matters is appropriate and observed
- monitors matters raised pursuant to the Company's whistleblowing arrangements

Terms of reference

The terms of reference of the Committee are available at www.rentokil-initial.com. The Committee's terms of reference were reviewed by the Committee during 2015 and the Board approved a number of minor amendments to the text to ensure that the terms of reference are fully aligned to current best practice. They take full account of the FRC Guidance on Audit Committees.

Composition of the Committee

The members of the Committee are set out on page 53 in the Corporate Governance Report. There were no changes to the Committee in 2015. Julie Southern is a Chartered Accountant and is considered to have relevant and recent financial experience. Both Peter Bamford and Alan Giles have extensive commercial and operational experience in overseeing the financial affairs of substantial business undertakings. All Committee members are independent Non-executive Directors. The Committee did not find it necessary to seek external advice during the year, other than through its usual dialogue with the external auditor.

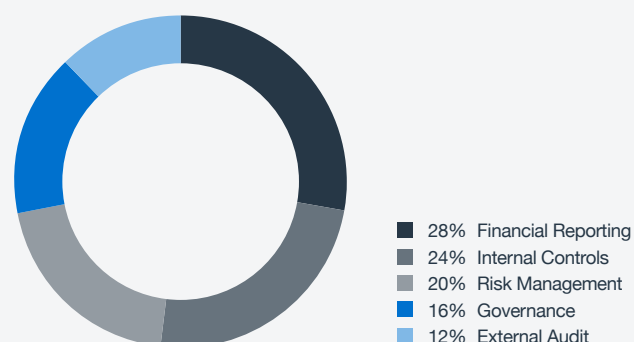
Meetings of the Committee are attended by the Chairman, the Chief Executive, the Chief Financial Officer, the external auditor, the Director of Risk and Internal Audit and the Company Secretary. Other Company executives attend meetings periodically such as the Group Financial Controller and Treasurer, the Group Tax Director and the regional finance directors.

Activities of the Committee in 2015

The Committee met five times during the year and attendance at those meetings is shown on page 53.

Key items discussed by the Audit Committee

Audit Committee time allocation (%)



In 2015 the Committee considered:

Internal controls and risk

- The status of the control environment
- The outcome of internal audit investigations and status of resolution of issues raised
- Group risks and actions to enhance their measurement, monitoring and mitigation actions
- Review and enhancement of relevant policies and procedures including the group authority schedule, tax and treasury policies
- Group reporting processes and the central control environment, including review of Group Risk Committee minutes
- The conclusions and themes emerging from the internal audit investigations conducted during the year and approved the plans for 2016 in parallel with the Board's strategic review and operating plan for the year

External audit

- The terms and scope of the audit engagement for the annual, half-year and quarterly financial statements together with fees charged
- The effectiveness of the external audit process
- A review of the annual financial statements, consideration of principal areas of accounting judgement or materiality, further details of which are provided in this report, including discussions with the auditor without executives present
- Compliance with the Company's policy on the provision of non-audit services by the auditor

- The audit strategy for the 2015 audit including the key areas of focus, materiality levels, scope and coverage
- An analysis setting out the basis on which KPMG LLP continued to meet the appropriate professional standards of independence as auditor to the Company

Accounting, financial reporting

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

Significant accounting judgements

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

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

These issues have been discussed and reviewed by the Committee during the year but notably at the review of the interim results and at the review and agreement of the audit plan for 2015.

Annual impairment assessment of goodwill and acquired intangible assets

The group has £776.5m of acquired intangible assets at 31 December 2015. Management is required to perform annual tests for potential impairment of goodwill and other intangible assets. The group's principal non-financial assets are grouped into cash-generating units (CGUs) for the purpose of assessing the recoverable amount – usually a country business unit. Where a CGU carries goodwill above the local equivalent of £1m sterling, this must be tested for potential impairment using a centrally provided model. For goodwill balances below the local equivalent of £1m sterling, CGUs are only required to satisfy themselves that nothing has happened since the previous review or since the goodwill balance was established that would indicate any impairment.

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

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

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

Provision for tax contingencies and UK deferred tax asset recognition

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

Acquisition accounting

In view of the significance of the Steritech acquisition in 2015, the Committee reviewed the accounting treatment of certain aspects of the transaction, including determination of the consideration paid and the provisional opening balance sheet, including the identification and valuation of acquired intangible assets.

Internal audit

The group has an internal audit team led by the Director of Risk and Internal Audit. Where justified by the need for local language or technical expertise in particular markets, the team draws additional resources from external practices, principally Deloitte LLP (this was not required in 2015). The Committee also has the benefit of the output from the financial controls testing carried out by the Company's auditor, KPMG LLP. The Director of Risk and Internal Audit reports to the Chief Financial Officer and has direct lines of communication with the Chairman of the Audit Committee, the Chief Executive and the Company Chairman, as well as to all operational and functional leaders in the business.

An external review of the effectiveness of the internal audit function was carried out in the second half of 2015 by Grant Thornton LLP. The outcome of the review was very positive with the internal audit function being found to be clearly understood and highly respected. The report noted excellent working relationships across the group, with the function being seen to be value-adding and supportive of management, while retaining an appropriate functional independence. Reporting to the Committee was assessed as comprehensive and well considered. The report noted the continuing improvement in the function in recent years and its contribution to the internal control framework for the group.

Audit Committee Report

Some recommendations were made in relation to the nature and level of experience of the team, including enhancing training, and some refinements to the methodology and processes were proposed, all of which will be carefully evaluated by the Director, Risk and Internal Audit and the Audit Committee.

During the year, internal audit continued to review a broad range of business processes in depth at a relatively limited number of business locations. The audit plan approved by the Committee in December 2014 has been completed. The common themes and related recommendations arising from the 18 audits and investigations completed or in progress, considered by the Committee covered: key financial controls, entertainment and expenses, authority schedules, state of service performance monitoring and 'Customer Voice Counts' assessments, IT general controls and entity level controls, pricing strategy, sales and customer account management, customer contract management, stock and warehousing, sales and operational planning, business continuity management, compliance with the Code of Conduct and Anti-Corruption Policy and compliance with HR policies.

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

None of the failures identified by internal audit in the control environment or any of the recommendations resulting from individual audits represented a systemic underlying issue. The overall work of the internal audit function is supportive of the Committee's and the Board's view that the financial and operational controls environment is working adequately (set out in 'Risks and Uncertainties' on page 33) and the Board statement on the effectiveness of Risk Management and internal control on pages 61 to 62.

During the year a review of the key IT risks facing the organisation was undertaken by Grant Thornton LLP, from which a three-year programme of internal audit work was defined. This programme was discussed with and approved by the Audit Committee and is planned to be carried out between 2016 and 2018.

External audit

Audit services

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

The auditor attends all meetings of the Committee and meets with the Committee without executive management present. The main engagement with the Committee in 2015 has been over the review and publication of annual and periodic financial statements and consideration of the changes required this year in reporting to shareholders on the Committee's activities in relation to its review of the financial statements, as provided in the Code. The Committee considers that it has an effective working relationship with the external audit team. As reported below, the Committee has formally reviewed the effectiveness of the auditor and is satisfied with their performance.

Audit related and non-audit services

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

Fees for audit related and non-audit services incurred during the year amounted to £0.7m (2014: £0.6m), representing 24% of the audit fees. Details of the fees paid for audit services, audit related services and non-audit services can be found in Note A8 to the financial statements.

Disclosure of information to the auditor

The Committee monitors the process leading up to the preparation of financial statements, including the arrangements the Company has in place for disclosing all relevant audit information to the auditor. A formal confirmation on disclosure of information to the auditor is provided in the Directors' Report on page 141.

Effectiveness

Under the Code the Committee is required to review and monitor the auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements. The 2014 audit was completed and all milestones reached, and there were no significant unexpected events relating to the publication of the year-end results.

The Committee conducted a review of the auditor's effectiveness during the year, drawing input from the Chief Financial Officer, the Director of Risk and Internal Audit and other members of the senior finance management team as well as from the majority of the finance directors of the group's subsidiaries. The process made use of a formal evaluation using a questionnaire which was completed by 31 business units as well as by the central accounts, tax and treasury functions. The questionnaire covered:

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

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

Auditor independence and objectivity

In concluding that KPMG LLP should be proposed for re-appointment as auditor at the 2016 AGM, the Board and the Audit Committee took into account the need to ensure that auditor independence was safeguarded. The Audit Committee also took into account the review undertaken of the effectiveness of the audit process as well as input from executive management.

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

Auditor re-tendering

Following a tender process in 2009, KPMG LLP replaced PricewaterhouseCoopers LLP as the group's auditor. The Code states that FTSE 350 companies should tender the provision of audit services at least every ten years or explain their approach, if different. A resolution concerning KPMG LLP's proposed re-appointment as auditor and setting of its fees will be proposed at the AGM of the Company to be held on 11 May 2016.

Group's approach to risk management and internal control

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

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

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

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

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

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

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

There is a Group Risk Committee composed of key functional and operational senior managers which considers the risk framework and key risks. Further details are set out on page 54.

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

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

Board statement on the effectiveness of risk management and internal control

The Board has overall responsibility for maintaining sound systems of risk management and internal control that are both fully effective and ensure compliance with the Code on internal control and risk management. Risks are considered in the context of long-term strategic and emerging threats, and shorter-term risks to the delivery of the annual operational plan. The Board has also assessed the viability of the group over a period of three years, taking into account the potential impact of the principal risks and stress testing financial forecasts for severe but plausible scenarios, taking into account the anticipated effectiveness of mitigating actions (see Risks and Uncertainties section on pages 35 to 37).

The framework of risk management and internal control described in the preceding section is designed to manage and mitigate risk rather than eliminate the risk of failure to achieve business objectives. In pursuing business objectives, internal controls and risk management can only provide reasonable, and not absolute, assurance against material misstatement or loss. Review of its effectiveness is achieved through regular and transparent management reporting, the governance processes and from the external and internal assurance processes, and in the Audit Committee and Board's annual review of strategy and operational risks.

Audit Committee Report

The Board has conducted a review of the effectiveness of the system of internal control for the year ended 31 December 2015 and confirms that:

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

Code of Conduct

The Code of Conduct is the foundational compliance policy of the group. The Code of Conduct is distributed in full in 14 languages and in summary format in 32 languages, and has been reviewed and refreshed for reissue in 2016. Mandatory training is provided for all colleagues on the group's Code of Conduct, using the U+ platform as well as offline tools. There is also online training on other compliance areas including competition law, anti-bribery and corruption and securing information and protecting privacy. Enhanced monitoring and recording of training completions is achievable using the U+ platform. Over 67% of colleagues invited to partake have participated in these online training modules.

A communications programme and material for workplace briefing to support reinforcement of Code of Conduct compliance is embedded in the business units. The effectiveness of the communications programme is reviewed by group internal audit. The Board will continue to keep policies supporting Code of Conduct compliance under regular review to ensure that they are appropriate and effective.

Whistleblowing 'Speak-up'

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

Committee effectiveness

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

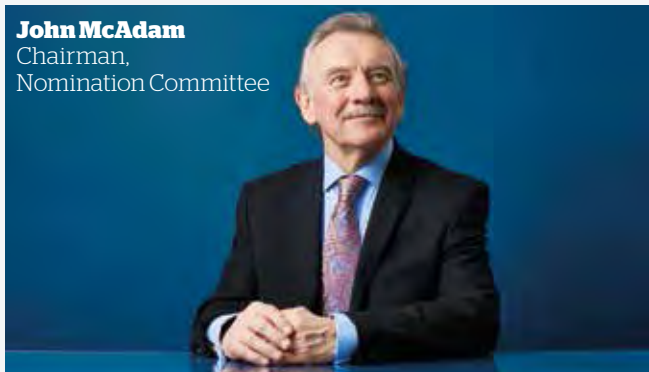


Julie Southern

Chairman, Audit Committee
24 February 2016

Nomination Committee Report

John McAdam
Chairman,
Nomination Committee



Dear Fellow Shareholder

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

Although there have been no changes to the Board in 2015, the Committee has periodically reviewed the composition of the Board and tenure of Board members. It has formulated a succession plan to bring new, diverse skills and experience progressively onto the Board in 2016 (when Peter Bamford will step down) and beyond. This reflects and supports the current and developing shape of the business, notably its international scope and scale. For example, as the Company continues to grow rapidly in North America and Asia, and invests in technology and innovation to maintain leadership in its business, it will be increasingly important for the Board to be able to access deep, relevant experience of those markets within its membership, in order to provide an appropriate level of support and challenge to the executive. In order to benefit from as broad as possible insight and experience as we reflect on these challenges, we have decided to extend formal membership of the Committee to all the Non-executive Directors from 2016 onwards.

The Committee continued to review the development of the senior cadre of executives in the Company, and the Board programme in 2015 has enabled all Board members to meet over 90% of the members of the Senior Leadership Forum as well as senior executives in key operational and functional roles beyond that group. This has enhanced the depth of understanding of the succession plans within the Company. It has been encouraged by the improved stability and performance of the senior management team in 2015 compared to previous years.

The Committee's report on the year follows.

Yours faithfully

John McAdam

Chairman, Nomination Committee
24 February 2016

Role of the Committee

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

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

The terms of reference of the Committee were reviewed by the Committee during 2015 and are available at www.rentokil-initial.com

Composition of the Committee

The composition of the Committee and attendance at meetings in 2015 is shown in the chart on page 53. The Committee met formally twice during the year. All Non-executive Directors were invited to participate in meetings of the Committee in 2015 and, from 2016 onwards, for the reasons described in this Chairman's letter it was decided to extend the membership of the Committee to all Non-executive Directors.

Appointment process

Our policy on appointments to the Board is set out in the Corporate Governance Report on page 49. In brief, all appointments are made on merit against objective criteria and the process is usually supported through the use of an external recruitment consultant. This process was followed most recently over the appointment of Julie Southern in 2014, and is also being followed for the current process to replace Peter Bamford in May 2016. The process typically commences with the selection of a suitable recruitment consultant, who will be briefed on the skill sets and candidate experience we were seeking to attract. The recruitment consultant (Korn Ferry in the case of Julie Southern and Odgers Berndtson for the recruitment of a successor to Peter Bamford in May 2016), then prepares a candidate specification for approval by the Committee. Thereafter potential candidates are identified, interviews take place with members of the Committee, with other Non-executive Directors and with Executive Directors, following which the Nomination Committee forms a recommendation for consideration by the Board.

A similar process is undertaken when external candidates are under consideration for Executive Leadership Team roles, such as the appointment of Vanessa Evans as Group HR Director following the retirement of Martin Sawkins at the end of 2015.

Diversity

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

We continue to focus on encouraging diversity and business skills and experience throughout the group, recognising that Directors and leaders in our businesses with diverse skill sets, capabilities and experience gained from different geographic and cultural backgrounds enhance the effectiveness of the organisation.

Nomination Committee Report

The gender breakdown for the group as a whole (31,442 colleagues at the end of 2015) and for the senior management population (some 1,451 colleagues) is provided in the Corporate Responsibility section on page 38.

Director induction process

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

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

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

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

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

Activities of the Committee in 2015

Matters considered by the Committee in 2015 included:

- A review of the Committee's report within the 2014 Annual Report and recommended approval to the Board;
- A review of Board succession planning, including key skills and experience to prioritise in the search for new Directors, and formulation of a forward multi-year succession plan;
- A review of the Committee's effectiveness which was externally facilitated by Lintstock, an independent corporate governance consultancy;
- A review of the potential conflicts of interest authorised by the Board and a review of the processes in place to ensure that potential conflicts are properly considered; and
- A review of the performance of individual Directors, utilising the output from the Board evaluation process, and making recommendations to the Board over the re-election of Directors at the AGM.

Committee effectiveness

The Committee conducted a review of how it operates, which concluded that the Committee had operated effectively in 2015. The Committee noted that in 2016 its attention would continue to be focused on Non-executive Director rotation as well as broader executive and Board succession planning.



John McAdam

Chairman, Nomination Committee
24 February 2016

Directors' Remuneration Report

Alan Giles
Chairman,
Remuneration
Committee



Dear Fellow Shareholder

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

Part 1 contains details of the proposed Remuneration Policy which will be the subject of a binding shareholder vote at the May 2016 AGM. Our current policy was previously approved by a binding shareholder vote at the 2014 AGM and is available in both our 2013 and 2014 Directors' Remuneration Reports and online at www.rentokil-initial.com

Part 2 contains details of the activities of the Remuneration Committee during 2015.

Part 3 contains details of remuneration received by Directors during 2015.

Part 4 contains details of how we will implement the Proposed Remuneration Policy during 2016, subject to it being approved by shareholders at the 2016 AGM.

Parts 2, 3 and 4 (together the Directors' Annual Remuneration Report) will be the subject of an advisory vote at the 2016 AGM.

Remuneration review

This year we undertook a review of the current executive remuneration framework and targets applying to the Executive Directors to ensure that their pay arrangements were:

- consistent with the delivery of strategic business priorities;
- aligned with the wider senior management and colleague population;
- as straightforward and easy to understand as practicable;
- aligned with the interests of shareholders;
- appropriately reflective of current practice; and
- market competitive, in order to attract and retain talent of an appropriate level.

As a result of this review the Committee was satisfied, in the main, with our existing arrangements, which were considered competitive with the market benchmarks and consistent with shareholder expectations. However, there were a number of areas where the review indicated that current pay arrangements had become inconsistent with the aims outlined above. Following a consultation with shareholders representing more than 50% of our shareholder register, the Committee proposes to address these inconsistencies as outlined below. These changes will form part of the Proposed Remuneration Policy for which shareholder approval will be sought at the forthcoming 2016 AGM.

Proposed amendments to the Remuneration Policy

Removal of the individual performance modifier for Executive Directors in the Performance Share Plan (PSP)

Since 2008, Executive Directors' PSP awards have been subject to an individual performance modifier linked to annual bonus performance, as well as to the standard three-year performance targets.

The review made a number of observations relating to the use of the individual performance modifier:

- The modifier was introduced to recognise the diverse set of businesses that existed within the group at that time and to recognise the differing contributions of those businesses to the overall success of the group in the outturn of PSP awards. However, the group is now a far more focused and coherent portfolio of businesses.
- The application of the individual performance modifier to Executive Directors' PSP awards is inconsistent with the structure of awards made to other PSP participants whose awards ceased to use the modifier in 2013.
- The operation of the individual performance modifier is overly complex. Since 2014, PSP awards have been subject to a three-year Earnings Per Share (EPS) performance condition in addition to the existing three-year relative Total Shareholder Return (TSR) condition. The review identified that the layering of the modifier on top of these two measures resulted in a plan that was out of line with, and significantly more complex than, market practice.

In order to address these issues, under the proposed Policy Executive Directors' future PSP awards would be determined purely by relative TSR (two-thirds of the award) and EPS (one-third of the award) performance with no individual performance modifier applied, in the same way as all other PSP participants. This directly aligns the PSP with shareholder value creation and our Next Phase strategy of medium-term improvement in profits.

After a review of award levels across the market, it is proposed that the maximum award for Executive Directors remains at 200% of base salary and 250% of salary in exceptional circumstances.

Clawback

Currently, Rentokil Initial's PSP and annual bonus schemes contain a malus clause (the ability to be able to reduce all or part of a bonus or long-term incentive award before it has been paid or has vested) but neither scheme contains a clawback clause (the ability to recover cash paid on a bonus or the value of vested shares under a long-term incentive award already vested).

In line with the guidance in the UK Corporate Governance Code 2014 (the Code), it is proposed that clawback could be applied to Executive Directors' annual bonuses and PSP awards made from 2016 onwards for up to two years from bonus payment or awards vesting. The Remuneration Committee will be able to apply the malus and clawback provisions in the event of a material misstatement of the group's audited results, serious reputational damage or loss to the group as a result of an individual's serious misconduct or other circumstances where the Remuneration Committee, in its discretion, considers that it would be appropriate.

Directors' Remuneration Report

Executive Directors' shareholding guidelines

Under the Proposed Policy, the minimum shareholding for Executive Directors will be increased from the current guideline of 100% of salary to 200% of salary for the CEO and 150% for the CFO. This will significantly increase Executive Directors' financial stake in the business and further align them with shareholder interests.

Executive Directors' annual bonus arrangements

The Remuneration Committee will have the flexibility under the Proposed Policy to structure annual bonus targets so as to permit a payment for threshold annual bonus performance of up to 20% of salary compared to the current 10% of salary. However, we do not propose to increase the threshold payment of 10% in 2016. After a review of award levels across the market, it is proposed that the maximum potential bonus award for the Executive Directors remains at 120% of base salary.

As in 2015 the annual bonus scheme will focus on our strategic priorities and will be based on group profit, revenue and cash generation performance plus an individual performance modifier. The bonus scheme profit range will be aligned for Executive Directors to that of senior management, i.e. 95%-105% of target (previously 95%-110%), to ensure a consistent and motivating incentive to outperform, and reflecting the changed nature of the portfolio of businesses following the disposal of City Link in 2013 and Initial Facilities in 2014. Similarly, the revenue range will be adjusted from 99%-102% to 99%-101% to reflect the portfolio nature of the business and corresponding reduction in volatility, and ensure a balanced and effective incentive to outperform the target.

Revision of the Performance Share Plan Rules

The Company's existing Performance Share Plan (PSP) Rules expire in May 2016 and shareholder approval will be sought at the AGM in May 2016 for the new Performance Share Plan Rules (2016 PSP Rules). We have conducted a review of the existing plan taking into account the views of our investors, market practice and the commercial needs of the business. The Committee has concluded that the basic design and structure of the existing Plan remains fit for purpose and, in particular, that the individual award limits continue to be appropriate and in line with market practice.

The 2016 PSP Rules are summarised in the Notice of AGM and are broadly consistent with the existing PSP.

2015 consultation with major shareholders

During 2015 we engaged with a number of major shareholders on the introduction of an updated Remuneration Policy as set out above.

We approached investors who collectively held more than 50% of our shares. Investors were pleased with the transparency, clarity and thought we put into the consultation process and the way that the proposed changes both simplify arrangements and align the interests of investors and management. We received widespread agreement to support our proposals at the 2016 AGM.

I am extremely grateful for the helpful input, strong engagement and support we have received from investors, who have assisted us as we have discussed how best to incentivise Executive Directors and the broader team to deliver on the strategy and create value for shareholders.

Remuneration outcomes

With effect from 1 January 2016 Andy Ransom's salary was increased by 2% to £728,280 and Jeremy Townsend's salary was increased by 2% to £468,180. These increases were in line with inflationary increases across the broader UK workforce.

The 2015 annual bonus had two performance gateways based on profit and cash generation, both of which were surpassed. The level of bonus was determined by group profit and revenue performance, which was then overlaid with an individual performance modifier. As outlined elsewhere in the Annual Report, financial performance during 2015 in the form of revenue, profit and cash performance has shown strong progress. The Committee reviewed performance in 2015 and determined that the Chief Executive, Andy Ransom, should receive a bonus of 70.9% of base salary. Jeremy Townsend, the Chief Financial Officer, will receive a bonus of 64.5% of base salary.

During 2015, the performance of the PSP awarded in 2012, based on relative TSR, achieved performance between median and upper quartile which resulted in partial vesting of the award. More detail is set out on pages 76 to 77.

Finally, I would like to thank Martin Sawkins, Group HR Director, who retired from the Company in December 2015, for his significant contribution to the Remuneration Committee over the past seven years and wish him the very best for the future.

Yours faithfully



Alan Giles

Chairman, Remuneration Committee
24 February 2016

Part 1 – Proposed Directors' Remuneration Policy

At the AGM in May 2014, shareholders approved, with a 96% majority vote, the Remuneration Policy which set out the Company's approach to remuneration of Executive and Non-executive Directors. The Remuneration Policy became effective from the date of that 14 May 2014 AGM and could apply until 31 December 2017.

We have taken the opportunity to ask our shareholders to approve a new Policy, a year earlier, at our AGM in May 2016. This Proposed Remuneration Policy (Part 1 Proposed Policy) is set out on pages 67 to 72 and will, subject to shareholder approval, apply to any payments to Directors following the 2016 AGM. The original Remuneration Policy Report approved in May 2014 can be found within the Governance section of our website at www.rentokil-initial.com

As discussed in the Chairman's introduction, we engaged with a number of our larger investors on remuneration matters during 2015 with regards to making the following changes to remuneration policy:

- the elimination of an individual performance modifier for future Performance Share Plan (PSP) awards for Executive Directors to simplify the plan and to align with executives below Board level;
- an increase in Executive Directors' shareholding guidelines in line with best practice;
- the introduction of clawback for both the PSP and the annual bonus scheme in line with the Code; and
- introduction of the flexibility to pay up to 20% of salary for achieving threshold levels of performance in the annual bonus plan.

There are no other substantive changes to our Proposed Policy compared with our existing shareholder approved 2014 Remuneration Policy.

The Company's Remuneration Policy for Executive Directors, which is described in the policy tables on pages 67 to 72, is designed to:

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

The same principles apply for the Remuneration Policy for other senior executives.

Directors' Remuneration Report

Key elements of Remuneration Policy - Executive Directors

Base salary

Purpose/link to strategy	Operation	Levels of payout	Performance measures and periods
To attract and retain executives of the calibre required to implement our strategy	<p>Cash salaries are normally reviewed annually with effect from 1 January. Salaries are set taking into account:</p> <ul style="list-style-type: none"> • market data from both Towers Watson and Deloitte (or other appropriate data providers) for a cross-section of companies of a similar size and complexity at the time of review • scope and responsibilities of the role • external economic environment • individual skills and experience • contribution to overall business performance • pay conditions for other colleagues based in the UK and other regions which are considered by the Committee to be relevant for that executive 	<p>Salary policy is to set base salary at an appropriate level taking into account the factors described under 'Operation' and salary increases are considered in this context.</p> <p>While there is no maximum salary level, the Committee would normally expect percentage pay increases for the Executive Directors to be broadly in line with other colleagues in relevant regions. However, higher increases may be awarded in certain circumstances, where the Committee considers this appropriate, such as:</p> <ul style="list-style-type: none"> • where a new Executive Director has been appointed to the Board at a lower than typical market salary to allow for growth in the role, then larger increases may be awarded in following years to move salary positioning closer to typical market levels as the executive grows in experience • where the Executive Director has been promoted or has had a change in responsibilities, salary increases in excess of the above level may be awarded • where the positioning of an Executive Director's salary has fallen significantly behind market practice <p>In exceptional circumstances, where a Non-executive Director temporarily takes up an executive position, salary increases for the Non-executive Director may be awarded as appropriate.</p>	<p>The payment of salary is not dependent on achieving performance targets although individual performance is taken into account when setting salary levels and determining any salary increases.</p>

Annual bonus

Purpose/link to strategy	Operation	Levels of payout	Performance measures and periods
Recognise and reward the delivery of exceptional business performance against annual financial, strategic and operational goals and individual contribution to Company performance	<p>The annual bonus is paid in cash each year after the Committee has reviewed performance against targets, which are set around the beginning of each year for each Executive Director, taking into consideration the underlying performance of the business.</p> <p>The Committee may reduce bonus payments in respect of the current year or future years (potentially to nil) in the event of a material misstatement of the Company's audited results for the current year or prior years, serious reputational damage or loss to the group as a result of an individual's serious misconduct, or in any other circumstances where the Committee, in its discretion, considers that this treatment is appropriate.</p> <p>A clawback provision exists to give the Committee, in the same circumstances to malus, the ability to recover sums already paid for up to two years after payment.</p>	<p>Bonus payouts start to accrue at a level of up to 20% of base salary for meeting threshold levels of performance, with an on-target bonus opportunity of 50% of base salary and a maximum bonus opportunity of 100% of base salary (before the application of the individual performance modifier). The Committee does not propose to increase the threshold payment of 10% in 2016.</p> <p>An individual performance modifier, based on individual performance as measured by the Company's performance and development review process, may also increase or decrease the opportunity stated above to further recognise individual contribution to business performance. The maximum payout will not exceed 120% of base salary.</p>	<p>The annual bonus is normally linked to a mix of financial elements and other key strategic performance targets, including achievement of personal objectives where appropriate. Performance is tested over a one year performance period. Financial elements will always include a profit measure and may include one or more of cash and revenue.</p> <p>At least 50% of the bonus will be based on financial measures. Financial measures may be linked to group performance or the executive's specific area of responsibility, if appropriate.</p> <p>The Committee reserves the right to change the measures in future years to ensure alignment with business strategy and shareholder interests, subject to at least 50% of measures being financial in nature.</p>

Part 1 – Proposed Directors' Remuneration Policy

Performance Share Plan (PSP)¹

Purpose/link to strategy	Operation	Levels of payout	Performance measures and periods
<p>To motivate and incentivise delivery of exceptional business performance over the long-term and to create alignment with growth in value for shareholders</p> <p>To act as a retention tool for Executive Directors</p>	<p>Awards are made over shares (normally in the form of nil-cost options or conditional shares) with a face value set by reference to a multiple of base salary.</p> <p>Award levels and performance conditions are set to support the business's long-term goals and seek to reflect market practice and shareholder guidance.</p> <p>Award levels are generally set at a market competitive level, relative to companies of comparable size and complexity.</p> <p>A malus provision exists to give the Committee the ability to scale back awards granted that have not yet vested (potentially to nil) in the event of a material misstatement of the Company's audited results, serious reputational damage or loss to the group as a result of an individual's serious misconduct, or in other circumstances where the Committee considers that this treatment is appropriate.</p> <p>A clawback provision exists to give the Committee, in the same circumstances as malus, the ability to recover sums already paid for up to two years following vesting.</p> <p>Awards normally vest after three years subject to the Committee's assessment of the achievement of the relevant performance conditions and underlying performance. Awards may be settled in cash.</p> <p>The exercise period for awards in the form of nil cost options extends from the date of vesting to the tenth anniversary of the award being made. If nil cost options remain exercisable at the tenth anniversary of grant then they will be exercised automatically on a participant's behalf.</p> <p>Awards may be:</p> <p>(a) adjusted in accordance with the rules in the event of a variation of the Company's share capital, demerger, special dividend or similar event that materially affects the price of shares; and</p> <p>(b) amended in accordance with the PSP Rules.</p>	<p>The maximum annual award is normally 200% of base salary for Executive Directors. 25% of the award shall vest for meeting threshold levels of performance.</p> <p>This limit of 200% of salary may be increased to 250% of salary in exceptional circumstances as determined by the Committee.</p> <p>Vested PSP awards may include dividend equivalents (or shares) that accrue by reference to the period between grant and vest or exercise date.</p> <p>Shares under vested awards may be transferred to an Executive Director's pension scheme.</p> <p>These limits are in both the original 2006 PSP Rules and in the proposed 2016 PSP Rules which will be submitted for approval by shareholders at the May 2016 AGM.</p>	<p>Awards are normally subject to the following two performance measures:</p> <ul style="list-style-type: none"> • relative Total Shareholder Return (TSR) performance; and • the achievement of Earnings Per Share (EPS) targets. <p>Performance measures will typically be weighted two-thirds relative TSR and one-third EPS but the Committee shall retain discretion to determine that a different weighting shall apply for future awards.</p> <p>Performance conditions are normally measured over a three-year period.</p> <p>If events happen which cause the Committee to consider that a performance condition would not, without alteration, achieve its original purpose, it may amend that performance condition provided that the amended performance condition is materially no less challenging than it would have been had the event not occurred.</p>

Pensions – Executive Directors

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

¹ these arrangements describe the Remuneration Policy under the proposed 2016 PSP. Awards granted prior to this Policy coming into force will be governed under the previous Remuneration Policy approved by shareholders at the AGM in May 2014 and available at www.rentokil-initial.com/governance

Directors' Remuneration Report

Benefits

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

Notes

Measures and targets

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

The annual bonus measures are reviewed annually to focus on delivery of key financial targets for the forthcoming year as well as key strategic or operational goals relevant to the individual.

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

All colleague remuneration policy

At the end of 2015 the Company had 31,442 colleagues based in 67 countries (2014: 28,731 colleagues based in 63 countries). Our broad remuneration policy reflects the diversity of cultures, legislative environments, employment markets and the types and seniority of roles that this geographic spread provides. We structure our colleague reward to enable us to recruit and retain the right people doing the right job for our customers.

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

The senior management population are eligible to participate in the PSP wherever practicable and possible, subject to local legislation, and annually around 180 are invited to join the plan. The measures for the executive Leadership Team and Senior colleagues will remain aligned with those of the Executive Directors, to support focus on key strategic targets. Beyond this, the plan structure may be varied (within the rules) to support the retention of this population.

Illustration of remuneration policy for 2016

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

In developing the scenarios below for the implementation of the Proposed Policy in 2016, the following assumptions have been made with regard to levels of payout for certain levels of performance:

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

¹ the proposed Policy would provide the Committee with the flexibility to increase the payout for threshold performance up to 20% of salary in future years.

Part 1 – Proposed Directors' Remuneration Policy

For the purposes of these illustrations, no share price growth or receipt of dividends is assumed.

Fixed pay for this illustration is derived as follows:

	Base from 1 January 2016	Benefits (for 2016)	Pension (based on salary from 1 January 2016)	Total fixed
Andy Ransom Chief Executive	£728,280	£19,600	£182,070	£929,950
Jeremy Townsend Chief Financial Officer	£468,180	£16,700	£70,227	£555,107

shall be limited to 370% of base salary. This reflects bonus policy and the level of award under the PSP in exceptional circumstances. This limit excludes any awards made to compensate the Executive Director for remuneration forfeited from their previous employer. If appropriate, different measures and targets may be applied to a new appointment's annual bonus in the year of joining.

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

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

In the event that an internal candidate was promoted to the Board, legacy terms and conditions may be honoured, including pension entitlements and any outstanding incentive awards and the exercise of any discretion in connection with such payments. Similarly, if an Executive Director is appointed following the Company's acquisition of or merger with another company, legacy terms and conditions would be honoured.

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

The Committee's intention is that timely disclosure of the remuneration structure of any new Executive Director or Chairman will be made by the Company wherever practical.

Directors' service agreements – Executive Directors

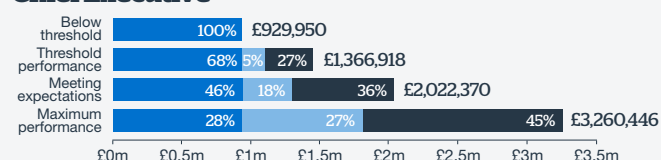
Executive Directors are employed on permanent contracts which are terminable on 12 months' notice from the Company. Please see below for a description of our payment in lieu of notice provisions. The Company's policy in respect of the notice periods for the termination of Executive Directors' contracts conforms to the Code. The remuneration and contractual arrangements for the Executive Directors and senior management do not contain any matters that are required to be disclosed under the Takeover Directive. The contracts of service for Executive Directors are as set out below and are available at

www.rentokil-initial.com/investors/investors/governance

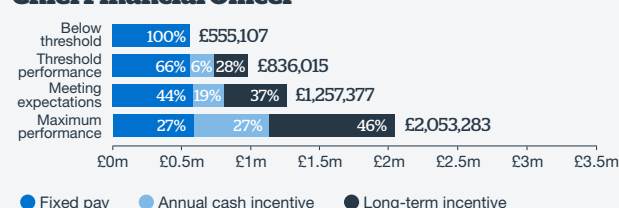
Executive Directors	Date of service agreement	Type of agreement	Notice by the Company	Notice by the Director
Andy Ransom	31 December 2013	Rolling contract	12 months	12 months
Jeremy Townsend	4 March 2010	Rolling contract	12 months	6 months

Illustration of remuneration policy for 2016

Chief Executive



Chief Financial Officer



Recruitment – Executive Directors

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

- the level and type of remuneration opportunity being forfeited;
- the jurisdiction the candidate was recruited from and whether any relocation is required;
- the skills, experience and calibre of the individual;
- the circumstances of the individual; and
- the current external market and salary practice including market practice on additional benefits.

The Committee would generally seek to align the remuneration package offered with our Remuneration Policy outlined in the table above. However, the Committee may offer additional variable remuneration arrangements in respect of an Executive Director's appointment that it considers appropriate and necessary to recruit and retain the individual. Any variable remuneration awarded in respect of the Executive Director's appointment

Directors' Remuneration Report

Loss of office payments

The policy on termination is as follows:

Element	Policy – Disability, retirement, ill-health, redundancy, termination, resignation, death, sale of an individual employing business out of the group.	
Base pay and benefits	Executive Directors are entitled to a payment in lieu of notice equal to base pay and the value of benefits only for the duration of the remaining notice period, subject to mitigation. The Company has the ability to terminate Executive Directors' employment, in the event of a prolonged mental or physical incapacity to carry out his/her Company duties and without notice (summary dismissal), in the event of gross misconduct or being disqualified to act as a Director. Appropriate medical benefits may still be provided in the case of prolonged mental or physical incapacity.	
Other	Executive Directors may be entitled to other payments including, but not limited to, costs of appropriate repatriation/relocation, outplacement, settlement agreement, non-compete agreement, legal and/or tax and other relevant professional costs. The Committee would look to ensure that the level of these costs/benefits was reasonable and in the best interests of shareholders.	
	Policy – Disability, retirement, ill-health, redundancy, death, sale of an individual employing business out of the group and for any other reason the Committee may determine.	Policy – other reasons for leaving.
Bonus	Executive Directors may receive a bonus payment for the year in which they cease employment. This payment will normally be pro-rated for time and performance; however the Committee retains the discretion to review overall business and individual performance and determine that a different level of bonus payment is appropriate.	Generally, Executive Directors must be employed at the date of payment to receive a bonus. In certain circumstances, the Committee may determine that a bonus payment may be due to reflect performance and contribution to the point of cessation.
The Performance Share Plan (PSP)	<p>Awards will normally vest and, where relevant, be exercisable if termination occurs on or after the vesting date.</p> <p>In respect of early terminations:</p> <ul style="list-style-type: none"> • In the case of ill-health, disability or death, awards will vest and the level of vesting will be determined by the Committee, but the Committee may have regard to the performance conditions and to time pro-rating. • For all other good leavers, awards will vest on a time pro-rated basis following a review by the Committee of the extent to which the performance conditions are met. • The Committee has discretion not to apply time pro-rating or to reduce the awards on a different basis. 	<p>Vested awards in the form of options may be exercised up to six months following cessation.</p> <p>Awards will lapse on termination.</p>

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

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

Part 1 – Proposed Directors' Remuneration Policy

Chairman and Non-executive Directors

Key elements of remuneration policy

Fees

Approach	Details	Other items
Non-executive Directors' remuneration is determined by the Board on the recommendation of the Non-executive Directors' Terms Committee of the Board (comprising the Chairman, the Chief Executive and the Chief Financial Officer) within the limits set by the articles of association. Non-executive Directors' fees are set at a level which is considered appropriate for the calibre of individual required to support the delivery of business strategy and taking into account skills, experience, time commitment and independent surveys of fees paid to Non-executive Directors of similar companies.	Non-executive Directors' fees are payable in cash and consist of a basic fee plus additional fees payable to: <ul style="list-style-type: none"> • Senior Independent Director • Board Committee Chairmen Additional fees may be paid to Non-executive Directors on an ongoing or temporary basis if there is a change in their responsibilities or a significant increase in the time commitment required from them to fulfil their role.	No element of Non-executive Director remuneration is performance-related.
Fees for the Company Chairman are determined by the Board based on external remuneration advice and considered by the Remuneration Committee taking into account typical fee arrangements at other companies of a similar size and complexity, the time commitment required to fulfil the role and the calibre of the individual required.	The Chairman receives annual fees agreed periodically by the Board and based upon external remuneration advice considered by the Committee.	Non-executive Directors do not participate in any of the Company's incentive schemes, nor are they eligible to join the Company's pension scheme.
Fees are reviewed at appropriate intervals.	The fees for Non-executive Directors were approved by shareholders in 2005 and shall not exceed in aggregate £1,000,000 per annum or such higher amount as the Company may from time to time by ordinary resolution determine.	The Chairman is not eligible to participate in the Company's annual bonus plan or in the Company's PSP.
		The Chairman receives the benefit of having access to a company car and a driver and any tax thereon.
		The Non-executive Directors do not currently receive any other benefits. However, benefits may be provided in the future if, in the view of the Non-executive Directors' Terms Committee (for Non-executive Directors or the Committee for the Chairman), this was considered appropriate. Non-executive Directors who are based outside the UK may be provided with support in relation to their tax reporting.

Non-executive Directors - letters of appointment

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

Chairman

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

Non-executive Director	Letter of appointment	Appointment period
Peter Bamford	15 December 2011	Annual
Richard Burrows	15 December 2011	Annual
Alan Giles	15 December 2011	Annual
Angela Seymour-Jackson	5 March 2015	3 years
Julie Southern	21 July 2014	3 years

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

Remuneration policy – other information

Change of control

If the Company is taken over or wound up, PSP awards may vest by reference to the extent to which the performance conditions are met and on a time pro-rated basis (calculated on a monthly basis) subject to the Committee's discretion. Outstanding awards and share options may be vested automatically on a change of control on the participants' behalf. Typically salaries and bonuses will be paid to the date of change of control.

Comparison of remuneration policy to that of the wider employee group

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

Stakeholder views

The views of shareholders are important to the Committee and provide the context for setting the remuneration arrangements for Executive Directors. The Chairman of the Remuneration Committee, the Company Chairman and the Chief Executive have met with a number of major shareholders and their views were taken into account when formulating this policy report during 2015.

Remuneration Committee discretion

The Remuneration Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed (i) before the date the Company's first remuneration policy approved by shareholders in accordance with section 439A of the Companies Act came into effect; (ii) before the policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved remuneration policy in force at the time they were agreed; or (iii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Remuneration Committee, the payment was not in consideration for the individual becoming a director of the Company. For these purposes "payments" includes the Remuneration Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted. The Remuneration Committee may make minor amendments to the policy (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Directors' Remuneration Report

Part 2 – Directors' Annual Remuneration Report

Remuneration Committee responsibilities

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

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

The Committee also oversees the Company's incentive schemes including the operation and effectiveness of performance measures and targets in both annual bonus plans and in long-term incentive schemes. It will lend oversight to major changes in employee remuneration in the group.

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

Membership and attendance

Member	Attended	Potential	Meeting attendance
Alan Giles (Chairman)	5	5	100%
Richard Burrows	3	5	60%
Angela Seymour-Jackson	5	5	100%

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

The Committee comprised three independent Non-executive Directors during the year. Each of the Committee members has significant senior level experience of setting and monitoring remuneration matters in large, complex international businesses, giving them the collective experience to offer a balanced, independent and informed view on remuneration matters. No member of the Committee has any personal financial interest, in the matters to be decided by the Committee other than as a shareholder. No member of the Committee has any conflict of interest in carrying out their role on the Committee arising from other directorships nor does any member participate in any of the Company's incentive or pension arrangements or have any involvement in the day-to-day running of the Company.

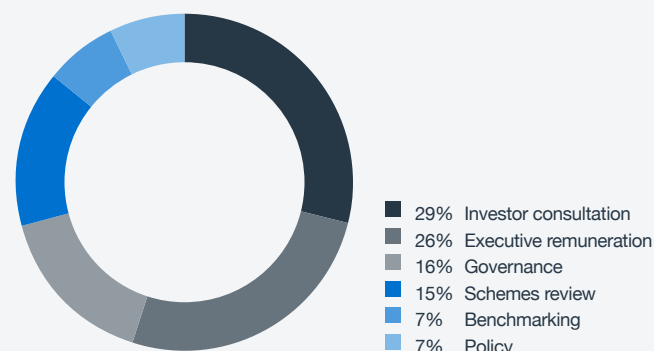
Terms of reference

The Remuneration Committee terms of reference include all matters indicated by the Code and best practice governance principles and they set out its authority and duties clearly. The terms of reference have been approved by the Board. The Committee gives full regard to the matters set out in the Code.

When determining policy, the Committee considers the pay and conditions across the rest of the Company. The Committee's terms of reference are available on the Company's website at www.rentokil-initial.com

Activities of the Committee

Remuneration Committee Time Allocation (%)



In 2015:

- Initiated a full shareholder consultation on proposed changes to remuneration policy
- Approval of the following for Executive Directors and the Executive Leadership Team:
 - Base salaries for 2015
 - Bonus outcomes for 2014 and bonus structure for 2015
 - Proposed 2015 long-term incentive awards and targets
- Approval of the Directors' Annual Remuneration Report 2015
- Consideration of reward arrangements for key executives below executive level, and appointment terms for Executive Leadership Team appointments
- Review of Executive Leadership Team colleague reward arrangements
- Review of group targets in light of the sale of the Initial Facilities business
- Finalise changes to the structure of the PSP following engagement with shareholders
- Review of malus policy and design of clawback policy to be implemented in 2016
- Approval of a Proposed Remuneration Policy to be subject to shareholder vote at the 2016 AGM
- Approval of the part vesting of the 2012 PSP award as a result of performance targets being met
- Review of the provision of professional advice to the Committee
- Annual performance review of the Committee

Part 2 – Directors' Annual Remuneration Report

During 2016:

- Approval of the following for Executive Directors and the Executive Leadership Team:
 - Base salaries for 2016
 - Bonus outcomes for 2015 and bonus structure for 2016
 - Proposed long-term share awards for 2016
- Review with remuneration advisors of market practice on remuneration and governance issues
- Approval of the 2015 Directors' Remuneration Report
- Approval of the revised design of the proposed 2016 PSP Rules

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

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

Advisors to the Committee

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

- Deloitte LLP (Deloitte)
- Towers Watson Ltd (Towers Watson)
- Martin Sawkins – Group HR Director
- Daragh Fagan – Group General Counsel & Company Secretary
- John Richardson – Group Reward Director

Deloitte is retained by the Committee to provide independent advice on executive remuneration matters and on the Company's long-term incentive arrangements. Deloitte is a founding member of the Remuneration Consultants Group and adheres to its Code in relation to executive remuneration consulting in the UK.

Fees charged during the year for advice to the Committee were £41,760. Deloitte also provided services to the HR and Company Secretarial teams in their roles supporting the Committee. These services included support in preparing the Directors' Remuneration Report, provision of market data and support in relation to the taxation of and accounting for share plans. The Committee is satisfied that the Deloitte engagement partner and team, who provide remuneration advice to the Committee, do not have connections with the group that may impair their independence.

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

Towers Watson's involvement with the Committee is limited to the provision of market data on competitiveness and current trends for use in connection with remuneration matters. Fees charged during the year for market data were £17,000. Towers Watson also advises the Company on UK pension scheme matters.

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

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

Directors' Remuneration Report

Part 3 – Directors' Annual Remuneration Report 2015

Directors' remuneration in the year to 31 December 2015

Single total figure for the remuneration of Executive Directors

The table below has been audited:

Purpose	Fixed pay (£000)						Variable pay (£000)				Total (£000)	
	Base salary 2015	Base salary 2014	Benefits ¹ 2015	Benefits ¹ 2014	Pension ³ 2015	Pension ³ 2014	Annual bonus 2015	Annual bonus 2014	Long-term incentives ² 2015	Long-term incentives 2014	Total single figure 2015	Total single figure 2014
Executive Directors												
Andy Ransom Chief Executive	714	700	19	20	179	175	506	431	238	0	1,656	1,326
Jeremy Townsend Chief Financial Officer	459	450	17	17	69	68	296	251	220	0	1,061	786

¹ Executive Directors are provided with life insurance, permanent health insurance and a company car or a car allowance. The value of the benefits is included under 'Benefits' in the above table. There were no other taxable benefits paid to Executive Directors in 2015.

² In 2015 the PSP 2012 target award part vested as explained below. The vested shares plus accrued dividends on those shares have been included at their closing value at the date of vesting on 8 May 2015 of 145.2p.

³ Andy Ransom receives a pension contribution, in the form of a cash supplement, worth 25% of base salary. Jeremy Townsend's aggregate pension contribution from the Company is worth 15% of salary.

Annual bonus plan

2015 bonus outcome

The Committee reviewed the 2015 bonus plan outcome for the group's senior management population based on the targets set at the start of the financial year. The metrics and the levels of performance for the Executive Directors for the 2015 bonus plan are set out on page 76. Individual performance is overlaid with an individual performance modifier, which is linked to the group performance and development review process, details are set out below. Bonuses earned are reflective of the performance of the group, individual businesses and achievement against specific personal objectives (where relevant).

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

- Gateway condition: The Company must achieve at least 95% of a profit target of £215.63m. The outturn was £215.66m
- Gateway condition: The Company must achieve free cash flow generation of £100.0m. The outturn was £147.7m

As both gateway conditions were satisfied, Executive Directors' bonuses were determined by group profit and group revenue performance plus an individual performance modifier. To support the delivery of profitable

growth in 2015 and beyond, and to align incentives with the group's strategy, revenue targets for Executive Directors were weighted to focus on sectors that were critical to the business. To provide focus the following co-efficients were applied to the revenue generated from the quadrants as described in the Strategic Report on page 14.

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

Bonus outcomes for 2015 and details of the range around target used to assess performance have been disclosed in the table overleaf.

Part 3 – Directors' Annual Remuneration Report 2015

Annual bonus 2015

Andy Ransom Chief Executive			
	Group profit	Group revenue	Total
% weighting	50%	50%	100%
Range around target from threshold to maximum	95% to 110%	99% to 102% (see segment co-efficients)	
2015 target (50%)	£215.63m	£1,816.88m	
2015 performance	100.02%	101.15%	
% bonus achieved (before modifier)	50.08%	78.85%	64.47%
£ value bonus (before modifier)	£178,783	£281,510	£460,293

Jeremy Townsend Chief Financial Officer			
	Group profit	Group revenue	Total
% weighting	70%	30%	100%
Range around target from threshold to maximum	95% to 110%	99% to 102% (see segment co-efficients)	
2015 target	£215.63m	£1,816.88m	
2015 performance	100.02%	101.15 %	
% bonus achieved (before modifier)	50.08%	78.85%	58.71%
£ value bonus (before modifier)	£160,904	£108,583	£269,487

Performance ratings are linked to Executive Directors' bonuses through the individual performance modifier as set out in the table below which is applied to the outturn of the financial element of the bonus. The individual performance modifier is also applied to bonus payments for all global senior management colleagues based upon objectives and behaviours as it is for Executive Directors.

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

¹ the total bonus payment post modifier is capped at 120% of base salary for Executive Directors and the Executive Leadership Team.

An individual performance modifier of 110% was applied to the bonus for Andy Ransom for the period to 31 December 2015. A modifier of 110% was applied to the bonus for Jeremy Townsend. The total bonus outcomes, including modifiers, in relation to 2015 are above. Bonus outcomes for 2015 for Executive Directors are also shown in the single total figure for the remuneration of Executive Directors table on page 75. Bonuses will be paid in cash.

Bonus outcomes

Executive Director	Bonus for period ending 31/12/15
Andy Ransom	£506,323 (70.91% of salary)
Jeremy Townsend	£296,435 (64.58% of salary)

Performance Share Plan

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

2012 PSP award vesting

On 8 May 2012, the Company granted PSP awards which vested on 8 May 2015. Executive Directors were granted a target award of shares which was subject to two performance measures. If both performance measures were met to the maximum level then up to 200% of the target award of shares could vest. The maximum award that could vest for Andy Ransom was 1,082,380 shares which if valued on date of grant would have a value of £903,787 and the maximum award that could vest for Jeremy Townsend was 1,042,692 shares which if valued on the date of grant would have a value of £870,647 before the application of the individual performance modifier.

The awards are calculated by:

- Firstly, a modifying factor (individual bonus modifier), which related to an individual's achievement against their annual bonus targets averaged over the three-year period of the award, was applied to the target award of shares. This could reduce the number of shares in the target award to zero if an individual failed to reach threshold performance under the annual bonus in each of the three years of the performance period and could increase the number of shares in the target award to a maximum of 200% if maximum bonus performance were achieved in each of the three years of the performance period. Based on their bonus performance over the period 2012 to 2014, the Chief Executive and the Chief Financial Officer achieved individual bonus modifiers of 78.9% and 75.7% respectively of the 0% to 200% range which were applied to the number of shares in their target award.
- Secondly, TSR performance measured relative to the constituents of the FTSE 350 index, excluding financial services, property and primary resources sectors, determined how many of the shares in the target award (post application of the modifier) would vest. 25% would vest if the Company's performance were positioned at median against the comparator group, with 100% vesting for upper quartile TSR performance. Vesting occurred on a straight-line basis between these two points. The Company's TSR growth over the performance period was 73.9% and it ranked 88th out of 184 comparator companies, positioning the Company between the median and upper quartile in the group so that 35.66% vested.

The aggregate number of shares vesting after application of both performance measures is summarised in the table opposite. The table also includes the additional number of shares relating to dividends accrued throughout the performance period which were added to the final awards.

Directors' Remuneration Report

2012 PSP award vesting

The table below has been audited:

	On-target award of shares		Individual performance modifier (potential range 0% to 200%)		Total number of shares post modifier	Dividend shares		Proportion of relative TSR target met		Total shares vested in 2015	Value of shares vesting ¹
Andy Ransom	541,190	x	78.90%	=	427,005	31,846	x	35.66%	=	163,625	£237,583
Jeremy Townsend	521,346		75.70%		394,670	29,434		35.66%		151,235	£219,593

¹ this represents the value of the vested awards under the 2012 PSP calculated with the closing share price at date of vesting of 145.2p. These values are included in the single total figure for the remuneration of Executive Directors on page 75.

2015 PSP award

On 31 March 2015, Andy Ransom and Jeremy Townsend were, respectively, granted a target award of shares under the PSP worth 120% of salary and 100% of salary. The value of each award can increase up to a cap of 200% of salary if the performance measures set out below are met to the maximum level.

Firstly, a modifying factor (individual bonus modifier) will be applied to the target award of shares. This modifier will operate on the same basis as outlined above for the 2012 award and will be based on the Executive Directors' bonus performance over the period 2015 to 2017.

Secondly, the number of shares in the target award (post application of the modifier) will vest two-thirds based on a relative TSR performance measure and one-third based on an EPS performance measure:

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

The EPS targets have been revised upwards by the Remuneration Committee from the figures shown in last year's remuneration report to reflect material acquisitions and disposals.

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

Awards to Executive Directors under the 2015 PSP award are set out in the table below.

2015 PSP award

The table below has been audited:

Participant	Date of award	Form of award	Target award of shares	Maximum award of shares	Market price at date of award	Exercise price	£ Face value minimum award of shares ²		£ Face value maximum award of shares ²		Performance period ¹
Andy Ransom	31/03/15	Nil cost option	632,324	1,053,874	135.5p	0.00p	50% of salary	£357,000	200% of salary	£1,428,000	To 30/03/18
Jeremy Townsend	31/03/15	Nil cost option	338,745	677,490	135.5p	0.00p	50% of salary	£229,500	200% of salary	£918,000	To 30/03/18

¹ the TSR condition will be measured over three years to 30 March 2018. The EPS condition and the individual bonus modifier will be measured over three years to 31 December 2017.

² calculation is based on closing market value of a share at the grant of the award of 135.5p on 31 March 2015.

Part 3 - Directors' Annual Remuneration Report 2015

Total PSP awards held by Executive Directors

The table below has been audited:

	Date of award	Plan	Market price of award	Scheme interest at 1 January 2015	Shares vested during 2015	Shares awarded during 2015	Shares lapsed during 2015	Shares available for exercise during 2015	Shares exercised during 2015	Shares sold to cover tax liability during 2015	Outstanding awards at 31 December 2015	Performance period
PSP 2012												
Andy Ransom	08/05/12	2012 PSP ¹	83.5p	1,082,380	163,625 ¹	–	930,111	163,625	–	–	163,625	08/05/15
Jeremy Townsend	08/05/12	2012 PSP ¹	83.5p	1,042,692	151,235 ¹	–	901,953	151,235	151,235 ¹	71,331 ¹	Nil ¹	08/05/15
PSP 2013												
Andy Ransom ³	01/10/13	2013 PSP ²	109p	458,716	–	–	–	–	–	–	458,716	30/04/16
Andy Ransom ³	30/04/13	2013 PSP ²	96.0p	937,500	–	–	–	–	–	–	937,500	30/04/16
Jeremy Townsend	30/04/13	2013 PSP ²	96.0p	921,186	–	–	–	–	–	–	921,186	30/04/16
PSP 2014												
Andy Ransom	31/03/14	2014 PSP ⁴	123.4p	1,134,520	–	–	–	–	–	–	1,134,520	31/03/17
Jeremy Townsend	31/03/14	2014 PSP ⁴	123.4p	729,333	–	–	–	–	–	–	729,333	31/03/17
PSP 2015												
Andy Ransom	31/03/15	2015 PSP ⁵	135.5p	–	–	1,053,874	–	–	–	–	1,053,874	31/03/18
Jeremy Townsend	31/03/15	2015 PSP ⁵	135.5p	–	–	677,490	–	–	–	–	677,490	31/03/18

¹ the PSP 2012 award partially vested on 8 May 2015. There was dividend uplift on the remaining vested balance of the shares. Andy Ransom has not exercised his 2012 PSP award during the year. Jeremy Townsend exercised his awards on 11 June 2015 at 152.5p and sold 71,331 shares to cover tax liabilities. He kept the remaining balance of 79,904 shares which are included in the Directors' shares table on page 79.

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

³ an additional award was made to Andy Ransom on his appointment as Chief Executive on 1 October 2013 calculated on the basis of £90,000 additional target shares being the equivalent of 120% of his original salary as an Executive Director. A further supplementary award was calculated on the basis of his new salary as Chief Executive with the target being 120% of base salary. The maximum that can be achieved is 200% of applicable salary.

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

⁵ in 2015 the relative TSR and EPS performance measures continued to apply to two-thirds and to one-third of the total 2015 award respectively. Additionally, an individual performance modifier applies to Executive Directors' PSP 2015 awards. The performance period for the EPS element of the PSP 2015 award will be measured to 31 December 2017. The vesting date of the PSP 2015 award is 31 March 2018.

Share plan funding

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

Payments to past Directors

There were no payments to past Directors during 2015.

Payments for loss of office

There were no payments for loss of office to Directors during 2015.

Single total figure for the remuneration during 2015 of the Chairman and Non-executive Directors

The table below has been audited:

	Fees 2015	Fees 2014	Benefits 2015	Benefits 2014	Total single figure 2015	Total single figure 2014
Chairman and Non-executive Directors						
John McAdam	350	350	20 ¹	20 ¹	370	370
Peter Bamford	55	55	0	0	55	55
Richard Burrows	55	55	0	0	55	55
Alan Giles	75 ²	70	0	0	75	70
Angela Seymour-Jackson	55	55	0	0	55	55
Julie Southern	70	32	0	0	70	32

¹ the benefit relates to the private use by the Chairman of a Company driver and vehicle.

² Alan Giles received a fee increase on his appointment as Senior Independent Director on 1 January 2015.

Directors' Remuneration Report

Directors' shareholdings and share interests

The interests of the Directors and their families in the share capital of the Company on 1 January 2015 or their date of appointment if later, and at 31 December 2015, are set out below. No Director has any beneficial interest in the shares of any of the Company's subsidiaries. Any changes in the interests of the Directors and their families in the Company and its subsidiary companies during the year and from the end of the year to 24 February 2016 are shown below.

Directors' shareholdings and share interests

The table below has been audited:

Rentokil Initial plc (ordinary shares of 1p each)	Beneficial interests number or at date of cessation 31 December 2015	Beneficial interests number or date of appointment 1 January 2015
John McAdam	1,484,824	1,484,824
Andy Ransom	1,462,544	1,462,544
Jeremy Townsend	228,369	148,465
Peter Bamford	38,000	38,000
Richard Burrows	25,000	25,000
Alan Giles	12,000	12,000
Angela Seymour-Jackson	10,574	5,826
Julie Southern	5,000	nil

Executive shareholding requirements

Since 2014, recognising investors' preferences for executive shareholding requirements, the Company has had shareholding guidelines under which Executive Directors have been expected to build (if necessary, over a period of up to five years from appointment), and subsequently maintain, an economic interest in Company shares with a market value equivalent to 100% of their annual salary. The Committee may take into account Directors' compliance with the shareholding guidelines (acknowledging any special circumstances that might apply) when considering future long-term incentive awards.

It is proposed that this guideline will be increased to 200% of annual salary for the Chief Executive and 150% of annual salary for the Chief Financial Officer from 2016, subject to the Proposed Remuneration Policy amendment being approved by a binding vote of shareholders at the 2016 AGM. Executive Directors are not expected to sell any exercisable PSP shares (except to pay statutory withholding taxes) until shareholding guidelines have been achieved.

Executive shareholding requirements

Executive Directors	Beneficial interests in shares at 31 December 2015	Value of shareholding at 31 December 2015 (based on three month average share price to that date) ² £m	Shareholding as a percentage of salary at 31 December 2015	Current shareholding guideline	Proposed shareholding guideline 2016	Interest in PSP share awards at 31 December 2015 (nil cost options, vesting subject to performance)
Chief Executive – Andy Ransom	1,462,544 ¹	£2,248,515 ²	314%	100% of salary	200% of salary	3,748,235
Chief Financial Officer – Jeremy Townsend	228,369 ³	£351,094 ³	76%	100% of salary	150% of salary	1,650,519

¹ Andy Ransom has an interest in 163,625 vested PSP 2012 awards which he has not yet exercised. This figure is not included in his beneficial interest in shares figure at 31 December 2015 above but is included in the share award table on page 78.

² the share valuation is based on an average share price of 153.74p calculated over the last three months of 2015.

³ Jeremy Townsend exercised his final vested PSP 2012 award of 151,235 shares on 11 June 2015. He sold a proportion of those shares to meet the associated personal tax liability on the sale. The total post sale amount of the shares is included in his beneficial interests shown above.

Part 3 – Directors' Annual Remuneration Report 2015

External appointments

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

Andy Ransom is a Director and Trustee of the charity, Street League, for which he received no remuneration. Jeremy Townsend is a Member of the Accounting Council of the Financial Reporting Council.

He was paid £10,000 during 2015 for fees for his membership of the Accounting Council (2014: £5,000). Jeremy Townsend also holds a non-executive directorship of parkrun Limited for which he received no remuneration since his appointment in May 2015. He is also a Director of a business run by a member of his family for which he has received no remuneration. He has no executive involvement in the business and the appointment does not represent a conflict of interest.

Chief Executive remuneration over a seven-year period

	2009	2010	2011	2012	2013	2013	2014	2015
Chief Executive	Alan Brown	Alan Brown	Alan Brown ¹	Alan Brown	Alan Brown ²	Andy Ransom ²	Andy Ransom	Andy Ransom ³
Total single figure of remuneration	£1,656,000	£989,000	£3,564,971	£1,115,000	£994,396	£401,006	£1,326,045	£1,655,757
% annual bonus payout versus maximum opportunity	72%	0%	0%	13%	32.43%	34.49%	61.6%	70.9%
% long-term incentive vesting rates against maximum opportunity	0%	0%	22%	0%	0%	0%	0%	25%

¹ the 2011 single figure for Alan Brown, the Chief Executive at the time, includes the value of the 2008 Share Incentive Plan of £2,573,971 which was valued on the release date of 20 May 2011. These shares were called for during 2014.

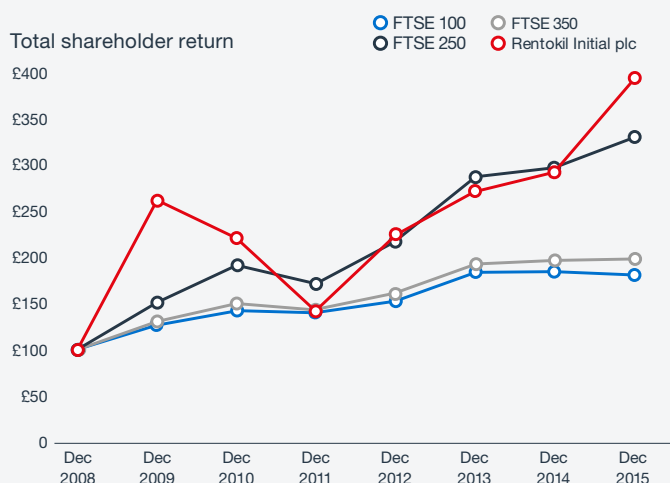
² Alan Brown was appointed as Chief Executive on 1 April 2008 and stepped down on 30 September 2013; Andy Ransom was appointed from that date. The total single figure has been apportioned to reflect payment during these periods.

³ the 2015 single figure for the Chief Executive Andy Ransom includes the value of 163,625 2012 PSP awards which vested on 8 May 2015 which were valued at a share price of 145.2p on the date of vesting. These shares are yet to be exercised.

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

The following graph shows total shareholder return over a seven-year period reflecting the holding of the Company's shares, plotted against the FTSE 100 Index, the FTSE 250 Index and the FTSE 350 Index, on a consistent basis with the graph shown last year. The Company has been a constituent of one or more of these indices over the seven-year period that is shown. This chart has been prepared by Deloitte LLP for the Company for inclusion in the Annual Report for the year ended 31 December 2015 and is based on data sourced from Thomson Reuters DataStream and uses spot Return Index data at each year end.

Rentokil Initial plc's total shareholder return compared against total shareholder return of FTSE 100, FTSE 250 and FTSE 350 indices over a seven-year period



Directors' Remuneration Report

Percentage change in remuneration

The table below sets out a comparison of the change in pay for the Chief Executive for the year ended 2015 compared with 2014 and to all UK employees. The Chief Executive is based in the UK and as such is impacted by the same economic and legislative environments as other UK colleagues based in core businesses.

Average base salary for all UK employees includes overtime and premium rate pay, which is flexed to meet business requirements, as well as annual and out-of-cycle pay increases and headcount changes during the year. All bonus schemes are performance related and reflect business performance during the year.

	Base salary	Annual bonus	Benefits	Total
Chief Executive	2.0% increase	17.39% increase	1.94% decrease	7.69% increase ⁵
All UK employees ¹	0.81% decrease ²	12.67% increase ³	14.55% decrease ⁴	0.15% increase

¹ the figure for 2015 shows employee remuneration for continuing operations.

² base salary includes overtime and premium rate pay.

³ annual bonus includes our Group Management Bonus Scheme (GMBS) and any other bonus commission or cash incentive.

⁴ benefits include private healthcare, car allowance (including trade down), cars, fully expensed fuel cards and commercial vans (private use).

⁵ this figure does not include pension or the valuation of vested but unexercised 2012 PSP awards which vested on 8 May 2015.

Relative importance of spend on pay

The table below sets out amounts paid in total employee costs and total dividends paid for the years ended 31 December 2015 and 31 December 2014.

	2015 £m	2014 £m	% change
Remuneration paid to all employees of the group ¹	£825.1	£786.8	4.87% increase
Distributions to shareholders ²	£48.9	£43.2	13.2% increase

¹ the figures for 2014 and 2015 show employee remuneration for continuing operations. They do not include discontinued operations following the sale of the Initial Facilities business in March 2014.

² the Board is recommending a final dividend in respect of 2015 of 2.06p per share. This equates to a full year dividend of 2.93p per share. In 2014 a full year dividend of 2.59p per share was paid to shareholders.

Voting at the 2015 AGM

At the AGM on 13 May 2015, votes cast by proxy and at the meeting in respect of the 2014 Directors' Annual Remuneration Report were as below. There was no vote on Remuneration Policy at the 2015 AGM as it had been approved by shareholders in 2014.

Approval of the Remuneration Report

	Total 2014 Annual Remuneration Report	Total 2013 Remuneration Policy Report ²	Total 2013 Annual Remuneration Report
Votes for	1,403,119,803	1,302,180,656	1,349,370,992
% for ¹	97.203%	96.061%	99.482%
Votes against	40,378,379	53,393,193	7,026,064
% against	2.797%	3.939%	0.518%
Total votes cast	1,443,498,182	1,355,573,849	1,356,397,056
Votes withheld (abstentions)	99,539,811	1,044,162	220,955

¹ a vote 'for' includes those votes giving the Chairman discretion. A vote 'withheld' is not classed as a vote in law and is not counted in the calculation of proportion of votes cast for or against a resolution. The Committee is pleased with the level of shareholder support received for the 2014 Directors' Remuneration Report. The Company remains committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. In the event of a substantial vote against a resolution in relation to Directors' remuneration, Rentokil Initial would seek to understand the reasons for any such vote and would set out in the following Annual Report any actions in response to it.

² the last 2013 Remuneration Policy was approved at the AGM in 2014. There was no vote on Remuneration Policy at the 2015 May AGM.

Part 4 – Directors' Annual Remuneration Report – looking forward 2016

Executive Director base salaries from 1 January 2016

Executive Directors' and senior executives' salaries are reviewed with effect from 1 January each year in accordance with the remuneration policy. Base salaries reflect the role, individual experience, skills and contribution to overall business performance as well as external market conditions. Following a review of the performance of the business, the economic and market considerations in the UK, where average pay increases in the Company will be in the order of 2%, the Committee agreed that the salaries of Executive Directors for 2016 should be as set out below:

Salary from 1 January 2016		
Executive Director	Salary	Effective date
Andy Ransom Chief Executive	£728,280 (2% increase)	1 January 2016
Jeremy Townsend Chief Financial Officer	£468,180 (2% increase)	1 January 2016

Pension contribution

In 2016, Andy Ransom will continue to receive an annual pension contribution worth 25% of base salary and Jeremy Townsend will continue to receive an annual pension contribution worth 15% of base salary.

2016 bonus structure

Executive Directors can earn a maximum opportunity of 120% of their base salary as an annual cash bonus. The focus of the bonus is on rewarding profitable growth in order to align Executive Directors' incentives with the group's strategy. The Committee has approved the following structure of bonuses for 2016 for the Executive Directors: 95% of the profit target and a free cash flow gateway of £105m have to be reached at group level before a bonus is paid to the Executive Directors. If both these profit and cash flow gateways are achieved then Executive Directors can earn up to 100% of base salary based on a combination of revenue and profit targets. This is split 50% profit:50% revenue for both the Chief Executive and the Chief Financial Officer.

Revenue targets for Executive Directors will continue to be weighted to focus on the segments that will set the foundations for longer-term profitable growth. To provide this focus the following co-efficients will be applied to revenue generated from businesses in the following quadrants, as described in the Strategic Report on page 14.

Quadrant	Co-efficient 2016
Emerging	1.51
Growth	1.10
Protect & Enhance	0.70
Manage for Value	0.40

The co-efficients are applied to the total sales in each quadrant, and are broadly unchanged from previous years.

An individual performance modifier may also increase or decrease the opportunity arising from performance against the revenue and profit targets, as outlined below, to further recognise individual contribution to business performance. This individual performance modifier applies to all colleagues who participate in the Group Management Bonus Scheme

(GMBS) and are measured by the Company's performance and the development review process.

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

¹ the maximum bonus payment is capped at 120% of base salary for Executive Directors and the Executive Leadership Team.

Bonus targets have not been disclosed looking forward for 2016 as the Board believes that this information is commercially sensitive. Disclosing bonus targets could provide information about our business plans to our competitors which could be damaging to our business interests and therefore to shareholders. However, retrospective bonus outcomes for 2015 have been disclosed in the tables on page 76, and the 2016 targets will be disclosed in next year's report.

2016 PSP award

The Executive Directors' PSP award for 2016 will, as in 2015, be over shares up to a maximum of 200% of base salary. Subject to shareholder approval of the proposed Policy, vesting of this award will be determined by the Company's performance as follows:

- Two-thirds of the award will be subject to a TSR performance measure relative to the constituents of a FTSE 350 index, excluding financial services, property and primary resources sectors:
 - A relative TSR measure is used to ensure participants are incentivised to outperform key peers and to ensure that the interests of management are aligned with shareholders.
 - The FTSE 350 is recognised as a broad index and is considered to be an appropriate benchmark for measuring performance given the Company's membership of that index, the scope and scale of the Company's international operations, and the diverse nature of companies in the business services sector.
 - 25% of this portion of the award will vest if Rentokil Initial's performance at the end of the three-year performance period is positioned at median against the comparator group with the full award vesting for upper quartile TSR performance. Vesting is on a straight-line basis between these two points.
- One-third of the award will be subject to EPS growth targets:
 - An EPS measure is used to link reward more directly to long-term profit performance.
 - EPS is measured on a point-to-point basis over the three-year period of the award. In order to measure underlying earnings improvement, EPS is measured after adjusting for impairments, amortisation, pension interest and material one-off items, as the Committee considers that these items do not reflect the underlying performance of the business.
 - Given the Company's continued focus on improving efficiency and reducing costs around restructuring, restructuring costs are included in the EPS calculation in order to incentivise management to maintain focus in this area. Given the international nature of our business, EPS is measured on an exchange neutral basis to reflect management performance by removing the impact of windfalls and losses as a result of exchange rate movements.

Directors' Remuneration Report

The targets for awards granted in 2016 will be as follows (with a straight-line vesting between these figures):

	Vesting level	Compound EPS growth per annum
Threshold	25% of maximum	9% per annum
Maximum	100% of maximum	15% per annum

The Committee is satisfied that these targets represent a stretching challenge for the business over the next three years.

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

2016 Non-executive Directors' fees

Non-executive Director fees from 1 January 2016

Position	Fee policy for year beginning 1 January 2016*
Chairman	£350,000 per annum
Non-executive Director	£55,000 per annum
Senior Independent Director	Additional £5,000 per annum
Chairman of Audit Committee	Additional £15,000 per annum
Chairman of Remuneration Committee	Additional £15,000 per annum

*fees remain unchanged since 2013.



Alan Giles

Chairman, Remuneration Committee
24 February 2016

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

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Rentokil Initial plc for the year ended 31 December 2015 set out on pages 88 to 138. In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

Impairment assessment and testing of cash generating units that include goodwill and acquired intangible assets (including customer lists and relationships and brands): carrying values of £597.3 million and £179.2 million respectively (2014: £291.0 million and £100.3 million)

Refer to page 58 (Audit committee report) and Note B2 (accounting policy and financial disclosures)

The risk: The group has significant carrying amounts of both goodwill and acquired intangible assets. The goodwill and acquired customer lists and relationships and brands are spread across a range of cash generating units in different countries.

A value in use model is used for impairment testing. The estimation of the value in use of the cash generating units requires significant judgement in relation to the appropriate discount rates, growth rates, terminal values, and forecast cash flows. Changes to the assumptions applied to the model, for example a change in the discount rate, have the potential to significantly affect the impairment testing result.

Our response: In this area our audit procedures included testing of the group's underlying methodology upon which the forecasts are based and the principles and integrity of the group's discounted cash flow model. We instructed local auditors to evaluate the procedures undertaken to identify indicators of impairment in the year through enquiry of local management and comparison of the previous year forecasts to current year results and challenge of management where there were any significant changes in the business as to whether the goodwill and intangible assets are appropriately valued. Our testing of the impairment models included challenge of the long term growth rate and discount rate assumptions by comparison to externally derived data such as projected economic growth rates, discount rate inputs and inflation rates, as well as performing break-even analysis on the assumptions. We challenged the assumptions relating to forecast revenue growth and profit margins by comparison to the historical performance of the cash generating unit and to the forecast approved by the Board. We also assessed whether the group's disclosures of the outcome of the impairment assessment to

changes in key assumptions reflected the risks inherent in the valuation of intangible assets were adequate.

Provisions for tax contingencies of £54.5 million (2014: £48.4 million)

Refer to page 58 (Audit committee report) and Note A14 (accounting policy and financial disclosures)

The risk: The group holds a number of provisions for outstanding tax contingencies which arise in the normal course of business. The largest single material provision relates to a financing structure which has been challenged by tax authorities. The group operates in a number of tax jurisdictions and there are therefore complexities in transfer pricing and other international tax legislation issues for consideration. In addition tax matters usually take a significant length of time to be agreed with the tax authorities and as such the recognition of these tax provisions requires judgements and estimates to be made in respect of the outcomes of the tax authority investigations.

Our response: With regard to tax contingencies we have performed the following procedures with the assistance of our tax specialists: assessed the group's tax positions, reviewed its correspondence with the relevant tax authorities and external tax advisors, and analysed and challenged the assumptions used to determine the level of tax provisions using our knowledge and experiences of the application of the international and local legislation by the relevant authorities and courts. We also considered the adequacy of the group's disclosures in respect of tax and uncertain tax positions.

Recognition of UK deferred tax assets

Refer to page 58 (Audit committee report) and Note A15 (accounting policy and financial disclosures)

The risk: The group has significant recognised and unrecognised deferred tax assets in respect of unused tax losses within the UK. There is inherent uncertainty involved estimating the quantum and probability of relevant future UK taxable profits against which unused tax losses can be utilised. This is exacerbated by the nature of the future UK income and as the losses are spread across several different tax entities.

Our response: In this area our audit procedures included analysing the judgements applied in assessing the likelihood of the utilisation of deferred tax assets and the appropriateness of the assumptions regarding the forecast period.

We have involved our own tax specialists in assessing and challenging the key input assumptions (primarily UK taxable profit forecasts and the term covered by the model) by comparison to information derived internally by the group and taking into account our knowledge and experience of the application of relevant tax legislation.

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

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

Acquisition accounting for Steritech (goodwill additions of £228.8 million, other intangible additions of £79.0 million)

Refer to page 58 (Audit committee report) and Note B1 (accounting policy and financial disclosures)

The risk: The group acquired Steritech during the current financial year. The Group is required to make a number of judgements, which focus on, but are not limited to: identification and valuation of intangible assets acquired.

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

Our response: Our audit procedures included, but were not limited to challenging the process for identifying intangible assets, using our experience, market data and information from similar transactions. We considered the methodology and assumptions used to determine the present value of cashflow projections.

We also assessed whether the Group's disclosures about the Steritech business combination are appropriate by reference to relevant accounting standards.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the group financial statements as a whole was set at £7.5 million, determined with reference to a benchmark of profit before taxation from continuing operations (of which it represents 5%).

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

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

	Total group revenue	Total group profit before tax (absolute) from continuing operations	Total group assets
Audits for group reporting purposes	50%	53%	42%
Detailed audit procedures over all significant accounts	30%	29%	45%
Total	80%	82%	87%

This audit work was performed by 16 audit teams in 14 different countries covering 104 reporting units. The work on 67 of the 104 components in scope for the group audit was performed by component auditors and the rest by the group audit team.

The remaining 20% of total group revenue, 18% of total group profit before tax (absolute) from continuing operations and 13% of total group assets is represented by individually insignificant reporting components, none of which individually represented more than 1% of any of total group revenue, total group profit before tax (absolute) from continuing operations or total group assets. For these components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The group audit team approved the component materialities, which ranged from £0.1 to £2.0 million, having regard to the mix of size and risk profile of the group across the components.

The group audit team visited 2 component locations (and 15 components): France, and the Netherlands, to meet with the component auditors and review the findings, as well as to assess the audit risk and strategy. In addition to this, we remotely reviewed the work of one further component audit team (and 5 components): the US. The group team also held discussions with the five Rentokil Initial regional management teams and the audit teams of components in scope for group reporting. At these visits and meetings, the findings reported to the group audit team were discussed in more detail, and any further work required by the group audit team was then performed by the component auditor.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

- the directors' viability statement of on page 37, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the group's continuing in operation over the 3 years to 2018; or
- the disclosures in the basis of preparation note to the financial statements concerning the use of the going concern basis of accounting.

6 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy; or
- the significant issues considered by the Audit Committee in the Activities of the Committee in 2015 section of the Audit Committee report does not appropriately address matters communicated by us to the audit committee.

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

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

Under the Listing Rules we are required to review:

- the directors' statements, set out on page 142, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on page 47 relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

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

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 142, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.



Paul Sawdon (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
 15 Canada Square
 London
 E14 5GL
 24 February 2016

Financial Statements

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This Corporate Governance Report for the year on pages 43 to 83 forms part of the Directors' Report. Disclosures elsewhere in the 2015 Annual Report are cross-referenced, where appropriate, and taken together fulfil the requirements of the Companies Act 2006, the UK Listing Authority's Listing and Disclosure and Transparency Rules. The Directors' Report and Other Statutory Disclosures can be found on pages 140 to 142.

Other Statutory information

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

Statutory information	Location in this Annual Report
Accountability and audit	Page 141
Acquisitions and disposals	Page 30 and Note B1 Financial Statements
Appointment of Directors	Page 5
Board of Directors and Committee membership	Pages 44 and 45
Directors' conflicts of interest	Page 52
Directors' interests in shares	Page 79
Directors' liabilities and protections	Page 53
Employees and gender diversity	Page 38
Going concern	Page 141
Greenhouse gas emissions	Page 41
Key performance indicators	Pages 26 and 27
Operating model	Pages 12 and 13
Pension scheme	Note A10 Financial Statements
Post balance sheet events	Note D3 Financial Statements
Risks and uncertainties	Pages 35 to 37 and Note C4 Financial Statements
Share capital	Note C13 Financial Statements and Note 11 Parent Company Accounts
Parent Company Accounts	Pages 132 to 138
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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December

	Notes	2015 £m	2014 £m
Revenue	A1	1,759.0	1,740.8
Operating profit	A1	187.8	202.1
Finance income	C9	16.3	13.4
Finance cost	C8	(49.8)	(56.2)
Share of profit from associates, net of tax of £2.7m (2014: £2.8m)	B5	4.7	3.9
Profit before income tax		159.0	163.2
Income tax expense ¹	A13	(34.7)	(37.1)
Profit for the year from continuing operations		124.3	126.1
Discontinued operations:			
Profit for the year from discontinued operations		–	135.4
Profit for the year attributable to the Company's equity holders (including non-controlling interests of £nil (2014: £0.3m))		124.3	261.5
Other comprehensive income:			
Items that are not reclassified subsequently to the income statement:			
Re-measurement of net defined benefit asset	A10	37.2	114.3
Tax related to items taken to other comprehensive income	A15	(5.9)	(19.9)
Items that may be reclassified subsequently to the income statement:			
Net exchange adjustments offset in reserves		3.0	17.7
Other items		0.2	0.5
Total comprehensive income for the year (including non-controlling interests of £nil (2014: £0.3m))		158.8	374.1
Earnings per share attributable to the Company's equity holders:			
Basic	A2	6.83p	6.96p*
Diluted	A2	6.81p	6.95p*

* 2014 earnings per share including discontinued operations is 14.41p basic and 14.39p diluted

Non-GAAP measures ²			
Operating profit		187.8	202.1
Adjusted for:			
Amortisation and impairment of intangible assets ³	A1	31.8	21.2
Restructuring costs	A1	7.9	8.8
One-off items – operating	A1	5.4	0.1
Adjusted operating profit		232.9	232.2
Finance income	C9	16.3	13.4
Add back: Net interest credit from pensions	A10	(6.1)	(2.5)
Finance cost	C8	(49.8)	(56.2)
Share of profit from associates, net of tax of £2.7m (2014: £2.8m)	B5	4.7	3.9
Adjusted profit before income tax		198.0	190.8
Basic adjusted earnings per share attributable to the Company's equity holders	A2	8.29p	8.05p

¹ taxation includes £30.4m (2014: £37.1m) in respect of overseas taxation

² the group reports a number of additional performance measures that are designed to assist with the understanding of the underlying performance of the group (not defined under IFRS). Such measures include adjusted operating profit, adjusted profit before income tax and adjusted earnings per share. Restructuring costs and one-off items 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. Refer to Note A1 for more detail

³ excluding computer software

Consolidated Balance Sheet

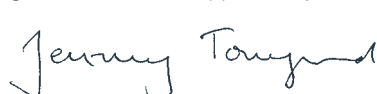
At 31 December

	Notes	2015 £m	2014 £m
Assets			
Non-current assets			
Intangible assets	B2	818.3	431.3
Property, plant and equipment	B3	477.1	505.5
Investments in associated undertakings	B5	17.7	14.4
Other investments	C5	0.1	0.1
Deferred tax assets	A15	2.0	3.5
Retirement benefit assets	A10	237.0	192.2
Other receivables	A3	8.5	11.5
Derivative financial instruments	C6	1.4	1.4
		1,562.1	1,159.9
Current assets			
Other investments	C5	99.3	51.4
Inventories	A4	55.7	58.9
Trade and other receivables	A3	329.8	314.5
Current tax assets		10.5	6.0
Derivative financial instruments	C6	0.8	0.6
Cash and short-term deposits	C1	102.6	197.1
		598.7	628.5
Liabilities			
Current liabilities			
Trade and other payables	A5	(404.4)	(382.0)
Current tax liabilities		(73.3)	(71.8)
Provisions for other liabilities and charges	A6	(20.6)	(24.5)
Bank and other short-term borrowings	C7	(332.6)	(31.1)
Derivative financial instruments	C6	(21.7)	(6.7)
		(852.6)	(516.1)
Net current (liabilities)/assets		(253.9)	112.4
Non-current liabilities			
Other payables	A5	(15.4)	(12.9)
Bank and other long-term borrowings	C7	(865.4)	(976.1)
Deferred tax liabilities	A15	(112.8)	(78.3)
Retirement benefit obligations	A10	(24.1)	(25.8)
Provisions for other liabilities and charges	A6	(60.8)	(59.8)
Derivative financial instruments	C6	(17.6)	(19.4)
		(1,096.1)	(1,172.3)
Net assets		212.1	100.0
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	C13	18.2	18.2
Share premium account		6.8	6.8
Other reserves		(1,768.8)	(1,772.0)
Retained profits		1,956.1	1,847.2
		212.3	100.2
Non-controlling interests		(0.2)	(0.2)
Total equity		212.1	100.0

The financial statements on pages 88 to 128 were approved by the Board of Directors on 24 February 2016 and were signed on its behalf by:



Andy Ransom
Chief Executive



Jeremy Townsend
Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December

	Attributable to equity holders of the Company					Total equity £m
	Called up share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Non-controlling interests £m	
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
Re-measurement of net defined benefit asset/liability	–	–	–	114.3	–	114.3
Effective portion of changes in fair value of cash flow hedge	–	–	(0.1)	–	–	(0.1)
Cumulative foreign exchange recycled to income statement on disposal of foreign operations	–	–	0.6	–	–	0.6
Tax related to items taken directly to other comprehensive income	–	–	–	(19.9)	–	(19.9)
Total comprehensive income for the year	–	–	18.2	356.2	(0.3)	374.1
Transactions with owners:						
Dividends paid to equity shareholders	–	–	–	(43.2)	–	(43.2)
Cost of share options and long-term incentive plans	–	–	–	1.1	–	1.1
At 31 December 2014	18.2	6.8	(1,772.0)	1,847.2	(0.2)	100.0
Profit for the year	–	–	–	124.3	–	124.3
Other comprehensive income:						
Net exchange adjustments offset in reserves	–	–	3.0	–	–	3.0
Re-measurement of net defined benefit asset/liability	–	–	–	37.2	–	37.2
Effective portion of changes in fair value of cash flow hedge	–	–	0.2	–	–	0.2
Tax related to items taken directly to other comprehensive income	–	–	–	(5.9)	–	(5.9)
Total comprehensive income for the year	–	–	3.2	155.6	–	158.8
Transactions with owners:						
Dividends paid to equity shareholders	–	–	–	(48.9)	–	(48.9)
Cost of share options and long-term incentive plans	–	–	–	2.2	–	2.2
At 31 December 2015	18.2	6.8	(1,768.8)	1,956.1	(0.2)	212.1

Treasury shares of £6.4m (2014: £10.9m) have been netted against retained earnings. Treasury shares represent 3.5m (2014: 5.9m) shares held by the Rentokil Initial Employee Share Trust. The market value of these shares at 31 December 2015 was £5.6m (2014: £7.1m). Dividend income from, and voting rights on, the shares held by the Trust have been waived.

Analysis of other reserves

	Capital reduction reserve £m	Legal reserve £m	Cash flow hedge reserve £m	Translation reserve £m	Total £m
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 (expense)/income for the year	–	–	(0.1)	18.3	18.2
At 31 December 2014	(1,722.7)	10.4	–	(59.7)	(1,772.0)
Net exchange adjustments offset in reserves	–	–	–	3.0	3.0
Effective portion of changes in fair value of cash flow hedge	–	–	0.2	–	0.2
Total comprehensive income for the year	–	–	0.2	3.0	3.2
At 31 December 2015	(1,722.7)	10.4	0.2	(56.7)	(1,768.8)

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

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

Consolidated Cash Flow Statement

For the year ended 31 December

	Notes	2015 £m	2014 £m
Cash flows from operating activities			
Cash generated from operating activities	C11	391.4	347.0
Interest received		10.2	10.9
Interest paid		(53.7)	(59.6)
Income tax paid		(27.9)	(30.1)
Net cash flows from operating activities		320.0	268.2
Cash flows from investing activities			
Purchase of property, plant and equipment		(159.2)	(173.1)
Purchase of intangible fixed assets		(13.1)	(12.0)
Proceeds from sale of property, plant and equipment		6.7	6.3
Proceeds from sale of investment properties		–	6.8
Acquisition of companies and businesses, net of cash acquired	B1	(369.2)	(68.1)
Disposal of companies and businesses		0.8	256.0
Cash disposed of with companies and businesses		–	(16.7)
Dividends received from associates	B5	2.1	1.7
Net cash flows from investing activities		(531.9)	0.9
Cash flows from financing activities			
Dividends paid to equity shareholders	C12	(48.9)	(43.2)
Interest element of finance lease payments		(0.7)	(0.8)
Capital element of finance lease payments		(9.1)	(8.1)
Cash outflow on settlement of debt related foreign exchange forward contracts		(2.4)	(3.1)
Net investment in term deposits		(47.8)	240.7
Proceeds from new debt		232.8	1.1
Non-controlling interest in acquisition		0.3	–
Bond repayments		(0.3)	(390.6)
Net cash flows from financing activities		123.9	(204.0)
Net (decrease)/increase in cash and cash equivalents	C10	(88.0)	65.1
Cash and cash equivalents at beginning of year		194.1	143.4
Exchange losses on cash and cash equivalents		(5.6)	(14.4)
Cash and cash equivalents at end of the financial year		100.5	194.1

General accounting policies

Basis of preparation

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union as at 31 December 2015.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments).

After reviewing group and Company cash balances, borrowing facilities and projected cash flows, the Directors believe that the group and Company have adequate resources to continue operations over a period of at least 12 months from the date of approval of the financial statements. For this reason they continue to adopt the going concern basis in preparing the consolidated financial statements (see the Directors' Report on page 140).

Consolidation

(a) Subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it has power over the entity; is exposed to, or has rights to, variable returns from its involvement with the entity; and has the ability to affect those returns through its power over the entity. In assessing control, the group reassesses whether or not it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The group uses the purchase method of accounting to account for the acquisition of subsidiaries (please refer to Note B1).

Inter-company transactions, balances, and gains and losses on transactions between group companies are eliminated.

Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Where the group loses control of a subsidiary, the assets and liabilities are derecognised along with any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in the income statement. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(b) Associates

Associates are those entities in which the group has significant influence over the financial and operating policies, but not control. Significant influence is presumed to exist when the group holds between 20% and 50% of the voting power of another entity.

Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the group's share of losses exceeds its interest in an equity accounted investee, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of an investee.

Gains and losses on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in sterling, which is the group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, or from the translation of monetary assets and liabilities denominated in foreign currencies at reporting period end exchange rates, are recognised under the appropriate heading in the income statement; except when deferred in equity as qualifying net investment hedges or where certain intra-group loans are determined to be quasi-equity (normally not expected to be repaid).

(c) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

Notes to the Accounts

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments or deemed to be quasi-equity, are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at period end exchange rates.

Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are listed below (please refer to the notes for further detail). Sensitivities to the estimates and assumptions are provided, where relevant, in the relevant notes to the accounts.

- Estimated impairment of goodwill (Note B2)
- Valuation of acquired intangible assets (Note B2)
- Income taxes and deferred tax asset (Notes A13 and A15)
- Provision for vacant property and environmental restoration (Note A6)
- Retirement benefits (Note A10)

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

The group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with effect from 1 January 2015:

- Defined Benefit Plans: Employee Contributions – amendments to IAS 19
- Annual Improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle – amendments to IFRS 1, 2, 3, 8 and 13 and IAS 16, 24, 38 and 40

The application of these amendments has had no material impact on the disclosures of the amounts recognised in the group's consolidated financial statements. Consequently, no adjustment has been made to the comparative financial information at 31 December 2014.

The group has not early adopted any standard, interpretation or amendment that was issued but is not yet effective. The group will consider the impact on the financial statements of relevant forthcoming standards during the coming year, including IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases.

A. Operating

A1. Segment information

Revenue recognition

Revenue comprises the fair value of consideration received from customers for the rendering of services, net of value-added tax (VAT) and other similar sales-based taxes, rebates and discounts, and after eliminating sales within the group. For non-contract-based business, revenue represents the value of goods delivered or services performed. For contract-based business, revenue represents the sales value of work carried out for customers during the period. Contract income is recognised in accounting periods on a straight-line basis over the life of the contract. For long-term contracts involving the installation of equipment, revenue is recognised using the percentage completion method and represents the sales value of work executed during the period.

Segment reporting

Segmental information has been presented in accordance with IFRS 8 Operating Segments. 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. The operating businesses within each segment report to the Regional Managing Directors.

Profit is shown before amortisation and impairment of intangible assets (excluding computer software), and restructuring costs and one-off items 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. Revenue and profit excludes revenue and profit from businesses disposed and closed. Constant exchange rates (CER) are used to assist with the year on year comparisons.

Revenue and operating profit relate to the following main groups of business category and activity, as described on page 3: Pest Control, Hygiene and Workwear. 'Other' represents a number of small businesses outside of the main categories, the largest being the Plants business. Central and regional overheads represent corporate expenses that are not directly attributable to any reportable segment.

Revenue and profit from continuing operations

	Revenue 2015 £m	Revenue 2014 £m	Operating profit 2015 £m	Operating profit 2014 £m
France	334.0	345.9	51.7	64.4
Benelux	211.2	213.6	38.7	38.1
Germany	184.4	178.6	47.8	44.5
Southern Europe	67.5	64.1	11.1	10.8
Latin America	22.3	16.7	3.1	1.9
Europe	819.4	818.9	152.4	159.7
UK & Ireland	225.2	194.9	45.2	37.8
Rest of World	117.1	112.2	26.9	26.3
UK & Rest of World	342.3	307.1	72.1	64.1
Asia	108.1	97.1	10.2	8.0
North America	407.9	349.2	52.6	40.9
Pacific	136.2	130.6	28.1	26.2
Central and regional overheads	–	–	(62.6)	(65.9)
Ongoing operations at constant exchange rates	1,813.9	1,702.9	252.8	233.0
Disposed businesses ¹	23.3	37.9	(1.6)	(0.8)
Continuing operations at constant exchange rates	1,837.2	1,740.8	251.2	232.2
Foreign exchange	(78.2)	–	(18.3)	–
Continuing operations at actual exchange rates	1,759.0	1,740.8	232.9	232.2
Restructuring costs			(7.9)	(8.8)
One-off items – operating			(5.4)	(0.1)
Amortisation of intangible assets ²			(29.6)	(21.2)
Impairment of goodwill			(2.2)	–
Operating profit			187.8	202.1

Notes to the Accounts

	Operating profit 2015 £m	Operating profit 2014 £m
Interest payable and similar charges	(49.8)	(56.2)
Interest receivable	10.2	10.9
Net interest credit from pensions	6.1	2.5
Share of profit from associates (net of tax) – Asia	4.7	3.9
Profit before income tax	159.0	163.2

1 disposed businesses are those businesses that have been disposed of or exited and therefore are not included as an ongoing operation

2 excluding computer software

Revenue at actual exchange rates (AER) from external customers attributed to the UK amounted to £208.3m (2014: £180.2m), with overseas countries accounting for the balance of £1,550.7m (2014: £1,560.6m). The only other countries accounting for more than 10% of revenue from external customers are France, totalling £307.0m (2014: £352.4m), and USA, totalling £417.8m (2014: £333.8m). No major customer accounts for more than 10% of total revenue.

Analysis of revenue by business category

	Revenue 2015 £m	Revenue 2014 £m	Operating profit 2015 £m	Operating profit 2014 £m
Pest Control	791.3	699.4	151.5	132.7
Hygiene	457.9	446.3	89.6	88.5
Workwear	384.0	396.5	51.5	62.0
Other	180.7	160.7	22.8	15.7
Central and regional overheads	–	–	(62.6)	(65.9)
Ongoing operations at constant exchange rates	1,813.9	1,702.9	252.8	233.0
Disposed businesses	23.3	37.9	(1.6)	(0.8)
Continuing operations at constant exchange rates	1,837.2	1,740.8	251.2	232.2
Foreign exchange	(78.2)	–	(18.3)	–
Continuing operations at actual exchange rates	1,759.0	1,740.8	232.9	232.2

Analysis of revenue by type

	2015 £m	2014 £m
Contract service revenue	1,383.4	1,397.9
Non-contract service revenue	269.9	230.9
Sales of goods	105.7	112.0
	1,759.0	1,740.8

Notes to the Accounts

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

	Amortisation and impairment of intangibles ¹ 2015 £m	Amortisation and impairment of intangibles ¹ 2014 £m	Restructuring costs 2015 £m	Restructuring costs 2014 £m	One-off items 2015 £m	One-off items 2014 £m
Europe	6.9	5.7	6.0	4.0	13.1	(1.0)
UK & Rest of World	6.3	2.8	0.1	0.8	2.6	0.9
Asia	1.5	1.0	–	0.2	–	0.2
North America	14.8	10.0	1.1	1.5	1.4	(0.2)
Pacific	0.4	0.2	0.1	1.3	0.3	0.1
Central and regional	1.9	1.5	1.0	1.0	(11.0)	0.1
Total at constant exchange rates	31.8	21.2	8.3	8.8	6.4	0.1
Foreign exchange	–	–	(0.4)	–	(1.0)	–
Total at actual exchange rates	31.8	21.2	7.9	8.8	5.4	0.1
Tax effect	(9.1)	(6.8)	(2.2)	(1.7)	(2.3)	0.3
Total after tax effect	22.7	14.4	5.7	7.1	3.1	0.4

¹ excluding computer software

Restructuring costs includes £6.0m for restructuring initiatives in Europe (£4.1m of which relates to France), £1.1m for integration costs in North America, and £0.4m net cost of restructuring the UK pension scheme. One-off items includes £9.0m for the costs associated with the closure of the Austrian flat linen business, £5.6m for costs associated with the withdrawal from certain other non-core businesses, and £3.0m for acquisition costs (the majority of which were in North America); offset by £10.8m related to the net income from the settlement of a legal claim (Central and regional).

A2. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the year, excluding those held in the Rentokil Initial Employee Share Trust (see note at the bottom of the Consolidated Statement of Changes in Equity) which are treated as cancelled, and including share options for which all conditions have been met.

Adjusted earnings per share is earnings per share adjusted for the after-tax effects of restructuring costs and one-off items, amortisation and impairment of intangibles¹, and net interest credit from pensions.

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.

Details of the adjusted earnings per share are set out below:

	2015 £m	2014 £m
Profit from continuing operations attributable to equity holders of the Company	124.3	126.4
Restructuring costs and one-off items, amortisation and impairment of intangibles ¹ , and net interest credit from pensions, before tax	39.0	27.6
Tax on restructuring costs and one-off items of £4.5m (2014: £1.4m), amortisation and impairment of intangibles of £9.1m (2014: £6.8m), and net interest credit from pensions of £(1.1)m (2014: £(0.5)m)	(12.5)	(7.7)
Adjusted profit from continuing operations attributable to equity holders of the Company	150.8	146.3
Weighted average number of ordinary shares in issue	1,819.2	1,817.1
Adjustment for share options and LTIPs	7.5	2.5
Weighted average number of ordinary shares for diluted earnings per share	1,826.7	1,819.6
Basic earnings per share	6.83p	6.96p
Diluted earnings per share	6.81p	6.95p
Basic adjusted earnings per share	8.29p	8.05p
Diluted adjusted earnings per share	8.26p	8.04p

¹ excluding computer software

Notes to the Accounts

A3. Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. The creation and release of provisions for impaired trade receivables have been included within operating expenses in the income statement. Amounts charged to the provision for impairment of trade receivables are generally written off when there is no expectation of recovering additional cash.

Book value approximates fair value because of the short-term nature of the receivables and the low-interest environment in which they are held.

There is limited concentration of credit risk with respect to trade receivables due to the group's customer base being large and diverse. The maximum amount of credit risk with respect to customers is represented by the carrying amount on the balance sheet. The group policy is that credit facilities for new customers are approved by designated managers at regional level. Credit limits are set with reference to trading history and reports from credit rating agencies. Overdue accounts are regularly reviewed and impairment provisions are created where necessary with due regard to the historical risk profile of the customer. There were no new customers in 2015 where the group considered there was a risk of significant credit default. There are no trade receivables that would otherwise be past due or impaired whose terms have been renegotiated.

	2015 £m	2014 £m
Trade receivables	285.4	280.2
Less: provision for impairment of trade receivables	(15.2)	(16.1)
Trade receivables – net	270.2	264.1
Other receivables	39.9	36.4
Prepayments	28.2	25.5
Total	338.3	326.0
Less non-current portion:		
Other receivables	8.5	11.5
Current portion	329.8	314.5

Analysis of the group's provision for impairment of trade receivables is as follows:

	2015 £m	2014 £m
At 1 January	16.1	19.8
Acquisition of companies and businesses	0.4	0.6
Disposal of companies and businesses	–	(2.8)
Additional provision	7.0	6.9
Receivables written off as uncollectable	(4.7)	(5.2)
Unused amounts reversed	(2.8)	(2.5)
Exchange differences	(0.8)	(0.7)
At 31 December	15.2	16.1

The ageing of trade receivables is as follows:

	2015 £m	2014 £m
Not due	107.6	119.9
Overdue by less than 1 month	93.0	76.2
Overdue by between 1 and 3 months	43.0	44.7
Overdue by between 3 and 6 months	17.5	14.8
Overdue by between 6 and 12 months	11.8	12.6
Overdue by more than 12 months	12.5	12.0
Provision for impairment of trade receivables	(15.2)	(16.1)
	270.2	264.1

Notes to the Accounts

The carrying amounts of the group's trade receivables are denominated in the following currencies:

	2015 £m	2014 £m
Pounds sterling	36.2	38.6
Euro	135.9	143.9
US dollar	54.3	37.0
Other currencies	59.0	60.7
	285.4	280.2

A4. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price less applicable variable selling expenses.

	2015 £m	2014 £m
Raw materials	7.6	8.7
Work in progress	1.3	1.5
Finished goods	46.8	48.7
	55.7	58.9

There were no material inventory impairment charges in 2015 and 2014.

A5. Trade and other payables

	2015 £m	2014 £m
Trade payables	93.2	96.5
Social security and other taxes	56.3	59.4
Other payables	35.9	32.5
Accruals and deferred income	203.4	191.2
Deferred and contingent consideration	31.0	15.3
Total	419.8	394.9
Less non-current portion:		
Other payables	12.2	12.6
Deferred and contingent consideration	3.2	0.3
Total non-current portion	15.4	12.9
Current portion	404.4	382.0

Notes to the Accounts

A6. Provisions for other liabilities and charges

Vacant property, environmental, self-insurance and other provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount is capable of being reliably estimated. If such an obligation is not capable of being reliably estimated it is classified as a contingent liability.

Significant judgement is required in determining the worldwide provision for vacant properties and environmental restoration. Vacant properties and environmental restoration tend to be long-term in nature and the use of an appropriate market discount rate and forecast future utilisation based upon management's best estimate determines the level of provision required at the balance sheet date. The phasing and actual cash spend may be different from the original forecast spend.

When the effect of the time value of money is material, provision amounts are calculated on the present value of the expenditure expected to be required to settle the obligation. The present value is calculated using forward market interest rates, as measured at the balance sheet reporting date, which have been adjusted for risks already reflected in future cash flow estimates.

	Vacant properties £m	Environmental £m	Self-insurance £m	Other £m	2015 Total £m	2014 Total £m
At 1 January	38.7	15.2	20.0	10.4	84.3	92.9
Exchange differences	–	(0.4)	0.7	(0.3)	–	(0.1)
Additional provisions	1.6	2.4	9.7	11.1	24.8	27.5
Used during the year	(8.5)	(2.1)	(9.6)	(7.6)	(27.8)	(28.8)
Unused amounts reversed	(4.6)	(0.4)	(0.5)	(0.1)	(5.6)	(8.9)
Acquisition of companies and businesses	–	–	2.2	3.0	5.2	0.6
Unwinding of discount on provisions	0.4	0.1	–	–	0.5	1.1
At 31 December	27.6	14.8	22.5	16.5	81.4	84.3

Analysed as follows:

Non-current	60.8	59.8
Current	20.6	24.5

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 2015 is £1.5m (2014: £1.3m).

Environmental

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

Self-insurance

Since 2008 the group purchases external insurance from a portfolio of international insurers for its key insurable risks, but prior to this the group self-insured its risks. Provision is still held for self-insured past cover, primarily in relation to workers compensation (US). For the continuing self-insured programmes, individual claims are met in full by the group up to agreed self-insured limits in order to limit volatility in claims. The calculated cost of self-insurance claims is based on an actuarial assessment of claims incurred at the balance sheet date and is accumulated as claims provisions.

Other

Other provisions principally comprise amounts required to cover obligations arising, warranties given and costs relating to disposed businesses and restructuring costs. These provisions are expected to be substantially utilised within the next five years.

The above provisions have been discounted where appropriate using discount rates of between 0.9% and 1.4% (2014: between 0.7% and 1.3%) for the UK, 0.5% (2014: 0.6%) for Europe and 2.2% (2014: 2.2%) for the US.

A7. Operating expenses by nature

Operating expenses from continuing operations include the following items:

	2015 £m	2014 £m
Employee costs (Note A9)	825.1	786.8
Direct materials and services	308.0	297.3
Vehicle costs	97.1	102.0
Property costs	51.8	49.6
Depreciation and impairment of property, plant and equipment	169.7	175.7
Amortisation and impairment of intangible assets	42.2	34.2
Restructuring costs (Note A1)	7.9	8.8
One-off items – operating (Note A1)	5.4	0.1
Other operating expenses	64.0	84.2
Total operating expenses	1,571.2	1,538.7

A8. Audit and non-audit services

	2015 £m	2014 £m
Fees payable to the Company's auditor for the audit of the Parent Company and group accounts	0.6	0.5
Audit of accounts of subsidiaries of the group	1.6	1.7
Audit-related assurance services	0.1	0.2
Total audit and audit-related assurance services	2.3	2.4
Tax compliance services	0.2	0.1
Taxation advisory services	0.1	0.2
All other non-audit services	0.3	0.1
Total non-audit services	0.6	0.4
Total audit and non-audit services	2.9	2.8

Notes to the Accounts

A9. Employee benefit expense

Profit-sharing and bonus plans

The group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the probability of certain performance criteria being achieved. A provision is recognised where a contractual obligation exists or where past practice indicates that there is a constructive obligation to make such payments in the future.

Holiday pay

Paid holidays are regarded as an employee benefit and as such are charged to the income statement as the benefits are earned. An accrual is made at the balance sheet date to reflect the fair value of holidays earned but not yet taken.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value where the effect of discounting is material.

	2015 £m	2014 £m
Wages and salaries	680.5	648.8
Social security costs	119.4	117.5
Share-based payments	2.2	1.1
Pension costs:		
– defined contribution plans	22.0	19.0
– defined benefit plans	1.0	0.4
	825.1	786.8

Average number of people employed by the group during the year:

	2015 Number	2014 Number
Processing and service delivery	22,076	20,760
Sales and marketing	3,468	3,299
Administration and overheads	4,248	4,002
	29,792	28,061

Emoluments of the Directors of Rentokil Initial plc are detailed below. Further details are also given in the Directors' Remuneration Report on pages 64 to 83.

	Highest paid Director 2015 £000	Other Directors 2015 £000	Highest paid Director 2014 £000	Other Directors 2014 £000
Aggregate emoluments excluding share options	1,164.7	726.6	896.5	1,008.3
Aggregate value of Company contributions to defined contribution pension schemes	178.5	68.9	175.0	67.5
	1,343.2	795.5	1,071.5	1,075.8

	2015 Number	2014 Number
Number of Directors accruing retirement benefits		
– defined contribution schemes	2	2
– defined benefit schemes	–	–
Number of Directors exercising share options	2	2
Number of Directors receiving shares as part of long-term incentive schemes	2	–

A10. Retirement benefit obligations

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

The principal pension scheme in the group is the Rentokil Initial 2015 Pension Scheme (RIPS) in the UK (formerly the Rentokil Initial Pension Scheme), which has a number of defined benefit sections, now closed to new entrants, and a defined contribution section. The defined benefit scheme is funded through payments to a trustee-administered fund, determined by periodic actuarial calculations.

A number of much smaller defined benefit and defined contribution schemes operate elsewhere which are also funded through payments to trustee-administered funds or insurance companies.

Defined benefit schemes are reappraised annually by independent actuaries based upon actuarial assumptions. Significant judgement is required in determining these actuarial assumptions.

Defined benefit pension plans

A defined benefit pension plan is a plan that estimates the amount of future pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset or liability recognised in the balance sheet in respect of defined benefit pension plans is the fair value of plan assets less the present value of the defined benefit obligation at the balance sheet date. The group determines the net interest on the net defined benefit asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined asset. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows, using interest rates of high quality corporate bonds that have a credit rating of at least AA, are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. The group will recognise a pension surplus as an asset where there is an unconditional right to a refund or where the group has a right to reduce future pension contributions, taking into account the adverse effect of any minimum funding requirements.

Current and past service costs, to the extent they have vested, and curtailments are recognised as charges or credits against operating profit in the income statement. Interest costs on the net defined benefit/obligation are recognised in finance costs. Actuarial gains and losses arising from experience adjustments, return on plan assets and changes in actuarial assumptions are charged or credited to the consolidated statement of comprehensive income.

Defined contribution pension plans

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity.

The group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-employment obligations

Some group companies provide post-employment healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to the consolidated statement of comprehensive income.

Rentokil Initial 2015 Pension Scheme (RIPS)

During the year the defined benefit liabilities of the Rentokil Initial Pension Scheme were transferred to a new mirror scheme (the Rentokil Initial 2015 Pension Scheme). Defined benefit members with benefits worth less than £18,000 (including any defined contribution funds) were given the option to be excluded from the bulk transfer in order that they could be paid a Winding-Up Lump Sum (WULS) on the subsequent wind-up of the old scheme. The overall cost for this exercise was £0.4m which was taken to one-off items.

The assets of the RIPS are legally separated from the group. The Trustee of the pension fund is Rentokil Initial Pension Trustee Limited. The board comprises six Company nominated directors and three member nominated directors. The Trustee is required by law to act in the best interests of the plan participants and is responsible for setting certain policies (e.g. investment, contribution and indexation policies) of the scheme.

Actuarial valuations of the UK scheme are usually carried out every three years. At 31 December 2015 RIPS was valued at an accounting surplus of £237.0m (2014: £192.2m) on the group's balance sheet. The trustees of the scheme value 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 valuations stated exclude the escrow balance which stands at £6.4m as at 31 December 2015 (31 December 2014: £3.2m). The group continues to recognise the escrow balance as restricted cash.

Notes to the Accounts

The group has put in place a guarantee in favour of the Trustee of the RIPS which provides that the group will make payments to the scheme up to a maximum amount equal to the lowest non-negative amount which, when added to the assets of the scheme, would result in the scheme being at least 105% funded on the date on which any liability arises, calculated on the basis set out in section 179 of the Pensions Act 2004. This amount will vary and is in any event capped at £219m, the amount assessed at 31 March 2009. The provision of the guarantee is reviewed on an annual basis.

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

	2015	2014
Weighted average %		
Discount rate	3.8%	3.4%
Future salary increases	n/a	n/a
Future pension increases	3.3%	3.2%
RPI inflation	3.4%	3.3%
CPI inflation	2.3%	2.2%

The defined benefit obligation includes benefits for current employees, former employees and current pensioners. Approximately 44% of the liabilities are attributable to current and former employees and 56% to current pensioners. The scheme duration is an indicator of the weighted average time until benefit payments are made. For the scheme as a whole, the duration is around 16 years.

There have been no significant changes to the membership of the scheme over the year.

Where available, the bid value of assets has been used. In other cases the market value as provided by the investment managers has been used.

The scheme's liability hedge is made up of interest rate and inflation swaps, corporate bonds, fixed gilts and LPI swaps. The overall objective of the hedge is to match 85% of the interest rate and inflation sensitivity of the scheme's liabilities (c.100% of assets).

The current portfolio's return-seeking assets consist of equities (5%) and diversified growth funds (15%). Diversified growth funds invest in a range of asset classes including developed market equities, emerging market equities, hedge funds, infrastructure, commodities, private equity, property, high yield credit, emerging market debt, investment grade credit, reinsurance and leveraged loans.

Matching assets consist of 55% gilts, 14% credit, and 11% cash and swaps. The actual holdings in return seeking assets are currently higher than the target portfolio. This is monitored on a regular basis, and there are no plans to rebalance at present.

Risks

The scheme exposes the Company to a number of risks, the most significant of which are:

Asset volatility – The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The Scheme holds a significant proportion of growth assets (global equities and diversified growth funds) which, though expected to outperform corporate bonds in the long term create volatility and risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long-term objectives.

Changes in bond yields – A decrease in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the Scheme's bond holdings.

Inflation risk – A significant proportion of the Scheme's benefit obligations are linked to inflation and higher inflation will give rise to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also reduce the surplus.

Life expectancy – The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

Mortality assumptions

The mortality assumptions are based on the recent actual mortality experience of scheme members, and allow for expected future improvements in mortality rates. The mortality tables used are:

- 94% of the SAPS All base tables for male pensioners and male and female dependants;
- 106% of the SAPS All base tables for female pensioners;
- 104% of the SAPS All base tables for male non-pensioners; and
- 107% of the SAPS All base tables for female non-pensioners.

Further improvements are made in line with CMI_2013 Core Projections with a long-term rate of future improvement of 1.25% p.a.

Notes to the Accounts

Sensitivity of significant assumptions

	Sensitivity	Impact on retirement benefit obligations ¹	
		Increase £m	Decrease £m
Discount rate	1.0%	166.4	(207.5)
Inflation	1.0%	(116.0)	93.6
Mortality	1 year	(56.1)	56.1

¹ a positive figure indicates an increase in assets or a decrease in liabilities

Pension benefits

The amounts recognised in the balance sheet are determined as follows:

	UK RIPS 2015 £m	Other ¹ 2015 £m	Total 2015 £m	UK RIPS 2014 £m	Other ¹ 2014 £m	Total 2014 £m
Present value of funded obligations	(1,186.2)	(32.7)	(1,218.9)	(1,318.9)	(33.3)	(1,352.2)
Fair value of plan assets	1,423.2	21.7	1,444.9	1,511.1	21.5	1,532.6
	237.0	(11.0)	226.0	192.2	(11.8)	180.4
Present value of unfunded obligations	–	(13.1)	(13.1)	–	(14.0)	(14.0)
Asset/(liability) in the balance sheet	237.0	(24.1)	212.9	192.2	(25.8)	166.4
Presented on the balance sheet as:						
Retirement benefit assets	237.0	–	237.0	192.2	–	192.2
Retirement benefit obligations	–	(24.1)	(24.1)	–	(25.8)	(25.8)
	237.0	(24.1)	212.9	192.2	(25.8)	166.4

The amounts recognised in the income statement are as follows:

	UK RIPS 2015 £m	Other ¹ 2015 £m	Total 2015 £m	UK RIPS 2014 £m	Other ¹ 2014 £m	Total 2014 £m
Current service cost ²	–	0.6	0.6	0.6	0.8	1.4
Past service cost ²	–	–	–	(0.6)	(0.3)	(0.9)
Settlement credit ²	(0.8)	–	(0.8)	(0.1)	–	(0.1)
Administration expenses ²	2.7	–	2.7	1.7	–	1.7
Total operating costs	1.9	0.6	2.5	1.6	0.5	2.1
Interest on net defined benefit (asset)/liability ²	(6.5)	0.4	(6.1)	(3.1)	0.6	(2.5)
Total pension (income)/expense	(4.6)	1.0	(3.6)	(1.5)	1.1	(0.4)

The movement in the fair value of pension plan assets recognised in the balance sheet is as follows:

	UK RIPS 2015 £m	Other ¹ 2015 £m	Total 2015 £m	UK RIPS 2014 £m	Other ¹ 2014 £m	Total 2014 £m
At 1 January	1,511.1	21.5	1,532.6	1,255.6	21.7	1,277.3
Exchange differences	–	(1.4)	(1.4)	–	(1.6)	(1.6)
Interest income on scheme assets	50.2	0.5	50.7	54.1	0.3	54.4
Re-measurement (loss)/gain on scheme assets	(45.2)	–	(45.2)	252.6	0.3	252.9
Contributions received from employees	–	0.1	0.1	0.1	0.2	0.3
Contributions received from employer	–	1.6	1.6	0.8	1.2	2.0
Settlements	(30.5)	–	(30.5)	–	–	–
Benefits paid	(62.4)	(0.6)	(63.0)	(52.1)	(0.6)	(52.7)
At 31 December	1,423.2	21.7	1,444.9	1,511.1	21.5	1,532.6

Total contributions payable to defined benefit pension schemes in 2016 are expected to be £1.5m.

Notes to the Accounts

The fair value of plan assets at the balance sheet date is analysed as follows:

	UK RIPS 2015 £m	Other ¹ 2015 £m	Total 2015 £m	UK RIPS 2014 £m	Other ¹ 2014 £m	Total 2014 £m
Equity instruments	288.1	2.0	290.1	352.2	2.1	354.3
Debt instruments – quoted	982.9	–	982.9	930.3	–	930.3
Debt instruments – unquoted	–	10.4	10.4	–	11.0	11.0
Interest and inflation rate hedging instruments	22.8	–	22.8	122.5	–	122.5
Property	–	0.4	0.4	–	0.4	0.4
Other	129.4	8.9	138.3	106.1	8.0	114.1
Total plan assets	1,423.2	21.7	1,444.9	1,511.1	21.5	1,532.6

The movement in the present value of the defined benefit obligation recognised in the balance sheet is as follows:

	UK RIPS 2015 £m	Other ¹ 2015 £m	Total 2015 £m	UK RIPS 2014 £m	Other ¹ 2014 £m	Total 2014 £m
At 1 January	1,318.9	47.3	1,366.2	1,185.0	45.3	1,230.3
Exchange differences	–	(4.5)	(4.5)	–	(3.1)	(3.1)
Interest expense	43.7	2.7	46.4	51.0	0.9	51.9
Current and past service costs	–	0.6	0.6	–	0.5	0.5
Actuarial (gain)/loss during the year ³	(82.7)	0.3	(82.4)	134.9	3.7	138.6
Other transfers	–	0.3	0.3	–	0.9	0.9
Contributions received from employees	–	–	–	0.1	–	0.1
Contributions received from employers	–	0.7	0.7	–	0.9	0.9
Settlements	(31.3)	–	(31.3)	–	–	–
Benefits paid	(62.4)	(1.6)	(64.0)	(52.1)	(1.8)	(53.9)
At 31 December	1,186.2	45.8	1,232.0	1,318.9	47.3	1,366.2

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

² service costs, settlement and administration expenses are charged to operating expenses, and interest cost and return on plan assets to net interest credit from pensions

³ the actuarial movement on the UK RIPS scheme comprises actuarial gain arising from changes in demographic assumptions of £nil (2014: £4.9m gain), actuarial gain arising from changes in financial assumptions of £64.6m (2014: actuarial loss £152.9m) and actuarial gains arising from experience of £18.1m (2014: £10.4m gain)

The history for the current and prior periods is as follows:

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Present value of defined benefit plan liabilities	(1,232.0)	(1,366.2)	(1,230.3)	(1,196.4)	(1,149.0)
Fair value of plan assets	1,444.9	1,532.6	1,277.3	1,298.2	1,274.4
Net surplus	212.9	166.4	47.0	101.8	125.4
Experience adjustments on plan liabilities	(18.1)	(10.4)	(8.0)	16.1	(5.3)
Experience adjustments on plan assets	45.2	(252.9)	35.5	(1.3)	191.7

The cumulative actuarial loss recognised in the consolidated statement of comprehensive income was £48.2m (2014: £85.4m).

An actuarial gain of £37.2m (2014: £114.3m gain) was recognised during the year.

A11. Share-based payments

Share-based compensation

The group operates one equity-settled share-based long-term incentive plan. The economic cost of awarding shares and share options to employees is recognised as an expense in the income statement, equivalent to the fair value of the benefit awarded. The fair value is determined by reference to option pricing models, principally Monte Carlo and adjusted Black-Scholes models. The charge is recognised in the income statement over the vesting period of the award. At each balance sheet date, the group revises its estimate of the number of shares that vest or options that are expected to become exercisable. Any revision to the original estimates is reflected in the income statement with a corresponding adjustment to equity immediately to the extent it relates to past service, and the remainder over the rest of the vesting period.

Performance Share Plan

The Company introduced a share-based performance plan in 2006 for senior executives worldwide. The main features of the scheme are as follows:

- For awards made in 2008, the performance conditions are share price performance and an individual performance modifier.
- For awards made between 2009 and 2013, the performance conditions are Total Shareholder Return (TSR) performance and an individual performance modifier. No shares will vest or options become exercisable if the share price does not reach median TSR performance at the end of the three year performance period relative to the constituents of a comparator group, made up of FTSE 350 companies excluding financial services, primary resource and property sector companies. If TSR performance is above the upper quartile and all participants attain their maximum bonus target over the performance period, the full award will vest or become exercisable.
- For awards made in 2014 and 2015, one third of the award is based on Earnings Per Share (EPS) growth targets as outlined in the relevant year's Remuneration Report, and two-thirds of the award is based on TSR over the three year performance period as explained above. For Executive Directors an individual performance modifier also applies as outlined above.
- The value of dividends paid during the vesting period are paid on the number of shares that ultimately vest in the form of additional shares.

The total net charge for the year relating to equity-settled share-based payment plans was £2.2m (2014: £1.1m).

A summary of the number of shares in active share option plans is shown below:

Year of grant	Vesting year	Scheme interest at 1 January 2015	Shares awarded during 2015	Shares vested during 2015	Shares lapsed during 2015	Outstanding at 31 December 2015	Shares exercisable at 1 January 2015	Shares vested during 2015	Shares exercised during 2015	Shares lapsed during 2015	Shares exercisable at 31 December 2015
2008	2011	–	–	–	–	–	184,181	–	(61,770)	(5,163)	117,248
2012	2015	10,708,555	–	(3,217,467)	(7,491,088)	–	–	3,217,467	(2,376,604)	–	840,863
2013	2016	8,418,183	–	–	(128,721)	8,289,462	–	–	–	–	–
2014	2017	6,879,083	–	–	(343,844)	6,535,239	–	–	–	–	–
2015	2018	–	7,487,033	–	(577,317)	6,909,716	–	–	–	–	–

The fair value of the 2015 awards made under the 2006 Performance Share Plan is charged to the income statement over the vesting period based on values derived from a model developed by Deloitte LLP. This is a closed-form solution (similar to a Monte Carlo simulation) which takes account of the correlation between share price performance and the likelihood of a TSR performance condition being met. For the shares awarded on 31 March 2015, the significant inputs into the model were a share price of 135.5p (2014:123.4p), an expected share price volatility of 21% (2014:26%), a median share price correlation between the companies in the comparator group of 27% (2014:24%), and an expected life commensurate with the three-year performance/vesting period. The share price volatility assumption is based on analysis of historical daily share prices. As the awards are nil-cost (i.e. there is no exercise price), the assumed risk-free rate of return has minimal impact on the fair value of the awards. Similarly, as dividend equivalents are paid on the vesting portion of awards, the fair value of these awards is not reduced to reflect dividends paid during the vesting period.

The fair value of shares granted during 2015 was £7.3m.

Notes to the Accounts

A12. Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The group leases properties, vehicles, and plant and equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The lease expenditure charged to the income statement during the year is £36.3m (2014: £41.2m). The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2015 £m	2014 £m
Not later than one year	37.6	40.2
Later than one year and not later than five years	82.4	81.2
Later than five years	11.5	15.7
	131.5	137.1

A13. Income tax expense

This note analyses the tax charge for this financial period which includes both current and deferred tax. Current tax expense represents the amount payable on this year's taxable profits and any adjustment relating to prior years. Deferred tax is an accounting adjustment to provide for tax that is expected to arise in the future due to differences between accounting and tax bases. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income. In this case the tax is also recognised in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income.

	2015 £m	2014 £m
Analysis of charge in the year		
UK corporation tax at 20.25% (2014: 21.5%)	2.2	1.7
Overseas taxation	24.4	32.6
Adjustment in respect of previous periods	5.7	5.1
Total current tax	32.3	39.4
Deferred tax charge/(credit)	4.6	(4.6)
Deferred tax adjustment in respect of previous periods	(2.2)	2.3
Total deferred tax	2.4	(2.3)
Total income tax expense	34.7	37.1

Notes to the Accounts

The tax on the group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2015 £m	2014 £m
Profit before income tax	159.0	163.2
Tax calculated at domestic tax rates applicable to profits in the respective countries	37.2	41.6
Adjustment in respect of previous periods	3.5	7.4
Deferred tax recognised on losses	(1.4)	(8.7)
Expenses not deductible for tax purposes – restructuring costs and one-off items	0.2	1.4
Expenses not deductible for tax purposes – interest payable	2.5	2.5
Expenses not deductible for tax purposes – other	2.3	2.9
Income not subject to tax	(3.1)	(1.8)
Utilisation of previously unrecognised tax losses	(10.9)	(13.8)
Losses not relieved	0.6	1.3
Deferred tax impact of change in tax rates	(0.3)	(0.2)
Provisions utilised for which no deferred tax assets were recognised	(0.7)	(0.5)
Overseas withholding tax suffered	2.2	2.1
Tax on overseas dividends	0.6	0.5
Deferred tax on unremitted overseas profits	–	0.6
Local business taxes	2.0	2.1
Other	–	(0.3)
Total tax expense	34.7	37.1

The group's effective tax rate before amortisation of intangible assets (excluding computer software), restructuring costs and one-off items, and the net interest credit from pensions for 2015 was 23.8% (2014: 23.5%). This compares with a blended rate of tax for the countries in which the group operates of 26% (2014: 26%). The lower adjusted effective tax rate compared to the blended tax rate is principally due to the benefit of previously unrecognised brought forward tax losses being set off against UK profits and an increase in the deferred tax asset recognised on the UK tax losses. The group's effective tax rate is expected to remain above the UK tax rate due to the proportion of overseas profits which are taxed at a higher rate than UK profits. We expect the effective tax rate for 2016 to be around 24%.

The group's tax charge and effective tax rate will be influenced by the global mix and level of profits, changes in future tax rates and other tax legislation, the utilisation of brought forward tax losses on which no deferred tax asset has been recognised, the resolution of open issues with various tax authorities, acquisitions and disposals.

The group's adjusted effective tax rate is likely to be similar to the blended tax rate once there is no further benefit from tax losses on which no deferred tax asset is currently recognised as their recoverability is not considered probable, but may become probable in the future.

A14. Current tax liabilities

The group is subject to income taxes in numerous jurisdictions. The group's current tax liabilities reflect management's best estimate of the future amounts of corporation tax that will be settled. The group is subject to various uncertainties relating to the determination of its tax liabilities where the ultimate tax liability cannot be known until a resolution has been reached with the relevant tax authority or the issue becomes time barred. Issues can take many years to resolve and therefore assumptions on the likely outcome have to be made by management.

Where considered appropriate management establishes provisions for uncertain tax positions on the basis of amounts expected to be paid to the tax authorities. Total tax provisions and accruals amounted to £54.5m as at 31 December 2015 (2014: £48.4m). The increase in the tax provision is mainly due to another year's provision in respect of existing identified exposures for which accruals had already been established. Tax accruals can be built up over a number of years but in the year of resolution there could be adjustments to these accruals which could have a material positive or negative impact on the tax charge for a particular year. Significant judgement is required in determining the worldwide provision for income taxes particularly in relation to the pricing of intra-group goods and services, as well as debt financing.

The majority of the tax provisions relate to transfer pricing exposures where the group faces a number of transfer pricing risks in jurisdictions around the world and is subject to tax audits by tax authorities in the territories in which it operates.

Apart from transfer pricing issues the largest single provision relates to a financing structure where the amount provided is now £18.1m. This is a legacy issue going back to the years 2002 to 2005 and two test cases involving similar structures are currently being litigated. The group is fully provided for the potential tax and interest payable so there should not be an adverse impact on the income statement. The issue is expected to take several more years to resolve.

Notes to the Accounts

A15. Deferred income tax

Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities in transactions other than a business combination that at the time of the transactions affect neither the accounting nor taxable profit or loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date, and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

In the 2015 Summer Budget the Chancellor announced a reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) and these rates were substantively enacted on 26 October 2015. The UK deferred tax liability at 31 December 2015 has been calculated based on the corporation tax rate that is expected to apply when the liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. In recognising the deferred tax asset in respect of UK losses, management have estimated the quantum of future UK taxable profits.

The movement on the deferred income tax account is as follows:

	2015 £m	2014 £m
At 1 January	(74.8)	(53.5)
Exchange differences	3.2	3.8
Acquisition of companies and businesses	(31.0)	(7.9)
Disposal of companies and businesses	–	0.6
Transfers to current taxation	0.1	(0.2)
(Charged)/credited to the income statement	(2.4)	2.3
(Charged)/credited to equity	(5.9)	(19.9)
At 31 December	(110.8)	(74.8)
Deferred taxation has been presented on the balance sheet as follows:		
Deferred tax asset within non-current assets	2.0	3.5
Deferred tax liability within non-current liabilities	(112.8)	(78.3)
	(110.8)	(74.8)

The major components of deferred tax assets and liabilities at the year end (without taking into consideration the offsetting of balances within the same tax jurisdiction) are as follows:

	Customer lists/ intangibles £m	Accelerated tax depreciation £m	Retirement benefits £m	Unremitted earnings from subsidiaries £m	Tax losses £m	Share-based payments £m	Other £m	Total £m
At 31 December 2014	24.2	54.5	31.7	5.5	(24.8)	(1.1)	(15.2)	74.8
Recognised in income statement	1.6	0.4	3.3	–	(3.1)	0.2	–	2.4
Recognised in other comprehensive income	–	–	7.1	–	–	–	(1.2)	5.9
Exchange differences recognised in other comprehensive income	(0.1)	(3.1)	–	–	–	–	–	(3.2)
Transferred to current taxation	(0.1)	–	–	–	–	–	–	(0.1)
Acquired in business combinations	31.0	–	–	–	–	–	–	31.0
At 31 December 2015	56.6	51.8	42.1	5.5	(27.9)	(0.9)	(16.4)	110.8

A deferred tax asset of £26.1m (2014: £24.7m) has been recognised in respect of UK losses carried forward at 31 December 2015. This amount has been calculated by estimating the future UK taxable profits, against which the UK tax losses will be utilised, and applying the tax rates (substantively enacted as at the balance sheet date) applicable for each year. Remaining UK tax losses of £155.5m have not been recognised as at 31 December 2015.

At the balance sheet date the group has tax losses of £236.7m (2014: £279.4m) on which no deferred tax asset is recognised. Of the losses £29.3m (2014: £12.4m) will expire at various dates between 2016 and 2035. In addition, there are capital losses carried forward of £277.1m (2014: £285.2m) on which no deferred tax asset is recognised. Other deferred tax assets relating to gross temporary timing differences of £9.1m (2014: £10.4m) have not been recognised due to the uncertainty regarding their utilisation.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

B. Investing

B1. Business combinations

Under the requirements of IFRS 3, all business combinations are accounted for using the purchase method ("acquisition accounting"). The cost of a business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer. The cost of a business combination is allocated at the acquisition date by recognising at their fair values the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree. An intangible asset is recognised if it meets the definition of an intangible asset under IAS 38 Intangible Assets. The intangible assets identified in all acquisitions made since 1 January 1998 are goodwill, customer lists and relationships, brands, and contract portfolios. Consideration in excess of net identifiable assets acquired in respect of non-controlling interests in existing subsidiary undertakings is taken directly to reserves. Deferred and contingent consideration is accounted for at fair value at the acquisition date with subsequent changes to the fair value of contingent consideration being recognised in the consolidated income statement.

Costs directly attributable to business combinations are charged to the income statement as incurred and presented as one-off items.

During October 2015 the group acquired 100% of the share capital of Steritech, an independent pest control business and market leader in the provision of brand standards auditing services. The acquisition strengthened the group's position as the third largest pest control business in both the US and Canada. The group also purchased during the year 100% of the share capital or trade and assets of 22 other smaller companies and businesses. The total consideration in respect of all acquisitions was £386.0m and the cash outflow from current and past period acquisitions, net of cash acquired, was £369.2m.

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

	Steritech 2015 £m	Other 2015 £m	Total 2015 £m	Total 2014 £m
Purchase consideration:				
– Cash paid	272.1	87.9	360.0	63.9
– Deferred and contingent consideration	5.7	20.3	26.0	12.9
Total purchase consideration	277.8	108.2	386.0	76.8
Fair value of net assets acquired	(49.0)	(31.3)	(80.3)	(44.4)
Goodwill from current year acquisitions	228.8	76.9	305.7	32.4

Goodwill represents the synergies, workforce and other benefits expected as a result of combining the respective businesses.

Deferred consideration of £10.7m (Steritech: £5.7m) is payable over the next five years in respect of the above acquisitions. Contingent consideration of £15.1m (Steritech: £nil) is payable over the next five years based on a variety of conditions including revenue and profit. The group incurred acquisition related costs of £3.0m in respect of the above acquisitions. The group has included the contingent and deferred consideration based on the fair value of the consideration at the acquisition date.

The provisional fair value¹ of assets and liabilities arising from acquisitions in the year are as follows:

	Steritech 2015 £m	Other 2015 £m	Total 2015 £m	Total 2014 £m
Non-current assets				
– Intangible assets ²	79.0	28.8	107.8	39.9
– Property, plant and equipment	0.6	5.3	5.9	4.8
Current assets³	14.9	4.8	19.7	17.7
Current liabilities	(15.1)	(3.8)	(18.9)	(8.7)
Non-current liabilities⁴	(30.4)	(3.8)	(34.2)	(9.3)
Net assets acquired	49.0	31.3	80.3	44.4

¹ the provisional fair values will be finalised in the 2016 financial statements. The fair values are provisional since the acquisition accounting has not yet been finalised as a result of the proximity of many acquisitions to the year end

² includes £96.2m (2014: £38.4m) of customer lists and relationships and £11.6m (2014: £1.5m) of other intangibles

³ includes trade and other receivables of £18.6m (2014: £10.4m) which represents the gross and fair value of the assets acquired

⁴ includes (£31.0m) of deferred tax relating to acquired intangibles (2014: £7.6m)

Notes to the Accounts

The cash outflow from current and past acquisitions is as follows:

	Steritech 2015 £m	Other 2015 £m	Total 2015 £m	Total 2014 £m
Total purchase consideration	277.8	108.2	386.0	76.8
Consideration payable in future periods	(5.7)	(20.3)	(26.0)	(12.9)
Purchase consideration paid in cash	272.1	87.9	360.0	63.9
Cash and cash equivalents in acquired companies and businesses	(0.2)	0.1	(0.1)	(3.7)
Cash outflow on current period acquisitions	271.9	88.0	359.9	60.2
Deferred consideration paid	–	9.3	9.3	7.9
Cash outflow on current and past acquisitions	271.9	97.3	369.2	68.1

From the dates of acquisition to 31 December 2015, current year acquisitions contributed £51.3m to revenue and £8.8m to operating profit.

If the acquisitions had occurred on 1 January 2015 the revenue and operating profit of the group would have amounted to £1,865.7m and £204.0m respectively (as reported: £1,759.0m and £187.8m).

B2. Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, where applicable.

A breakdown of intangible assets is as shown below:

	Goodwill £m	Customer lists and relationships £m	Brands £m	Product development £m	Computer software £m	2015 Total £m	2014 Total £m
Cost							
At 1 January	317.0	456.6	34.4	9.5	84.7	902.2	898.5
Exchange differences	0.2	(9.7)	0.9	–	(1.9)	(10.5)	(11.1)
Additions	–	–	–	2.7	10.4	13.1	11.8
Disposals/retirements	–	–	–	–	(8.4)	(8.4)	(3.0)
Acquisition of companies and businesses	306.9	95.3	9.8	–	1.9	413.9	74.4
Disposal of companies and businesses	(0.7)	(2.8)	–	–	–	(3.5)	(68.4)
At 31 December	623.4	539.4	45.1	12.2	86.7	1,306.8	902.2
Accumulated amortisation and impairment							
At 1 January	(26.0)	(370.4)	(20.3)	(1.7)	(52.5)	(470.9)	(473.5)
Exchange differences	1.4	11.0	(0.3)	–	1.4	13.5	9.2
Disposals/retirements	–	–	–	–	7.6	7.6	2.2
Acquisition of companies and businesses	–	–	–	–	–	–	(0.1)
Disposal of companies and businesses	0.7	2.8	–	–	–	3.5	26.0
Impairment charge	(2.2)	–	–	–	–	(2.2)	(2.3)
Amortisation charge	–	(24.8)	(3.3)	(1.5)	(10.4)	(40.0)	(32.4)
At 31 December	(26.1)	(381.4)	(23.9)	(3.2)	(53.9)	(488.5)	(470.9)
Net book value							
At 1 January	291.0	86.2	14.1	7.8	32.2	431.3	425.0
At 31 December	597.3	158.0	21.2	9.0	32.8	818.3	431.3

Amortisation of £40.0m (2014: £31.9m) has been charged to operating expenses.

Notes to the Accounts

The main categories of intangible assets are as follows:

Intangible assets - finite useful lives

Intangible assets with finite useful lives are initially measured at either cost or fair value and amortised on a straight-line basis over their useful economic lives, which are reviewed on an annual basis. The fair value attributable to intangible assets acquired through a business combination is determined by discounting the expected future cash flows to be generated from that asset at the risk adjusted weighted average cost of capital for the group. The residual values of intangible assets are assumed to be nil.

The estimated useful economic lives of intangible assets are as follows:

Customer lists and relationships	5 to 16 years
Brands	2 to 15 years
Product development	up to 5 years
Computer software	3 to 5 years

The following are the main categories of intangible assets with finite useful lives:

Customer lists and relationships

Customer lists and portfolios acquired are initially measured at fair value and amortised on a straight-line basis over their useful economic lives. Separate values are not attributed to internally generated customer lists or relationships.

Brands

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

Product development

Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility and only if the cost can be measured reliably. Capitalised development expenditure is measured at cost less accumulated amortisation.

Other development expenditure is recognised as an expense as incurred. Research expenditure is recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have been capitalised are amortised from the date the product is available for use on a straight-line basis over the period of its expected benefit.

Computer software

Costs (including employee and software development costs) that are directly associated with the production of identifiable and unique software products controlled by the group which are expected to generate economic benefits exceeding cost beyond one year, are recognised as intangible assets and amortised over their estimated useful lives. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring it into use, and is amortised over its estimated useful life.

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Intangible assets - indefinite useful lives

Goodwill

	2015 £m	2014 £m
France ¹	7.7	8.2
Benelux	13.8	14.7
Germany	25.1	26.7
Other Europe ¹	24.2	28.5
Europe	70.8	78.1
UK & Ireland	17.5	14.8
Rest of World	15.8	17.6
UK & Rest of World	33.3	32.4
Asia	23.7	24.5
North America ²	425.9	110.6
Pacific	43.6	45.4
Total	597.3	291.0

¹ 2014 restated to include Technivap which was reclassified from Other Europe to France

² includes £235.2m relating to Steritech (2014: £nil) and £179.7m (2014: £104.4m) relating to the US Pest Control CGU

Notes to the Accounts

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill in respect of business combinations made since 1 January 1998 is included in intangible assets. Goodwill on the acquisition of associates is included in investments in associates. Goodwill in respect of the acquisition of subsidiaries made prior to 1 January 1998 remains eliminated against reserves.

Impairment tests for goodwill

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses previously recognised are not reversed. For the purpose of impairment testing, goodwill is allocated to cash-generating units (CGUs) identified according to country of operation and reportable business unit. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

A summary of the 2015 goodwill allocation by reportable segment is shown in the table on page 112.

The recoverable amount of a CGU is determined based on the higher of value-in-use calculations, using cash flow projections, and fair value less costs to sell if appropriate. The cash flow projections are based on financial budgets and long-range plans approved by management and the board covering a three-year period, which is prepared as part of the group's normal planning process. Cash flows for years four and five use management's expectation of sales growth, operating costs and margin, based on past experience and expectations regarding future performance and profitability for each CGU. Cash flows beyond the five-year period are extrapolated using estimated long-term growth rates. It can be demonstrated that there is material headroom in the recoverable amount of the CGU goodwill balances based on the assumptions made.

The key assumptions used by individual CGUs for value-in-use calculations were long-term growth rates of between 1% and 5% (2014: 2% and 5%) and pre-tax discount rates of between 8% and 15% (2014: 10% and 14%). The key assumptions used by the US Pest Control CGU were a long-term growth rate of 2% (2014: 3%) and a pre-tax discount rate of 8% (2014: 9%). The growth rates used by individual CGUs are based on the long-term growth rates predicted for the relevant sector and country in which a business operates. They do not exceed the long-term average growth rate for that industry or country. The pre-tax discount rates are based on the group's weighted average cost of capital adjusted for specific risks relating to the relevant sector and country.

During the year goodwill of £2.2m related to European businesses was impaired.

B3. Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation with the exception of freehold land and assets under construction which are not depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

A breakdown of property, plant and equipment is shown below:

	Land and buildings £m	Service contract equipment £m	Other plant and equipment £m	Vehicles and office equipment £m	2015 Total £m	2014 Total £m
Cost						
At 1 January	144.6	639.7	233.7	202.8	1,220.8	1,365.9
Exchange differences	(7.7)	(38.5)	(13.5)	(7.6)	(67.3)	(66.5)
Additions	4.2	129.5	12.9	21.2	167.8	178.9
Disposals	(5.1)	(95.8)	(2.4)	(19.8)	(123.1)	(229.1)
Acquisition of companies and businesses	0.2	–	0.4	5.1	5.7	8.0
Disposal of companies and businesses	–	–	–	(0.1)	(0.1)	(36.4)
At 31 December	136.2	634.9	231.1	201.6	1,203.8	1,220.8
Accumulated depreciation and impairment						
At 1 January	(41.0)	(394.3)	(158.9)	(121.1)	(715.3)	(828.8)
Exchange differences	2.5	24.7	9.4	4.9	41.5	41.8
Disposals	2.3	93.8	2.2	18.4	116.7	222.2
Acquisition of companies and businesses	–	–	–	–	–	(3.1)
Disposal of companies and businesses	–	–	–	0.1	0.1	28.3
Impairment	(3.5)	(1.9)	(1.7)	(0.3)	(7.4)	–
Depreciation charge	(4.4)	(115.9)	(14.4)	(27.6)	(162.3)	(175.7)
At 31 December	(44.1)	(393.6)	(163.4)	(125.6)	(726.7)	(715.3)
Net book value						
At 1 January	103.6	245.4	74.8	81.7	505.5	537.1
At 31 December	92.1	241.3	67.7	76.0	477.1	505.5

Notes to the Accounts

Depreciation of assets is calculated using the straight-line method to allocate the difference between their cost and their residual values over their estimated useful lives as follows:

Freehold buildings	50 to 100 years
Leasehold buildings	shorter of the lease term or estimated useful life
Vehicles	4 to 5 years
Plant and equipment (including service contract equipment)	3 to 10 years
Office equipment, furniture and fittings	3 to 10 years

Assets' residual values and useful lives are reviewed annually and amended as necessary. Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the fixed asset may exceed its recoverable amount. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount exceeds the higher of its fair value less cost to sell or value-in-use.

For the purposes of assessing value-in-use, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) and cash flow forecasts are made using assumptions consistent with the most up-to-date budgets and plans that have been formally approved by management. These cash flows are discounted using a pre-tax discount rate based on the weighted average cost of capital for the group, adjusted for the particular risks of the cash-generating unit being reviewed for impairment.

When assets are sold, the difference between sale proceeds and net book value is recognised in the income statement.

The category of service contract equipment represents the pool of assets used by the group in delivering contracted services to customers. Land and buildings comprise mainly factories and offices.

Finance leases

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

The corresponding rental obligations, net of finance charges, are included in other payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases, where ownership of the asset will not pass to the group, is depreciated over the shorter of the lease term or the useful life of the asset. Where ownership will pass to the group the asset is always depreciated over its useful life.

The net carrying amounts of assets held under finance leases are as follows:

	2015 £m	2014 £m
Vehicles and office equipment	24.0	23.0
Other plant and equipment	0.2	0.4
Total	24.2	23.4

B4. Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2015 £m	2014 £m
Property, plant and equipment	17.3	13.0
Intangible assets	1.4	1.3
	18.7	14.3

Notes to the Accounts

B5. Investments in associated undertakings

	2015 £m	2014 £m
At 1 January	14.4	13.0
Share of profit ¹	4.7	3.9
Dividends received	(2.1)	(1.7)
Exchange differences	0.7	(0.8)
At 31 December	17.7	14.4

¹ share of profit is net of tax of £2.7m (2014: £2.8m)

Investments in associates at 31 December 2015 includes goodwill of £nil (2014: £nil).

The group's interest of 49% in its principal associate, which is unlisted, was as follows:

	Assets 2015 £m	Assets 2014 £m	Liabilities 2015 £m	Liabilities 2014 £m	Revenue 2015 £m	Revenue 2014 £m	Profit 2015 £m	Profit 2014 £m
Nippon Calmic Ltd (Japan)	28.2	24.4	(9.6)	(9.1)	32.8	33.5	4.7	3.9

C. Financing

Financial instruments

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

Financial assets

At initial recognition the group classifies its financial assets depending on the purpose for which the financial assets were acquired. This classification is re-evaluated at every reporting date and an assessment is made as to whether there is objective evidence that financial assets are impaired. All financial assets are held at amortised cost except for derivatives and certain assets classified as available-for-sale, which are held at fair value. Financial assets are classified in the following categories:

(a) Financial assets at fair value through the income statement

These assets are included in current assets unless they are expected to be realised after 12 months from the balance sheet date, in which case they are classified as non-current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets except for maturities later than 12 months from the balance sheet date which are classified as non-current assets. Loans and receivables include trade and other receivables, and cash and cash equivalents. Loans and receivables are measured at amortised cost using the effective interest rate method, subject to impairment.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are recognised in non-current assets unless management intends to dispose of the asset within 12 months of the balance sheet date. Available-for-sale assets are fair-valued and changes to market values are recognised in other comprehensive income. On subsequent disposal or impairment, the accumulated gains and losses previously recognised in other comprehensive income are recognised in the income statement. At each balance sheet date the group assesses whether there is objective evidence that a financial asset or a group of financial assets are impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(d) Held-to-maturity investments

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

Financial liabilities

All financial liabilities are stated at amortised cost using the effective interest rate method except for derivatives, which are classified as held for trading (except where they qualify for hedge accounting) and are held at fair value.

Financial liabilities held at amortised cost include trade payables, vacant property provisions, deferred consideration and borrowings.

Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. At the inception of the transaction the group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values of hedged items.

Notes to the Accounts

Certain financial instruments are not designated or do not qualify for hedge accounting. Typically the group will not designate financial instruments for hedge accounting where a perfect or near perfect offset is expected between the change in value of assets and liabilities. Changes in the fair value of any derivative instruments in this category are immediately recognised in the income statement.

Where financial instruments are designated for hedge accounting they are designated as either:

(a) Fair value hedge

These instruments are used to hedge exposure to changes in the fair value of recognised assets or liabilities. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(b) Net investment hedge

These instruments are used to hedge exposure on translation of net investments in foreign operations. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. In the event of disposal of a foreign operation, the gains and losses accumulated in other comprehensive income are recognised in the income statement.

(c) Cash flow hedge

These instruments are used to hedge a highly probable forecast transaction or a change in the cash flows of a recognised asset or liability. The portion of the gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. Any ineffective portion is immediately recognised in the income statement. The gains or losses that are recognised in comprehensive income are transferred to the income statement in the same period in which the hedged cash flows affect the income statement. In the event the hedged item occurs or is no longer expected to occur, accumulated gains or losses held in the cash flow hedge reserve are immediately recognised in the income statement. In the event the hedged item is expected to occur but no longer meets the requirements of hedge accounting, accumulated gains or losses remain in other comprehensive income and are only recognised in the income statement when the forecast transaction occurs or is no longer expected to occur.

Fair value estimation

All financial instruments held at fair value are classified by reference to the source of inputs used to derive the fair value. The following hierarchy is used:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices that are observable for the asset or liability, either directly as prices or indirectly through modelling based on prices;

Level 3 – inputs for the asset or liability that are not based on observable market data.

The group uses the following methods to estimate fair value of its financial instruments:

Financial instrument	Hierarchy level	Valuation method
Financial assets traded in active markets	1	Current bid price
Financial liabilities traded in active markets	1	Current ask price
Long-term debt	1	Quoted market prices or dealer quotes for similar instruments
Interest rate/currency swaps	1	Market swap rates at the balance sheet date
Forward foreign exchange contracts	1	Forward exchange market rates at the balance sheet date
Borrowings not traded in active markets	2	Cash flows discounted at current market rates
Financial instruments not traded in active markets	2 or 3	Valuation assumptions based on market conditions at the balance sheet date
Trade payables and receivables	3	Nominal value less estimated credit adjustments
Other financial instruments	3	Variety of techniques including discounted cash flows

The tables below compare the fair value and carrying amounts for financial assets and liabilities (excluding trade and other receivables and trade and other payables which are disclosed in section A of the notes). The table also reconciles the group's accounting categorisation of financial assets and liabilities (based on initial recognition) to the classes of assets and liabilities as shown on the face of the balance sheet.

Notes to the Accounts

			Contractual cash inflows/(outflows)				
	Fair value £m	Carrying amount £m	Total contractual cash flows £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
At 31 December 2015							
Financial assets							
Fair value through income statement							
Derivative financial instruments	2.2	2.2	2.5	0.9	0.1	1.5	–
Loans and receivables							
Cash and cash equivalents	102.6	102.6	102.6	102.6	–	–	–
Other investments	99.3	99.3	99.3	99.3	–	–	–
Available-for-sale							
Other investments	0.1	0.1	0.1	–	–	–	0.1
	204.2	204.2	204.5	202.8	0.1	1.5	0.1
Financial liabilities							
Fair value through income statement							
Derivative financial instruments	(39.3)	(39.3)	(44.1)	(25.0)	(6.3)	(12.8)	–
Financial liabilities at amortised cost							
Bank overdraft	(2.1)	(2.1)	(2.1)	(2.1)	–	–	–
Bank loans	(199.4)	(199.4)	(199.4)	(0.6)	(0.2)	(198.6)	–
Bond debt	(1,016.4)	(972.3)	(1,072.8)	(338.0)	(20.7)	(450.6)	(263.5)
Finance lease liabilities	(24.2)	(24.2)	(24.7)	(9.3)	(7.5)	(7.9)	–
	(1,281.4)	(1,237.3)	(1,343.1)	(375.0)	(34.7)	(669.9)	(263.5)
At 31 December 2014							
Financial assets							
Fair value through income statement							
Derivative financial instruments	2.0	2.0	2.0	0.7	1.3	–	–
Loans and receivables							
Cash and cash equivalents	197.1	197.1	197.1	197.1	–	–	–
Other investments	51.4	51.4	51.4	51.4	–	–	–
Available-for-sale							
Other investments	0.1	0.1	0.1	–	–	–	0.1
	250.6	250.6	250.6	249.2	1.3	–	0.1
Financial liabilities							
Fair value through income statement							
Derivative financial instruments	(26.1)	(26.1)	(33.4)	(9.8)	(11.8)	(11.8)	–
Financial liabilities at amortised cost							
Bank overdraft	(3.0)	(3.0)	(3.0)	(3.0)	–	–	–
Bank loans	(1.5)	(1.5)	(1.5)	(0.2)	(1.3)	–	–
Bond debt	(1,076.1)	(979.3)	(1,123.1)	(39.2)	(339.2)	(454.2)	(290.5)
Finance lease liabilities	(23.4)	(23.4)	(23.4)	(8.1)	(7.0)	(8.3)	–
	(1,130.1)	(1,033.3)	(1,184.4)	(60.3)	(359.3)	(474.3)	(290.5)

Notes to the Accounts

C1. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less (and subject to insignificant changes in value). In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Included within cash at bank and in hand is £12.3m (2014: £9.1m) of restricted cash. This cash is held in respect of specific contracts and can only be utilised in line with terms under the contractual arrangements.

The group operates pooling arrangements whereby cash balances and overdrafts held within the same bank are offset to give a net balance which is included within cash and cash equivalents on the balance sheet. These cash and bank overdraft figures before netting are shown in the table below:

Offsetting financial assets and liabilities

	Gross amounts before offsetting £m	Gross amounts set off £m	Net amounts presented £m
At 31 December 2015			
Cash at bank and in hand	560.9	(464.2)	96.7
Short-term bank deposits	5.9	–	5.9
Cash and short-term deposits	566.8	(464.2)	102.6
Bank overdraft	(466.3)	464.2	(2.1)
Cash and cash equivalents	100.5	–	100.5
At 31 December 2014			
Cash at bank and in hand	1,107.8	(970.9)	136.9
Short-term bank deposits	60.2	–	60.2
Cash and short-term deposits	1,168.0	(970.9)	197.1
Bank overdraft	(973.9)	970.9	(3.0)
Cash and cash equivalents	194.1	–	194.1

Credit interest rates on bank balances range between 0.0% and 7.0% and debit interest rates range between 0.0% and 2.5%. As far as it is practical to do so, cash balances are held centrally and are used first to repay borrowings under the group's Revolving Credit Facility before being placed on deposit.

C2. Bank and other borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are classified as current liabilities unless the group has a continuing right to defer settlement of the liability for at least 12 months after the balance sheet date.

The group's bank debt comprises a Revolving Credit Facility (RCF) and a Term Loan which are both classified as non-current.

On 27 January 2015 the group signed a £315m RCF. This facility is available for cash drawings up to £270m and for guarantees and letters of credit up to £45m. The original maturity date was January 2020, but since the balance sheet date an option to extend the maturity date to January 2021 was granted. The facility incorporates a further option to extend the facility to January 2022. At the year end there were no drawings under the part of the facility available for cash drawings, and £29.7m of the part available for guarantees was utilised.

On 31 August 2015 the group signed a Term Loan available for cash drawings up to £200m and \$157m, with a maturity date of December 2018. At the year end £198.6m (£130m and \$102m) was drawn. The cost of borrowing under the group's bank facilities at the year end was 1.44%. The committed borrowing facilities are subject to guarantees by Rentokil Initial 1927 plc.

Notes to the Accounts

Medium-term notes and bond debt comprises:

	Bond interest coupon	Effective hedged interest rate
Current		
£300m bond due March 2016	Fixed 5.75%	Fixed 4.48%
Non-current		
€50m bond due March 2018	Euribor +0.48%	Fixed 0.66%
€500m bond due September 2019	Fixed 3.375%	Fixed 3.50%
€350m bond due October 2021	Fixed 3.25%	Fixed 3.41%
£1.3m perpetual debentures	Fixed 5.00%	Fixed 5.00%
£0.3m perpetual debentures	Fixed 4.50%	Fixed 4.50%
Average cost of bond debt at year end rates		3.69%

On 13 March 2015 the group issued €50m of floating-rate notes, maturing 13 March 2018, under its Medium-Term Note Programme with a coupon of 0.48% over Euribor. The notes were swapped to a fixed interest rate of 0.57% per annum on issue.

The group considers the fair value of other current liabilities to be equal to the carrying value.

C3. Net debt

Closing net debt comprises:

	2015 £m	2014 £m
Cash and cash equivalents	102.6	197.1
Other investments – loans and receivables	99.3	51.4
Fair value of debt-related derivatives	(30.5)	(16.3)
Bank and other short-term borrowings	(332.6)	(31.1)
Bank and other long-term borrowings	(865.4)	(976.1)
Total net debt	(1,026.6)	(775.0)

The currency of debt is in the following proportions:

	2015	2014
Euro debt (principally bonds)	57%	80%
USD debt (principally cross-currency swaps)	44%	20%
Other cash	(1)%	–
Total net debt	100%	100%

The proportion of the group's debt denominated in US dollars increased during the year due to borrowing in US dollars primarily to fund the Steritech acquisition.

Notes to the Accounts

C4. Financial risk factors

The group operates a central treasury function which manages cash, borrows on behalf of the group, and provides finance to group companies in their local currencies.

The main financial risks faced by the group relate to the availability of funds to meet business needs, fluctuations in interest and foreign exchange rates, and credit risks relating to the risk of default by counterparties to financial transactions. The management of these risks is set out below.

Capital risk

The group is committed to maintaining a debt/equity structure which allows continued access to a broad range of financing sources and sufficient flexibility to pursue commercial opportunities as they present themselves, without onerous financing terms and conditions. The group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, retained earnings and non-controlling interests in the group. Management monitors the return on capital as well as the level of dividends to ordinary shareholders.

Debt credit rating

The group's debt is rated by Standard & Poor's as BBB with a negative outlook. The group targets a rating of BBB or above for debt issuance over the medium term. A rating of BBB- or above is considered an 'investment grade' rating. All of the group's €50m Euribor + 0.48% bond, maturing 13 March 2018; €500m 3.375% bond, maturing 24 September 2019; and €350m 3.25% bond, maturing 7 October 2021, issued under its Medium-Term Note Programme (see Note C2 for details), contain a 'coupon step-up' increasing the coupon payable by 1.25% in the event that the group is downgraded to BB+ or below (sub-investment grade).

Financial covenants

The group has an RCF and a Term Loan (see Note C2 for details). The group's RCF and Term Loan contain covenants requiring that EBITDA:Interest should be at least 4.0:1.0 and that Net Debt:Adjusted EBITDA should be no greater than 3.5:1.0 at each semi-annual reporting date. The group remains compliant.

Change of control

The group's Medium-Term Notes may be recalled by their investors at par in the event of a change of control of the group. They may also be recalled within 120 days if the group's debt is downgraded below investment grade, or if the rating is withdrawn and the rating agency confirms in writing, either publicly or to the issuer or the Trustee, that the rating action occurred either wholly or in part due to the change of control.

Liquidity risk

The group is committed to ensuring it has sufficient liquidity to meet its payables as they fall due. To achieve this, and in accordance with the liquidity ratio requirements of Standard & Poor's, significant maturities are financed at least 12 months in advance, either through existing cash balances, forecast cash flows or new debt issuance. Management models financing requirements at least 12 months ahead and aims to maintain average headroom of at least £150m and minimum headroom of at least £100m. At 31 December 2015, the group's earliest maturity was the £300m bond due March 2016. The group had available funds held centrally to meet this of £125m, and £377m of undrawn available committed headroom under its RCF and Term Loan giving combined headroom of £502m (2014: £460m combined available funds and headroom).

Market risk

Interest rate risk

The group has limited sensitivity to interest rate movements as the majority of floating-rate borrowings are swapped to fixed rates, and modest cash balances are forecast for 2016.

A hypothetical 1.0% increase in euro and sterling interest rates would reduce the market value of the group's bond liabilities by £32m at 31 December 2015. The income statement impact is £nil as changes in interest rates do not change the expected cash flows on the bonds.

The group had outstanding debt issues at 31 December 2015 with a fair market value of £1,016.4m. This exceeds the book value of £972.3m as a result of reductions in interest rates in the UK and Europe and improved investor credit appetite. There are no circumstances where the group would be forced to pay the fair market value. The group could however decide to redeem some or all of its bonds early and the fair market value is indicative of the price that would be required to do so.

Notes to the Accounts

Foreign exchange risk

The group's worldwide operations generate profits and cash flows in foreign currencies. Sales and purchases are typically denominated in the same currency and the group's cross-border procurement is considered insignificant. Sterling procurement and central costs mean that foreign currencies constitute more than 100% of group adjusted profit before interest, tax and amortisation (APBITA) at approximately 113%.

The group's primary exposure is the £/€ exchange rate, with euro APBITA making up 62% of group APBITA. The next most significant currency group is US dollars forming approximately 20% of group APBITA. Emerging market currencies contribute approximately 12% of APBITA and other currencies, including the Australian dollar and Nordic currencies, contribute approximately 19%. Following the acquisition of Steritech, it is anticipated that the US dollar exposure will become similar in proportion to the euro.

At 31 December 2015 the group's net debt was approximately 57% euro (2014: 80%) (reflecting that it is the group's principal cash flow exposure and the low cost of euro funding); and 44% US dollars (2014: 20%) (reflecting the size of the US market and the group's strong growth and investment in this region). The translation of the interest element of euro and US dollar debt provides a partial income statement offset to the translation of earnings.

The group calculates the impact on the income statement and other comprehensive income of a 10% movement in foreign exchange rates. The group's principal foreign currency exposure is to euro. A 10% movement in £/€ would result in a £13.3m increase/decrease (2014: £17.6m) in adjusted operating profit, offset by a £1.9m decrease/increase (2014: £2.4m) in interest payable. For US dollars, a 10% movement in £/\$ would result in a £4.2m increase/decrease (2014: £3.8m) in adjusted operating profit, offset by a £0.9m decrease/increase (2014: £0.8m) in interest payable.

Where possible, currency cash flows are used to settle liabilities in the same currency in preference to selling currency in the market.

Credit risk

The group has no significant concentration of credit risk. Sales are typically low-value, high-volume, spreading the risk across a number of customers. Policies are in place to ensure that credit sales are only made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions and there is no significant concentration of exposure to any single counterparty. The group monitors the creditworthiness of its derivative counterparties using a combination of credit ratings and other market indicators. The group's core bank group of nine counterparties were all rated A- or above by Standard & Poor's. In some territories, particularly in emerging markets, the group has exposure to some lower-rated banks who conduct limited local cash management. At 31 December 2015 the group had a total of £35.3m deposited with banks rated below A- by Standard & Poor's of which £25.0m was covered by the German Government's 'Bankverband'. The highest concentration with any single bank not covered by a government guarantee was £2.2m. The group operates in some territories where there is increased exposure to trade credit risks and in those cases the group puts in place appropriate additional measures to manage its credit exposure.

Treasury risk

The Company utilises financial instruments to manage known financial exposures in line with policies agreed by the Board and outlined above, and does not enter into any speculative derivative contracts.

C5. Other investments

Other investments include deposits placed with counterparty banks receiving interest at a rate of 1.0% (2014: 1.0%) per annum. Other investments held at year end comprised term deposits maturing in more than three months from the date that the deposit was placed. £95.0m of other investments held at 31 December 2015 mature ahead of the repayment of the £300m bond payable in March 2016.

Fixed-rate cash deposits include short-term deposits of £95.0m held centrally (2014: £48.7m). Fixed-rate cash deposits also include £1.5m (2014: £1.4m) invested with counterparty banks which are held by the group's insurance operations in accordance with local insurance regulations. These deposits are used to meet insurance liabilities as they fall due. The weighted average effective interest rate earned is 1.0% (2014: 1.0%) and the weighted average rate was fixed for 1.0 years (2014: 1.0 years).

Financial assets are denominated in the following currencies:

	2015 £m	2014 £m
– Pounds sterling	96.5	50.1
– Euro	0.1	0.1
– Other	2.8	1.3
	99.4	51.5

None of the financial assets are either past due or impaired in 2015 or 2014.

Notes to the Accounts

C6. Derivative financial instruments

Cash flow hedge accounting has been applied to derivatives (marked as 'cash flow hedge' in the following table) in accordance with IAS 39. Where no hedge accounting has been applied, related derivatives have been marked as 'non-hedge'. Any ineffectiveness on the cash flow hedge is taken directly to finance costs. There was no ineffectiveness to be recorded from net investment in foreign entity hedges or those derivatives in a cash flow hedge relationship.

Cash flow hedge accounting has been applied to €54.4m of the €500m 2019 bond using cross-currency interest rate swaps which match the terms of the bond; to NOK 105m of intercompany loans using cross-currency interest rate swaps matching the terms of the loans; and to the €50m bond maturing in March 2018 using an interest rate swap maturing at the same date as the bond to fix the interest cash flows. The purpose of these hedges is to eliminate the risk to the cash flow due to changes in the £/€ and £/NOK exchange rate and to changes in interest rates. The group raised a three-year Term Loan with a floating interest rate on 31 August 2015, maturing in December 2018. On 30 September 2015, £198.6m was drawn and the interest cash flow has been swapped to fixed using vanilla swaps; cash flow hedge accounting has been applied. The balance in comprehensive income in regards to cash flow hedge accounting was £0.2m gain (2014: £0.1m loss).

	Fair value assets 2015 £m	Fair value assets 2014 £m	Fair value liabilities 2015 £m	Fair value liabilities 2014 £m
Interest rate swaps:				
– non-hedge	–	–	(6.4)	(7.9)
– cash flow hedge	1.7	0.4	(5.8)	(3.1)
– net investment hedge	0.4	1.0	(26.1)	(12.8)
Foreign exchange swaps:				
– non-hedge	0.1	0.6	(1.0)	(2.3)
	2.2	2.0	(39.3)	(26.1)
Analysed as follows:				
Current portion	0.8	0.6	(21.7)	(6.7)
Non-current portion	1.4	1.4	(17.6)	(19.4)
	2.2	2.0	(39.3)	(26.1)

The effective nominal value of foreign exchange swaps is £79.2m (2014: £56.7m) and foreign exchange forwards is £3.4m (2014: £16.8m).

The table below analyses the group's derivative financial instruments, that will be settled on a gross basis, into relevant maturity groupings based on the remaining period to the contractual maturity date at the balance sheet date.

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
At 31 December 2015					
Cross-currency swaps: – outflow	(421.5)	(2.9)	(64.1)	–	(488.5)
– inflow	400.0	1.9	52.8	–	454.7
Foreign exchange swaps: – outflow	(176.6)	–	–	–	(176.6)
– inflow	175.7	–	–	–	175.7
Foreign exchange forwards: – outflow	(1.6)	–	–	–	(1.6)
– inflow	1.6	–	–	–	1.6
Net outflow	(22.4)	(1.0)	(11.3)	–	(34.7)
At 31 December 2014					
Cross-currency swaps: – outflow	(10.1)	(149.2)	(65.5)	–	(224.8)
– inflow	9.6	139.1	57.6	–	206.3
Foreign exchange swaps: – outflow	(70.6)	–	–	–	(70.6)
– inflow	68.9	–	–	–	68.9
Foreign exchange forwards: – outflow	(11.2)	–	–	–	(11.2)
– inflow	11.1	–	–	–	11.1
Net outflow	(2.3)	(10.1)	(7.9)	–	(20.3)

C7. Financial liabilities

The table below analyses financial liabilities into currencies and ageing:

	Borrowings 2015 £m	Borrowings 2014 £m	Trade payables and other 2015 £m	Trade payables and other 2014 £m	Total 2015 £m	Total 2014 £m
Pounds sterling	444.7	318.8	70.4	84.0	515.1	402.8
Euro	664.3	670.3	104.5	109.7	768.8	780.0
US dollar	87.1	15.9	86.8	46.2	173.9	62.1
Other currencies	1.9	2.2	44.5	49.0	46.4	51.2
	1,198.0	1,007.2	306.2	288.9	1,504.2	1,296.1
Analysed as follows:						
Current portion	332.6	31.1	269.9	248.9	602.5	280.0
Non-current portion	865.4	976.1	36.3	40.0	901.7	1,016.1
	1,198.0	1,007.2	306.2	288.9	1,504.2	1,296.1

Other includes £27.6m (2014: £33.6m) in respect of provisions related to onerous lease contracts and £31.0m (2014: £15.9m) in respect of deferred consideration.

C8. Interest payable and similar charges

	2015 £m	2014 £m
Hedged interest payable on medium-term notes issued ¹	33.9	40.7
Interest payable on bank loans and overdrafts ¹	0.9	1.2
Interest payable on RCF ¹	2.8	1.4
Interest payable on foreign exchange swaps	10.2	9.9
Interest payable on finance leases	0.7	0.8
Amortisation of discount on provisions	0.5	1.1
Foreign exchange loss on translation of foreign denominated loan ²	–	0.2
Fair value loss on other derivatives ^{3,4}	0.8	0.9
Total	49.8	56.2

¹ interest expense on financial liabilities held at amortised cost

² comprises translation gain on financing instruments of £250.3m, offset by losses of £250.2m (reported in Note C9) (2014: losses of £195.1m offset by gains of £194.9m)

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

⁴ the fair value loss on other derivatives includes fair value losses relating to interest rate swaps

Notes to the Accounts

C9. Interest receivable

Interest income is recognised on a time-apportioned basis using the effective interest method. When a receivable is impaired the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

	2015 £m	2014 £m
Bank interest	1.7	2.0
Interest receivable on foreign exchange swaps	8.0	8.3
Fair value gain on other derivatives ^{1,2}	0.4	0.6
Foreign exchange gain on translation of foreign denominated assets and liabilities ³	0.1	–
Interest on net defined benefit asset	6.1	2.5
A10		
Total	16.3	13.4

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

2 the fair value gain on other derivatives includes fair value gains relating to interest rate swaps

3 comprises translation gain on financing instruments of £250.3m, offset by losses of £250.2m (2014: losses of £195.1m offset by gains of £194.9m (reported in Note C8))

C10. Reconciliation of net change in cash and cash equivalents to net debt

	2015 £m	2014 £m
Net (decrease)/increase in cash and cash equivalents	(88.0)	65.1
Movement on finance leases	0.1	(1.2)
Movement on other investments	47.8	(240.7)
Movement on loans	(232.5)	389.5
(Increase)/decrease in debt resulting from cash flows	(272.6)	212.7
Foreign exchange translation and other items	21.0	47.1
Movement on net debt in the year	(251.6)	259.8
Opening net debt	(775.0)	(1,034.8)
Closing net debt	C3 (1,026.6)	(775.0)

Foreign exchange gains on debt amounted to £24.3m (2014: gain of £38.7m). The gain primarily resulted from a weakening of the euro by 8 cents, partially offset by losses due to strengthening of the US dollar by 7 cents. Included within net increase in cash and cash equivalents is £2.4m paid in cash settlement on debt related foreign exchange forward contracts (2014: £3.1m).

C11. Operating cash and free cash flow

	2015 £m	2014 £m
Profit for the year	124.3	261.5
Adjustments for:		
– Profit on sale of discontinued operations excluding costs of disposal, net of tax of £nil (2014: £0.4m)	–	(145.6)
– Tax	34.7	37.1
– Share of profit from associates	(4.7)	(3.9)
– Net interest credit from pensions	(6.1)	(2.5)
– Interest income	(10.2)	(10.9)
– Interest expense	49.8	56.2
– Depreciation of property, plant and equipment	162.3	175.7
– Amortisation and impairment of intangible assets (excluding computer software)	31.8	21.2
– Amortisation and impairment of computer software	10.4	13.0
– Other non-cash items	8.6	(1.5)
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation):		
– Inventories	2.0	1.6
– Trade and other receivables	(4.8)	(19.9)
– Trade and other payables and provisions	(5.8)	(34.0)
Cash generated from operating activities before special pension contributions	392.3	348.0
Special pension contributions	(0.9)	(1.0)
Cash generated from operating activities	391.4	347.0
Add back: special pension contributions	0.9	1.0
	392.3	348.0
Purchase of property, plant and equipment	(159.2)	(173.1)
Purchase of intangible assets	(13.1)	(12.0)
Leased property, plant and equipment	(9.0)	(9.3)
Proceeds from sale of property, plant and equipment	6.7	6.3
Proceeds from sale of investment properties	–	6.8
Dividends received from associates	2.1	1.7
Operating cash flow¹	219.8	168.4
Interest received	10.2	10.9
Interest paid	(53.7)	(59.6)
Interest element of finance lease payments	(0.7)	(0.8)
Income tax paid	(27.9)	(30.1)
Special pension contributions	(0.9)	(1.0)
Free cash flow	146.8	87.8
Add back: free cash flow – discontinued operations	0.9	41.1
Free cash flow from continuing operations	147.7	128.9

¹ Operating cash flow includes discontinued operations of £(0.9)m (2014: £(41.1)m)

Notes to the Accounts

C12. Dividends

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

	2015 £m	2014 £m
2013 final dividend paid – 1.61p per share	–	29.2
2014 interim dividend paid – 0.77p per share	–	14.0
2014 final dividend paid – 1.82p per share	33.1	–
2015 interim dividend paid – 0.87p per share	15.8	–
	48.9	43.2

An interim dividend of 0.87p per share was paid on 16 September 2015 amounting to £15.8m. A dividend in respect of 2015 of 2.06p (2014: 1.82p) per 1p share, amounting to £37.4m (2014: £33.1m), is to be proposed at the Annual General Meeting on 11 May 2016. These financial statements do not reflect this recommended dividend.

C13. Share capital

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

Where any group company purchases the Company's equity share capital (Treasury shares) the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued any consideration received, net of any directly attributable incremental transaction costs and the related income tax effect, is included in equity attributable to the Company's equity holders.

	2015 £m	2014 £m
Authorised		
4,100,000,000 ordinary shares of 1p each	41.0	41.0
Issued and fully paid		
At 31 December – 1,822,832,965 shares (2014: 1,822,832,965)	18.2	18.2

D. Other

D1. Contingent liabilities

The group has contingent liabilities relating to guarantees in respect of leasehold properties, pensions, third parties, environmental issues, tax and litigation. The possibility of any significant loss in respect of these items is considered to be remote.

D2. Related party transactions

Subsidiaries

Related party transactions and outstanding balances between subsidiaries within the group are eliminated in the preparation of the consolidated financial statements and accordingly are not disclosed in this note.

Key management personnel

The group's strategy and policy are managed by the Executive Board (Executive Directors and senior management as shown on pages 44 to 46). Their compensation and the compensation payable to the Non-executive Directors are shown below:

	2015 £m	2014 £m
Salaries and other short-term employee benefits	4.5	3.8
Post-employment benefits	0.4	0.4
Share-based payments	0.5	0.4
	5.4	4.6

Joint ventures and associate entities

The group operates in a number of joint ventures and associate entities as indicated on pages 129 to 130 where a percentage shareholding is shown. All transactions between these entities and the group were transacted at arm's length during the ordinary course of business and have been eliminated on consolidation. Nippon Calmic Ltd (49%) was an associate during 2015 and 2014 and its balances are disclosed in Note B5. There are no significant transactions between Nippon Calmic Ltd and other group companies.

Pension scheme

The group bears the costs of administration and independent pension advice of the Rentokil Initial 2015 Pension Scheme. The total amount of costs in the year ended 31 December 2015 was £2.5m (2014: £2.1m) of which £0.2m (2014: £0.4m) was recharged to the scheme.

D3. Post balance sheet events

There were no significant post balance sheet events affecting the group since 31 December 2015.

Related Undertakings (Subsidiaries and Other Associated Undertakings)

At 31 December 2015

Subsidiary undertakings

UK

BET Environmental Services Limited
BPS Offshore Services Limited
Broadcast Relay Service (Overseas) Limited
Dudley Industries Limited
Initial Medical Services Limited
Peter Cox Limited
Prokill Limited
Prokill (UK) Limited
Rentokil Initial 1927 plc
Rentokil Initial (1896) Limited
Rentokil Initial (1993) Limited
Rentokil Initial Americas Limited
Rentokil Initial Asia Pacific Limited
Rentokil Initial Brazil Limited
Rentokil Initial Finance Limited
Rentokil Initial Funding (No.1) Limited
Rentokil Initial Funding (No.2) Limited
Rentokil Initial Holdings Limited
Rentokil Initial Investments Limited
Rentokil Initial Investments South Africa
Rentokil Initial Services Limited
Rentokil Initial UK Limited
Rentokil Insurance Limited
Rentokil Limited
Rentokil Overseas Holdings Limited
Rentokil Property Holdings Limited
Stratton House Leasing Limited
Anzak Landscapes Limited
AW Limited
BET (No.17) Limited
BET (No.18) Limited
BET (No.68) Limited
BET Building Services Limited
BET Finance Limited
BET Management Services (Commercial & Industrial) Limited
BET Pension Trust Limited
Castlefield House Limited
Chard Services Limited
EFL ESOP Limited
Enigma Laundries Limited
Enigma Services Group Limited
Enviro-Fresh Limited
Grayston Central Services Limited
Hometruster Limited
Hometruster Kitchens Limited
IFS Security Limited
Industrial Clothing Services Limited
Initial Limited
Initial IFF Limited
Mediguard Services Limited
Opel Transport & Trading Company Limited
Plant Nominees Limited
Rentokil Dormant (No. 6) Limited
Rentokil Initial Pension Trustee Limited
RI Dormant No.6 Limited
RI Dormant No.12 Limited

RI Dormant No.18 Limited
RI Dormant No.20 Limited
Target Express Limited
Target Express Holdings Limited
Target Express Parcels Limited
TEB Cleaning Services Limited
Thames Environmental Services Limited

Australia

Ant-Eater Environmental Services Pty Limited
Knock Out Pest Control Pty Limited
Knock Out National Pty Limited
Rentokil Australia Pty Limited
Rentokil Initial Asia Pacific Pty Limited
Rentokil Initial Pty Limited
Rentokil Pest Control (QLD) Pty Limited
Rentokil Pty Limited
Copes Pest Control Pty Limited
Green Fingers Plant Hire Pty Limited
Rentokil Pest Holdings Pty Limited
Rentokil Pest Services Pty Limited

Austria

Rentokil Initial GmbH

Bahamas

Rentokil Initial (Bahamas) Limited
Tropical Exterminators Limited
Tropical Exterminators (Holdings) Limited

Barbados

Rentokil Initial (Barbados) Limited

Belgium

Ambius NV
Initial NV
Rentokil NV

Brazil

Asa Rio Saneamento Ambiental Limitada
Asseio Saneamento Ambiental Limitada
Def Inset Dedetização Limitada
MP Centro Oeste Saneamento Ambiental Limitada
MP Saneamento Ambiental Limitada

Brunei

Rentokil Initial (B) Sdn Bhd (90%)

Canada

Rentokil Pest Control Canada Limited
The Steritech Group Corporation

Chile

Rentokil Initial Chile SpA

Colombia

Fumighar SAS
Rentokil Initial Colombia SAS
Super Coffee SAS

Czech Republic

Initial Ecotex sro

Denmark

Rentokil Initial A/S

Dominican Republic

Oliver Exterminating Dominicana Corp

Estonia

Rentokil OÜ

El Salvador

Sagrip SA de CV

Fiji

Rentokil Initial Limited

Finland

Rentokil Initial Oy

France

Ambius SAS
BTMF SAS
CAFI SAS
CAWE FTB Group SAS
Initial SAS
Medicine SAS
Rentokil Initial SAS
Rentokil Initial Environmental Services SAS
Rentokil Initial Holdings (France) SA
SCI Gravigny
SCI Vargan
Technivap SAS

French Guiana

Rentokil Initial Guyane Sarl

Germany

Initial Hygieneservice GmbH
Initial Textile Holdings GmbH
Initial Textil Service GmbH & Co KG
Medentex GmbH
Rentokil Dental GmbH
Rentokil Initial GmbH
Rentokil Initial Holdings GmbH

Greece

Rentokil Initial Hellas EPE

Guadeloupe

Rentokil Initial Guadeloupe Sarl

Guernsey

Felcourt Insurance Company Limited

Guyana

Rentokil Initial Guyana Limited

Guatemala

Servicios Agrícolas Profesionales SA

Hong Kong

Rentokil Hong Kong Investment Limited
Rentokil Initial Hong Kong Limited
Po Hong Services Limited

India

Rentokil India Private Limited

Related Undertakings (Subsidiaries and Other Associated Undertakings)

Indonesia

PT Calmic Indonesia
PT Rentokil Indonesia
PT Wesen Indonesia

Italy

Rentokil Initial Italia SpA

Jamaica

Rentokil Initial (Jamaica) Limited

Kenya

Rentokil Initial Kenya Limited

Lesotho

Rentokil Initial Lesotho (Pty) Limited

Libya

Rentokil Delta Libya for Environmental Protection JSCO (65%)
Rentokil Initial UK Limited – Libya Branch

Lithuania

UAB Dezinfa

Luxembourg

Initial Sàrl
R-Control Désinfections SA
Rentokil Luxembourg Sàrl

Macau

Rentokil Initial Hong Kong Limited – Macau Branch

Malaysia

Rentokil Initial (M) Sdn Bhd
UFTC Sdn Bhd

Martinique

Rentokil Initial Martinique Sarl

Mexico

Balance Urbano Control de Plagas SA de CV

Mozambique

Rentokil Initial Mozambique Limitada

Netherlands

Ambius BV
BET Finance BV
BET (Holdings) V BV
BET (International) BV
BET (Properties) BV
BV Rentokil Funding
Holland Herstel Groep/Ureco BV
Initial BV
Protekta Bird Control BV
Protekta Plaaqdiebestrijding BV
Rentokil Initial BV
Rentokil Initial International BV
Rentokil Initial Overseas (Holdings) BV
Beekhuizen Hydrokultuur BV

New Zealand

Rentokil Initial Limited

Norway

Rentokil Initial Norge AS
Euromiljo Comfort AS

People's Republic of China

Rentokil Initial China Limited

Philippines

Rentokil Initial (Philippines) Inc

Poland

Rentokil Initial Sp zoo

Portugal

Rentokil Initial Portugal – Serviços de Protecção Ambiental Limitada

Puerto Rico

Oliver Exterminating Services Corporation

Republic of Ireland

Initial Medical Services (Ireland) Limited
Rentokil Initial Limited
RTO Investments (Ireland) Limited
Rentokil Initial Holdings (Ireland) Limited

Saudi Arabia

Rentokil Saudi Arabia Limited (60%)

Singapore

Pestterminator Pte Limited
Rentokil Initial Asia Pacific Management Pte Limited
Rentokil Initial Singapore Private Limited

Slovakia

Initial Textile Services Sro

South Africa

Newsshelf 1232 Pty Limited
Rentokil Initial BEE Share Trust¹
Rentokil Initial (Dikapi) JV Pty Limited (59%)
Rentokil Initial (Pty) Limited (75%)

South Korea

Rentokil Initial Korea Limited

Spain

Initial Gaviota SAU
Rentokil Initial España SA

Swaziland

RI Swaziland (Pty) Limited

Sweden

Ambius AB
Initial Sverige AB
Rentokil AB
Sweden Recycling AB
Rent a Plant Interessenter AB

Switzerland

Medentex Recycling Service Sarl
Rentokil Initial AG

Taiwan

Initial Hygiene Co Limited
Rentokil Ding Sharn Co Limited
Rentokil Initial Singapore Private Limited – Taiwan Branch

Thailand

Rentokil Initial (Thailand) Limited

Trinidad

Rentokil Initial (Trinidad) Limited

Tunisia

CAP Tunis

Turkey

Rentokil Initial Çevre Sağlığı Sistemleri
Ticaret ve Sanayi AŞ

UAE – Dubai

Rentokil Initial Pest Control LLC
Rentokil Initial Pest Control LLC – Branch of Abu Dhabi 2

Uganda

Rentokil Initial Uganda Limited

USA

Anza LLC
Initial Contract Services LLC
Longgo LLC
Medentex LLC
Rentokil Initial Inc
Rentokil Initial Environmental Services LLC
Rentokil North America Inc
The Steritech Group Inc
United Transport America LLC
Virginia Properties Inc
Asiatic Holdings LLC
Asiatic Investments Inc
Creative Plantings Inc
Premier Resorts International LLC
Steritech-Canada Inc

Vietnam

Rentokil Initial (Vietnam) Company Limited

Associated undertakings

Japan

Nippon Calmic Limited (49%)

UK

Torchsound Properties Limited (JV) (50%)

Rentokil Initial plc owns directly 100% of the shares of Rentokil Initial Holdings Limited and indirectly 100% of the shares in all subsidiaries except where a lower percentage is shown. Undertakings are incorporated in the country underneath which each is shown. Undertakings in italics indicate dormant, non-trading subsidiary entities or a branch.

¹ trust fund entity

Five Year Summary

	2015 £m	2014 £m	Restated 2013 £m	Restated 2012 £m	2011 £m
Revenue from continuing operations	1,759.0	1,740.8	1,791.4	2,226.7	2,544.3
Operating profit/(loss) from continuing operations	187.8	202.1	160.5	174.1	(10.2)
Adjusted operating profit ¹ from continuing operations	232.9	232.2	236.1	247.3	224.7
Profit/(loss) before income tax from continuing operations	159.0	163.2	112.2	107.7	(50.5)
Profit/(loss) for the year from continuing operations	124.3	126.1	83.3	73.6	(67.1)
Profit/(loss) for the year from discontinued operations	–	135.4	(44.6)	(23.7)	–
Profit/(loss) for the year (including discontinued)	124.3	261.5	38.7	49.9	(67.1)
Profit/(loss) attributable to equity holders of the Company	124.3	261.8	37.5	47.6	(69.7)
(Loss)/profit attributable to non-controlling interests	–	(0.3)	1.2	2.3	2.6
	124.3	261.5	38.7	49.9	(67.1)
Basic earnings per share:					
Continuing operations	6.83p	6.96p	4.52p	3.92p	(3.84p)
Continuing and discontinued operations	6.81p	14.41p	2.06p	2.62p	(3.84p)
Adjusted earnings per share ² – continuing operations	8.29p	8.05p	7.36p	8.24p	7.48p
Dividends for the period per 1p share	2.93p	2.59p	2.31p	2.10p	1.33p
Gross assets	2,160.8	1,788.4	1,994.0	1,976.2	1,798.9
Gross liabilities	(1,948.7)	(1,688.4)	(2,226.0)	(2,103.4)	(1,903.1)
Net assets/(liabilities)	212.1	100.0	(232.0)	(127.2)	(104.2)
Share capital	18.2	18.2	18.2	18.1	18.1
Reserves	194.1	82.0	(250.3)	(152.0)	(127.8)
Non-controlling interests	(0.2)	(0.2)	0.1	6.7	5.5
Capital employed	212.1	100.0	(232.0)	(127.2)	(104.2)

¹ before amortisation and impairment of intangibles (excluding computer software), restructuring costs and one-off items

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

Parent Company Balance Sheet

At 31 December

	Notes	2015 £m	2014 £m
Non-current assets			
Investments	5	266.5	264.6
Debtors	7	2,457.9	2,457.9
Retirement benefit assets	15	237.0	192.2
Derivative financial instruments	8	0.4	1.0
		2,961.8	2,915.7
Current assets			
Other investments	6	95.0	48.7
Debtors	7	364.2	362.1
Cash and cash equivalents		80.3	120.8
		539.5	531.6
Current liabilities			
Creditors	9	(925.6)	(1,227.1)
Bank and other short-term borrowings	10	(402.8)	(18.6)
Derivative financial instruments	8	(20.7)	(4.4)
		(1,349.1)	(1,250.1)
Net current liabilities		(809.6)	(718.5)
Non-current liabilities			
Bank and other long-term borrowings	10	(850.5)	(959.6)
Derivative financial instruments	8	(17.6)	(19.4)
		(868.1)	(979.0)
Net assets		1,284.1	1,218.2
Equity			
Share capital	11	18.2	18.2
Share premium	12	6.8	6.8
Profit and loss account	4	1,259.1	1,193.2
Total equity		1,284.1	1,218.2

The financial statements on pages 132 to 138 were approved by the Board of Directors on 24 February 2016 and were signed on its behalf by:



Andy Ransom
Chief Executive

Jeremy Townsend
Chief Financial Officer

Parent Company Statement of Changes in Equity

For the year ended 31 December

	Called up share capital £m	Share premium account £m	Retained earnings £m	Total equity £m
At 1 January 2014	18.2	6.8	1,023.6	1,048.6
Profit for the year	–	–	89.4	89.4
Other comprehensive income:				
Remeasurement of net defined benefit asset	–	–	121.6	121.6
Net exchange adjustments offset in reserves	–	–	0.8	0.8
Share-based payments charged to profit and loss	–	–	0.2	0.2
Share-based payments debited to investments	–	–	0.9	0.9
Movement on cash flow hedge	–	–	(0.1)	(0.1)
Total comprehensive income for the year	18.2	6.8	1,236.4	1,261.4
Transactions with owners:				
Dividends paid to equity shareholders	–	–	(43.2)	(43.2)
At 31 December 2014	18.2	6.8	1,193.2	1,218.2
Profit for the year	–	–	69.7	69.7
Other comprehensive income:				
Remeasurement of net defined benefit asset	–	–	44.8	44.8
Net exchange adjustments offset in reserves	–	–	(2.1)	(2.1)
Share-based payments charged to profit and loss	–	–	0.3	0.3
Share-based payments debited to investments	–	–	1.9	1.9
Movement on cash flow hedge	–	–	0.2	0.2
Total comprehensive income for the year	18.2	6.8	1,308.0	1,333.0
Transactions with owners:				
Dividends paid to equity shareholders	–	–	(48.9)	(48.9)
At 31 December 2015	18.2	6.8	1,259.1	1,284.1

The financial statements on pages 132 to 138 were approved by the Board of Directors on 24 February 2016 and were signed on its behalf by:



Andy Ransom
Chief Executive



Jeremy Townsend
Chief Financial Officer

Notes to the Parent Company Accounts

1. Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The financial statements are prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities (including derivatives). No profit and loss account is presented by the Company as permitted by section 408 of the Companies Act 2006. The results of Rentokil Initial plc are included in the consolidated financial statements of Rentokil Initial plc which are presented on pages 88 to 128.

The Company has transitioned to FRS 101 from generally accepted accounting principles and standards in the UK (UK GAAP). The date of transition to FRS 101 was 1 January 2015. The shareholders were notified in writing of the decision to adopt FRS 101 on 30 November 2015.

The only material effect of applying FRS 101 is the inclusion of the RIPS pension asset within the Parent Company Balance Sheet which amounted to £237.0m (2014: £192.2m). For more information on pension commitments, see Note A10 of the consolidated financial statements.

The Company has taken advantage of the following disclosure exemptions under FRS 101, all of which have equivalent disclosures included in the consolidated financial statements:

- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based Payment
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- The requirements of IFRS 7 Financial Instruments: Disclosures
- The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of: (i) paragraph 79(a)(iv) of IAS 1; (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment; (iii) paragraph 118(e) of IAS 38 Intangible Assets; (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property; and (v) paragraph 50 of IAS 41 Agriculture
- The requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements
- The requirements of IAS 7 Statement of Cash Flows
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- The requirements of paragraph 17 of IAS 24 Related Party Disclosures
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- The requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets

2. Principal accounting policies

Judgement and key areas of estimation

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires the Company's directors to exercise judgement in applying the Company's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in Note 3 and the consolidated financial statements.

Investments

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost (where hedge accounting is not applied); any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Where fair value hedge accounting is applied, the borrowings are subsequently revalued at each balance sheet date and the difference is offset against the fair value movement of the derivative (the hedging instrument) in the profit and loss account.

Borrowings are classified as current liabilities unless the Company has a continuing right to defer settlement of the liability for at least 12 months after the balance sheet date under its committed bank credit facility.

Notes to the Parent Company Accounts

Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/assets are settled/recovered.

Pension commitments

Rentokil Initial plc is the sponsoring company of a multi-employer defined benefit pension scheme, Rentokil Initial 2015 Pension Scheme (RIPS).

An actuarial valuation of the defined benefit scheme is carried out every three years. The most recent actuarial valuation was at 31 March 2013. It was carried out using the projected unit credit method and the principal assumptions made by the independent professional actuary are disclosed in the consolidated financial statements of Rentokil Initial plc.

Financial instruments and risk management

The Company policy in respect of financial instruments and risk management is disclosed in the Financing section of the notes to the consolidated financial statements. Disclosures have been made on financial instruments as required by the Companies Act 2006.

Share capital

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

Where the Company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Share-based compensation

The Company operates a number of equity-settled, share-based compensation plans. The economic cost of awarding shares and share options to employees is recognised as an expense in the profit and loss account equivalent to the fair value of the benefit awarded. The fair value of options over the Company's shares awarded to employees of subsidiary companies is treated as a capital contribution, resulting in an increase in investments. The fair value is determined by reference to option pricing models, principally Monte Carlo and adjusted Black-Scholes models. The charge is recognised in the profit and loss account over the vesting period of the award. At each balance sheet date, the Company revises its estimate of the number of options that are expected to become exercisable. Any revision to the original estimates is reflected in the profit and loss account with a corresponding adjustment to equity immediately to the extent it relates to past service and the remainder over the rest of the vesting period.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid. See Note C12 of the consolidated financial statements for details of dividends paid in the year.

3. Critical accounting estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are shown below (please refer to the notes in the consolidated financial statements for further detail). Sensitivities to the estimates and assumptions are provided, where relevant, in the relevant notes to the consolidated accounts.

- Income taxes and deferred tax asset (Notes A13 and A15)
- Retirement benefits (Note A10)

Notes to the Parent Company Accounts

4. Company profit and loss account

Under section 408 of the Companies Act 2006, a profit and loss account for the Company alone is not presented. The profit attributable to shareholders in the year was £69.7m (2014: £89.4m) which includes a charge of £7.1m (2014: £6.6m charge) in respect of exchange adjustments and £0.6m (2014: £0.4m) in respect of audit fees.

	2015 £m	2014 £m
At 1 January	1,193.2	1,023.6
Profit for the financial period	69.7	89.4
Remeasurement of net defined benefit asset	44.8	121.6
Share-based payments charged to profit and loss	0.3	0.2
Share-based payments debited to investments	1.9	0.9
Movement on cash flow hedge	0.2	(0.2)
Net exchange adjustments offset in reserves	(2.1)	0.9
Dividends paid to equity shareholders	(48.9)	(43.2)
At 31 December	1,259.1	1,193.2

Treasury shares of £6.4m (2014: £10.9m) have been netted against retained earnings. Treasury shares represent 3.5m (2014: 5.9m) shares held by the Rentokil Initial Employee Share Trust. The market value of these shares at 31 December 2015 was £5.6m (2014: £7.1m). Dividend income from, and voting rights on, the shares held by the Trust have been waived.

5. Investments

	2015 £m	2014 £m
At 1 January	264.6	263.7
Share-based payments to employees of subsidiaries	1.9	0.9
At 31 December	266.5	264.6

The Company's sole direct subsidiary undertaking is Rentokil Initial Holdings Ltd. All other indirect subsidiary undertakings are listed on pages 129 to 130.

6. Other investments

	2015 £m	2014 £m
At 1 January	48.7	254.9
Additions	95.0	48.7
Disposals	(48.7)	(254.9)
At 31 December	95.0	48.7
Loans and receivables financial assets include the following:		
– Fixed-rate cash deposits	95.0	48.7

Other investments classified as loans and receivables are held at amortised cost. Loans and receivables financial assets are deposits placed with counterparty banks receiving interest at a rate of 1.0% per annum (2014: 1.0%). Other investments were not impaired in 2015 or 2014. All loans and receivables financial assets are denominated in pounds sterling. None of the financial assets are either past due or impaired.

7. Debtors

	2015 £m	2014 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings (non-interest bearing loans repayable on demand)	334.4	334.3
Deferred tax	27.0	26.4
Other debtors	2.8	1.4
	364.2	362.1
Amounts falling due after more than one year:		
Amounts owed by subsidiary undertakings (interest bearing loan with effective interest rate of 5%)	2,457.9	2,457.9

Notes to the Parent Company Accounts

8. Derivative financial instruments

	Fair value assets 2015 £m	Fair value assets 2014 £m	Fair value liabilities 2015 £m	Fair value liabilities 2014 £m
Interest rate swaps:				
– non-hedge	0.4	1.0	(32.5)	(20.7)
– cash flow hedge	–	–	(5.8)	(3.1)
	0.4	1.0	(38.3)	(23.8)
Analysed as follows:				
Current portion	–	–	(20.7)	(4.4)
Non-current portion	0.4	1.0	(17.6)	(19.4)
	0.4	1.0	(38.3)	(23.8)

Cash flow hedge accounting has been applied to derivatives (marked as 'cash flow hedge') in accordance with IAS 39. Where no hedge accounting has been applied, related derivatives have been marked as 'non-hedge'. Any ineffectiveness on the cash flow hedge is taken directly to finance costs. There was no ineffectiveness to be recorded from derivatives in a cash flow hedge relationship.

Cash flow hedge accounting has been applied to €54.4m of the €500m 2019 bond using a cross-currency interest rate swap which matches the terms of the bond. The purpose of the hedge is to eliminate the risk to the cash flow due to changes in the £/€ exchange rate. The Company raised a three year Term Loan with floating interest rate on 31 August 2015, maturing in December 2018. On 30 September 2015, £199.3m was drawn and the interest cash flow has been swapped to fixed using vanilla swaps and cash flow hedge accounting has been applied. The balance in comprehensive income in regards to cash flow hedge accounting was £0.2m gain (2014: £0.1m loss).

9. Creditors

	2015 £m	2014 £m
Amounts due to subsidiary undertakings	924.7	1,226.2
Other creditors	0.9	0.9
	925.6	1,227.1

10. Bank and other borrowings

	2015 £m	2014 £m
Amounts falling due within one year	402.8	18.6
Amounts falling due after one year	850.5	959.6

Current and non-current loans include £319.3m (2014: £18.7m) and £651.9m (2014: £960.6m) respectively of notes issued under the Company's €2.5bn Medium-Term Note Programme.

Medium-term notes and bond debt comprises:

	Bond interest coupon	Effective hedged interest rate
Current		
£300m bond due March 2016	Fixed 5.75%	Fixed 4.48%
Non-current		
€50m bond due March 2018	Euribor +0.48%	Fixed 0.66%
€500m bond due September 2019	Fixed 3.375%	Fixed 3.50%
€350m bond due October 2021	Fixed 3.25%	Fixed 3.41%
Average cost of bond debt at year end rates		3.68%

On 13 March 2015 the Company issued €50m of floating rate notes, maturing 13 March 2018, under its Medium-Term Note Programme with a coupon of 0.48% over Euribor. The notes were swapped into an effective fixed interest rate of 0.57% per annum on issue.

The Company's bank debt comprises a Revolving Credit Facility (RCF) and a Term Loan which are both described as non-current.

Notes to the Parent Company Accounts

On 31 August 2015 the Company signed a Term Loan, available for cash drawings up to £200m and \$157m, with a maturity date of December 2018. At the year end, £198.6m was drawn. The cost of borrowing under the Company's bank facilities, at the year end, was 1.3%. The committed borrowing facilities are subject to guarantees by Rentokil Initial 1927 plc.

The Company has one committed RCF of £315m (for cash drawings up to £270m and for guarantees and letters of credit up to £45m) expiring in January 2021, which accrued interest at LIBOR for the period drawn plus a margin. The facility incorporates a further option to extend to January 2022. At the year end there were no drawings under the part of the facility available for cash drawings and £29.7m of the part available for guarantees was utilised.

11. Share capital

	2015 £m	2014 £m
Authorised:		
4,100,000,000 ordinary shares of 1p each	41.0	41.0
Issued and fully paid:		
At 31 December – 1,822,832,965 shares of 1p each (2014: 1,822,832,965)	18.2	18.2

Please refer to Note A11 of the consolidated financial statements for details of the Performance Share Plan.

12. Share premium

	2015 £m	2014 £m
At 1 January and 31 December	6.8	6.8

13. Contingent liabilities

The Company has provided guarantees in respect of bank and other borrowings held by its subsidiary undertakings. In addition, there are contingent liabilities in respect of litigation and pensions, none of which are expected to give rise to any material loss.

14. Employees

The Company has three employees (2014: three employees). Detail on employee costs are in Note D2 of the consolidated financial statements. Services for finance, taxation, treasury, legal, HR and IT are provided by Rentokil Initial 1927 plc and recharged to the Company.

15. Pension commitments

At 31 December 2015 the RIPS pension asset under IAS 19R, 'Employee Benefits' amounted to £237.0m (2014: £192.2m). As there is no contractual agreement or stated policy for charging the net defined benefit cost of RIPS to participating entities, the net defined benefit cost is recognised fully by the Company. For more information on pension commitments, see Note A10 of the consolidated financial statements.

16. Share-based payments

Share-based payments for the financial period were £2.2m (2014: £1.1m) of which £0.3m (2014: £0.2m) was charged to the profit and loss account and £1.9m (2014: £0.9m) debited to investments. Share options relating to the board are disclosed in the Directors' Remuneration Report and detailed share-based payment disclosures are shown in Note A11 of the consolidated financial statements.

17. Related party transactions

The Company has not undertaken any transactions with related parties during the year, other than transactions with wholly owned fellow members of Rentokil Initial plc. Such transactions are exempt from disclosure under FRS 101. There were no transactions with non-wholly owned fellow members of Rentokil Initial plc.

18. Post balance sheet events

There were no significant post balance sheet events affecting the Company since 31 December 2015.

Additional Information

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This Corporate Governance Report for the year on pages 43 to 83 forms part of the Directors' Report. Disclosures elsewhere in the 2015 Annual Report are cross-referenced, where appropriate, and taken together fulfil the requirements of the Companies Act 2006, the UK Listing Authority's Listing and Disclosure and Transparency Rules. The Directors' Report and Other Statutory Disclosures can be found on pages 140 to 142.

Other Statutory information

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

Statutory information	Location in this Annual Report
Accountability and audit	Page 141
Acquisitions and disposals	Page 30 and Note B1 Financial Statements
Appointment of Directors	Page 5
Board of Directors and Committee membership	Pages 44 and 45
Directors' conflicts of interest	Page 52
Directors' interests in shares	Page 79
Directors' liabilities and protections	Page 53
Employees and gender diversity	Page 38
Going concern	Page 141
Greenhouse gas emissions	Page 41
Key performance indicators	Pages 26 and 27
Operating model	Pages 12 and 13
Pension scheme	Note A10 Financial Statements
Post balance sheet events	Note D3 Financial Statements
Risks and uncertainties	Pages 35 to 37 and Note C4 Financial Statements
Share capital	Note C13 Financial Statements and Note 11 Parent Company Accounts
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Directors' Report and Other Statutory Disclosures

The Directors' Report is a requirement of the Companies Act 2006. The UKLA's Disclosure and Transparency Rules (DTRs) and Listing Rules (LRs) also require the Company to make other disclosures. The Corporate Governance Report for the year on pages 43 to 83 forms part of the Directors' Report. Disclosures elsewhere in the 2015 Annual Report are cross-referenced where appropriate and taken together fulfil the requirements of the Companies Act 2006, the DTRs and the LRs.

The Directors submit their report and audited financial statements of the Company and the group to the members of Rentokil Initial plc (the Company) for the year ended 31 December 2015.

The Company

Constitution

Rentokil Initial plc is a company incorporated in England and Wales, with company number 5393279. The Company is a holding company with limited trading in its own right and with subsidiary undertakings in over 65 countries. The material subsidiary undertakings are listed on pages 129 to 130.

Articles of association and Directors' powers

The articles of association set up the internal regulations of the Company and cover such matters as the rights of shareholders, the conduct of the Board and general meetings.

Under the articles, the Directors are responsible for the management of the business of the Company and may exercise all the powers of the Company subject to the provisions of relevant statutes and the Company's articles of association. For example, the articles contain specific provisions and restrictions regarding the Company's power to borrow money.

Powers relating to the issuing of shares are also included in the articles of association and such authorities are renewed by shareholders each year at the AGM. The articles do not contain special control rights or restrictions on transfer or limitations on the holding of ordinary shares and no requirements for the prior approval of any transfers. No person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

The articles of association also give power to the Board to appoint and replace Directors, but also require Directors to retire and submit themselves for re-election at the first AGM following their appointment and for re-election by rotation, although Directors now submit themselves for re-election annually. The articles themselves may be amended by special resolution of the shareholders.

In accordance with the articles of association, Directors can be appointed or removed by the Board or shareholders in general meeting. Amendments to the articles of association have to be approved by at least 75% of the votes cast by those voting in person or by proxy are in favour of the resolution. Subject to company law and the articles of association the Directors may exercise all the powers of the Company and may delegate authority to Committees and day-to-day management and decision-making to individual Executive Directors. The articles of association are available upon request and are displayed on the Company's website at www.rentokil-initial.com

Directors and re-election of Directors

Information on our Board of Directors and changes during 2015 can be found in the Corporate Governance Report on pages 44 to 45. The UK Corporate Governance Code 2014 ('the Code') provides for all Directors to stand for election or re-election each year and accordingly all Board members, with the exception of Peter Bamford, will seek re-election at the 2016 AGM. Full biographical details of all current Directors are set out on pages 44 to 45.

Directors' interests in shares

The beneficial interests of the Directors' in the share capital of the Company are shown on page 79. During the year no Director had any material interest in any contract of significance to the group's business.

Dividend

Information on the final dividend payment for 2015 can be found in the Strategic Report on page 31.

Outlook for 2016

Information on the Company outlook for 2016 can be found in the Strategic Report on page 31.

Share capital

The Company's share capital during the year consisted of ordinary shares of 1p each. There were 1,822,832,965 shares on issue at 31 December 2015 (2014: 1,822,832,965). Each ordinary share (other than treasury shares, which have no voting rights) carries the right to vote at a general meeting of the Company. At any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is duly demanded. On a show of hands, every member who is present in person or by proxy at a general meeting of the Company shall have one vote. On a poll, every member who is present in person or by proxy shall have one vote for every share of which they are a holder.

The Company is not directly or indirectly owned or controlled by another corporation or by an individual and there are no arrangements which may at a subsequent date result in a change in control of the Company. As at 24 February 2016 the shareholders shown in the 'Accountability to shareholders' section of the Corporate Governance Report on page 54 had indicated that they had an interest in 3% or more of the Company's issued share capital and were not subject to the 5% disclosure exemption under the Disclosure and Transparency Directive. No other interests have been disclosed to the Company in accordance with Disclosure and Listing Rule 5 either during the year or as at 24 February 2016.

Authority for the Company to make purchases of its own shares of up to 181,694,373 shares was obtained at the AGM on 13 May 2015. No purchases of its shares were made by the Company during 2015. The authority is normally renewable annually and approval will be sought from shareholders at the 2016 AGM to renew the authority for a further year.

Authority for the Company to allot shares or grant rights to subscribe for shares up to an aggregate value of £1,816,943 was obtained at the AGM on 13 May 2015. The authority remains in force and approval will be sought from shareholders at the 2016 AGM to renew the authority for a further year. No shares were issued by the Company in 2015.

Directors' Report and Other Statutory Disclosures

Change of control provisions

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company, such as some financial and commercial agreements and employee long-term incentive or share plans. None of these are deemed to be significant in terms of their potential impact on the group as a whole. A description of the group's debt funding arrangements is set out in Note C2 to the financial statements which also describe the change of control provisions relating to the group's Euro Medium-Term Note Programme.

Reporting, accountability and audit

The Directors are responsible for preparing the Annual Report and accounts in accordance with applicable law and regulations. UK company law requires that the Directors must not approve financial statements unless they are satisfied that they give the true and fair view of the state of affairs of the group. In preparing the financial statements the Directors are required to: apply the laws and regulations consistently, make judgements and estimates that are reasonable and prudent, state the basis on which they are prepared and prepare the financial statements on a going concern basis.

The Directors must keep adequate accounting records for the Parent Company to enable them to ensure that its financial statements comply with the Companies Act 2006. The Directors have a general responsibility for taking such steps as are reasonable to safeguard the assets of the group and to prevent and detect fraud and other irregularities. The Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Report that comply with law and regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

The Strategic Report (which includes the Chairman's introduction and Chief Executive's Q&A) provides an overview of the development and performance of the Company's business in the year ended 31 December 2015 and its position at the end of the year and covers the likely future developments in the business of the Company and the group. For the purposes of compliance with DTR 4.1.5R (2) and 4.1.8R, the required content can be found in the Strategic Report and the Directors' Report, including material incorporated by reference.

The independent auditor's report on pages 84 to 86 includes a statement by the auditor about their reporting responsibilities. The Directors recognise that their responsibility to present a fair, balanced and understandable assessment extends to interim and other price-sensitive public reports, reports to regulators and information required to be presented by law.

Statement of the Directors as to the disclosure of information to the auditor

The Directors confirm that, insofar as each of them is aware, there is no relevant audit information (as defined by section 418 (2) of the Companies Act 2006) of which the Company's auditor is unaware; and each Director has taken all of the steps that should have been taken to ensure that they are each aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

Financial risk management

Details of financial risk management and the relevant policies are disclosed in Note C4 on pages 121 to 122 of the financial statements.

Going concern

The Directors, having made enquiries, consider that the Company and the group have adequate resources to continue in operation for the foreseeable future. For this reason, they consider it appropriate to adopt the going concern basis in preparing the financial statements. Further details on the group's net debt, borrowing facilities and financial risk management policies is provided in the C. Financing section of Notes to the Accounts on pages 116 to 128.

Key contracts

The group does not have any dominant customer or supplier relationships.

Post balance sheet events

There are no post balance sheet events.

Political donations

It is the Company's policy not to make payments to political organisations. The Company does however maintain a shareholder authority to make payments of a political nature but does so only in order to ensure that the Company has authority from shareholders for the limited number of activities associated with the operation of the business which might be caught by the broad definition of payments of a political nature contained within current legislation. There were no payments to political organisations during 2015 (2014: £nil).

Directors' indemnity and insurance

Information on the Directors' indemnities can be found in the Corporate Governance Report on page 53.

Social, community, employment policies, gender diversity issues

Information on our colleagues, employment policies and community can be found in the Corporate Responsibility section of the Strategic Report on page 38.

Human rights

The Company supports the rights of all people as set out in the Universal Declaration of Human Rights (UDHR). We acknowledge the responsibility of businesses to respect human rights, by acting with due diligence to avoid infringing on the rights of others and to address any adverse impacts in which they are involved, in line with the UN Guiding Principles on Business and Human Rights. These Human Rights Principles reinforce the behaviours expected of our colleagues as set out in the Company's Code of Conduct.

Environment and Greenhouse Gas (GHG) emissions reporting

Information on our Environment and GHG reporting can be found in the Corporate Responsibility section of the Strategic Report on page 39.

Research and development

Information on innovations can be found in the Strategic Report on pages 22 to 25.

Related party transactions

Other than in respect of arrangements relating to the employment of directors, details of which are provided in the Directors' Remuneration Report or as set out in Note D2 on page 128, there is no indebtedness owed to or by the Company to any colleague or any other person considered to be a related party.

Directors' Report and Other Statutory Disclosures

Statement of Directors' responsibilities (in respect of the Annual Report and the financial statements)

The Directors are responsible for preparing the Annual Report and the group and Parent Company financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare group and Parent Company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards including FRS 101 Reduced Disclosure Framework.

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

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

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

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose name and functions are set out on pages 44 to 45, confirms that, to the best of their knowledge:

- a. the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- b. the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

The Directors' Report on pages 43 to 83 and pages 140 to 142 and the Strategic Report on pages 1 to 41 were approved by a duly authorised Committee of the Board of Directors on 24 February 2016 and signed on its behalf by Daragh Fagan, the Company Secretary.



Daragh Fagan

Company Secretary
24 February 2016

Registered office:
Riverbank, Meadows Business Park, Blackwater, Camberley,
Surrey GU17 9AB
Registered in England and Wales No: 5393279

Additional Shareholder Information

2016 key dates

Preliminary results	25 February 2016
Q1 trading update	5 May 2016
Annual General Meeting	11 May 2016
Interim results	28 July 2016
Q3 trading update	3 November 2016

Registrars and Share Portal

All enquiries relating to the administration of shareholdings should be directed to:

Capita Asset Services ('Capita'),
The Registry,
34 Beckenham Road,
Beckenham,
Kent BR3 4TU

Telephone (from the UK): 0871 664 0300
(Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.)

Telephone (from overseas): +44 20 8639 3399
(Call charges depend on local network rates, lines are open between 09:00 – 17:30 Monday to Friday excluding public holidays in England and Wales.)

Email: shareholderenquiries@capita.co.uk

www.capitashareportal.com allows shareholders to:

- Cast a proxy vote online
- View their shareholding balance, any shareholding movements on their shareholding and get an indicative valuation
- View dividend payments received and register/change bank mandate instructions
- Update their contact details
- Elect to receive shareholder communications electronically

Capita share portal help

Telephone (from the UK): 0371 664 0391
(Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.)

Email: shareportal@capita.co.uk

Share dealing services

Capita offers an online service which allows you to buy or sell Rentokil Initial shares if you are a UK resident. If you are an existing shareholder, you will need your investor code which appears on your share certificate.

www.capitadeal.com

Capita also provide a telephone share dealing services:

Telephone: 0371 664 0445
(Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate. Lines are open between 08:00 – 16:30, Monday to Friday excluding public holidays in England and Wales).

ShareGift

Shareholders with small holdings in shares, whose value makes them uneconomical to sell, may wish to donate them to ShareGift (registered charity no. 1052686).

For further information, contact:

ShareGift
17 Carlton House Terrace
London SW1Y 5AH

www.sharegift.org

Telephone: +44 (0) 20 7930 3737

Share price information and history

The current price of the Company's shares can be found at www.rentokil-initial.com/investors

Mid-market price 31 March 1982 – 7.5375p*

* Adjusted for the 1983 bonus issue and the 1990, 1992 and 1997 share splits

Mid-market price 31 December 2015 – 159.3p

2015 high/low – 161.9p/115.6p

Results and dividends

The adjusted operating profit before amortisation and impairment of intangibles, (excluding computer software), restructuring costs and one-off items for the financial year ended 31 December 2015 was £232.9m (2014: £232.2m).

The Directors recommend payment of a final dividend in respect of the year to 31 December 2015 of 2.06p per ordinary share which, subject to approval at the AGM on 11 May 2016, will be paid on 18 May 2016 to shareholders on the register on 8 April 2016. When taken with the interim dividend of 0.87p per share paid on 16 September 2015 (2014: 0.77p) this gives a total dividend of 2.93p per share (2014: 2.59p). For further dividend information please see our Strategic Report on page 31 or go to www.rentokil-initial.com/investors

Rentokil Initial dividends can be paid directly into your bank or building society accounts instead of being sent to you by cheque. More information about the benefits of having dividends paid directly into your bank or building society account, and the mandate form to set this up, can be also be found at www.capitashareportal.com

Dividend reinvestment plan (DRIP)

If you would prefer to receive shares for your next dividend instead of cash, please complete an application online at www.capitashareportal.com or call Capita IRG Trustees Limited on 0371 664 0381 (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate. We are open between 09:00 – 17:30, Monday to Friday excluding, public holidays in England and Wales).

Additional Shareholder Information

Dividend history

We show the last five years of dividend history below. Please refer to www.rentokil-initial.com/investors for further history.

Dividend	Payment date	Payment rate	Record date	Year end date
2015 Interim	16 Sept 2015	0.87p	14 Aug 2015	31 Dec 2015
2014 Final	20 May 2015	1.82p	17 April 2015	31 Dec 2014
2014 Interim	16 Sept 2014	0.77p	15 Aug 2014	31 Dec 2014
2013 Final	21 May 2014	1.61p	11 April 2014	31 Dec 2013
2013 Interim	24 Sept 2013	0.70p	23 Aug 2013	31 Dec 2013
2012 Final	21 May 2013	1.43p	19 Apr 2013	31 Dec 2012
2012 Interim	26 Oct 2012	0.67p	14 Sep 2012	31 Dec 2012
2011 Final	15 May 2012	1.33p	10 Apr 2012	31 Dec 2011
2010 Final	No Final Dividend	–	–	–

American depository receipts (ADR)

The Company has an ADR programme that trades on the over-the-counter market in the United States. This is a sponsored Level 1 ADR programme for which the Bank of New York Mellon acts as depository. Each ADR is equivalent to five Rentokil Initial plc ordinary shares. For shareholder enquiries, please contact:

BNY Mellon Shareowner Services
P.O. Box 30170
College Station, TX 77842-3170
United States

Exchange: OTC (Over the counter)
Symbol: RTOKY
CUSIP: 760125104
Ratio (ADR: Ord) 1:5

Email: shrrelations@cpushareownerservices.com

www.mybnymdr.com

Freephone from the US: +1 888 269 2377

International calls: +1 201 680 6825

Indirect owners of shares with 'information rights'

Please note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to Capita.

How to avoid share fraud

Reject cold calls: If you've been cold called with an offer to buy or sell shares, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

Check the firm on the Financial Conduct Authority register at www.fca.org.uk/register. The Financial Services Register is a public record of all the firms and individuals in the financial services industry that are regulated by the FCA.

Get impartial advice: Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

If you suspect that you have been approached by fraudsters please tell the FCA using the share fraud reporting form at www.fca.org.uk/scams, where you can find out more about investment scams. You can also call the **FCA Consumer Helpline on 0800 111 6768**.

If you have lost money to investment fraud, you should report it to **Action Fraud on 0300 123 2040** or online at www.actionfraud.police.uk

Find out more at www.fca.org.uk/scamsmart

ALWAYS REMEMBER: If it seems too good to be true, it probably is!

Unsolicited mail

The Company is legally obliged to make its register of members available to the public, subject to a proper purpose test. As a consequence of this, some shareholders may receive unsolicited mail. Shareholders wishing to limit the amount of such mail should write to the Mailing Preference Service (MPS) at:

MPS FREEPOST LON20771
London W1E 0ZT

Telephone: 0845 703 4599 or
www.mpsonline.org.uk

Annual General Meeting

The AGM will be held at The Hilton, London Gatwick Airport (Ascot Suite), South Terminal, Gatwick Airport, Crawley, West Sussex RH6 0LL on Wednesday 11 May 2016 at 12 noon. The notice of meeting is available on the Company's website: www.rentokil-initial.com

Published information

If you would like to receive a hard copy of this Annual Report or a copy in large print please contact the Company Secretariat at the Company's registered office below. A PDF copy of this report can also be downloaded from our website.

Registered office and headquarters

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Cover image

Sheila M Donatelli (Board Certified Entomologist),
Certified Trainer, Charlotte Branch (North Carolina), Steritech.
Lester McKeithan, Service Specialist, Wilmington Branch
(North Carolina), Steritech.

About us

Rentokil Initial is a global leader in the provision of route-based services which protect people and enhance lives. Our services include Pest Control, Hygiene and Workwear, as well as a range of other smaller specialist services including plants, medical services, property care and specialist hygiene. We protect people from the dangers of pest-borne disease, the risks of poor hygiene or from injury in the workplace. We enhance lives with services that protect the health and wellbeing of people, and the reputation of our customers' brands. Throughout the world demand for higher standards of public health, stricter food safety legislation and compliance with workplace safety regulations are driving demand for our service expertise.

Ours is an international services business operating in 67 countries and employing some 31,442 people at the end of 2015.

Rentokil is the world's leading commercial pest control company and our engine for growth. Initial Hygiene is the global leader in hygiene services. Initial Workwear is No. 2 in Europe and the only player with scale across the four big Continental markets.

We analyse the progress and performance of the Company in three ways – by region and business, part of our core business model, and by quadrant to drive execution of our strategy, including capital allocation.

Cautionary statement This report 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 2015 Annual Report 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 2015 Annual Report should be construed as a profit forecast.



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mslgroup.co.uk

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