The journey continues

The RIGHT WAY

Rentokil Initial

Annual Report 2017

Rentokil Initial provides services that protect people and enhance lives

Who

Rentokil Initial is a global leader in the provision of route-based services which protect people and enhance lives. In addition to our core services of Pest Control and Hygiene, we offer a range of other smaller specialist services including Plants, Property Care and Workwear.

What

We protect people from the dangers of pest-borne disease and the risks of poor hygiene. We enhance lives with services that protect the health and wellbeing of people and the reputation of our customers' brands.

Where

We are an international services business operating in over 70 countries around the world, employing approximately 36,000 people in 2017.

Why

Rising standards of public health, stricter food safety legislation and the need to comply with workplace safety regulations are driving demand for our service expertise.

The Financial Review on page 104 forms part of the Strategic Report.

Throughout the report this icon will direct you to other content in the report.

Throughout the report this icon will direct you to more content online.

Alternative Performance Measures

This Annual Report contains references to Alternative Performance Measures (APMs) which are not GAAP measures as defined under International Financial Reporting Standards (IFRS). An explanation of the APMs used along with reconciliation to the nearest equivalent IFRS measure can be found in Section E of the Notes to the Financial Statements on page 145.

The journey continues

2017 represented a step change in the execution of our strategy, which we call our **RIGHT WAY** plan.

Following the transfer of our European Workwear operations into a joint venture[1] with Haniel in June 2017, we are a stronger business focused on our core Pest Control and Hygiene operations, which now represent just under 90% of Ongoing Operating Profit. We are proud of our operational and financial achievements and of the growth we have delivered over the last four years.

While we are confident and ambitious, there is still further to go and our journey continues. Over the next pages we highlight ways in which we can grow the business and deliver further value creation.

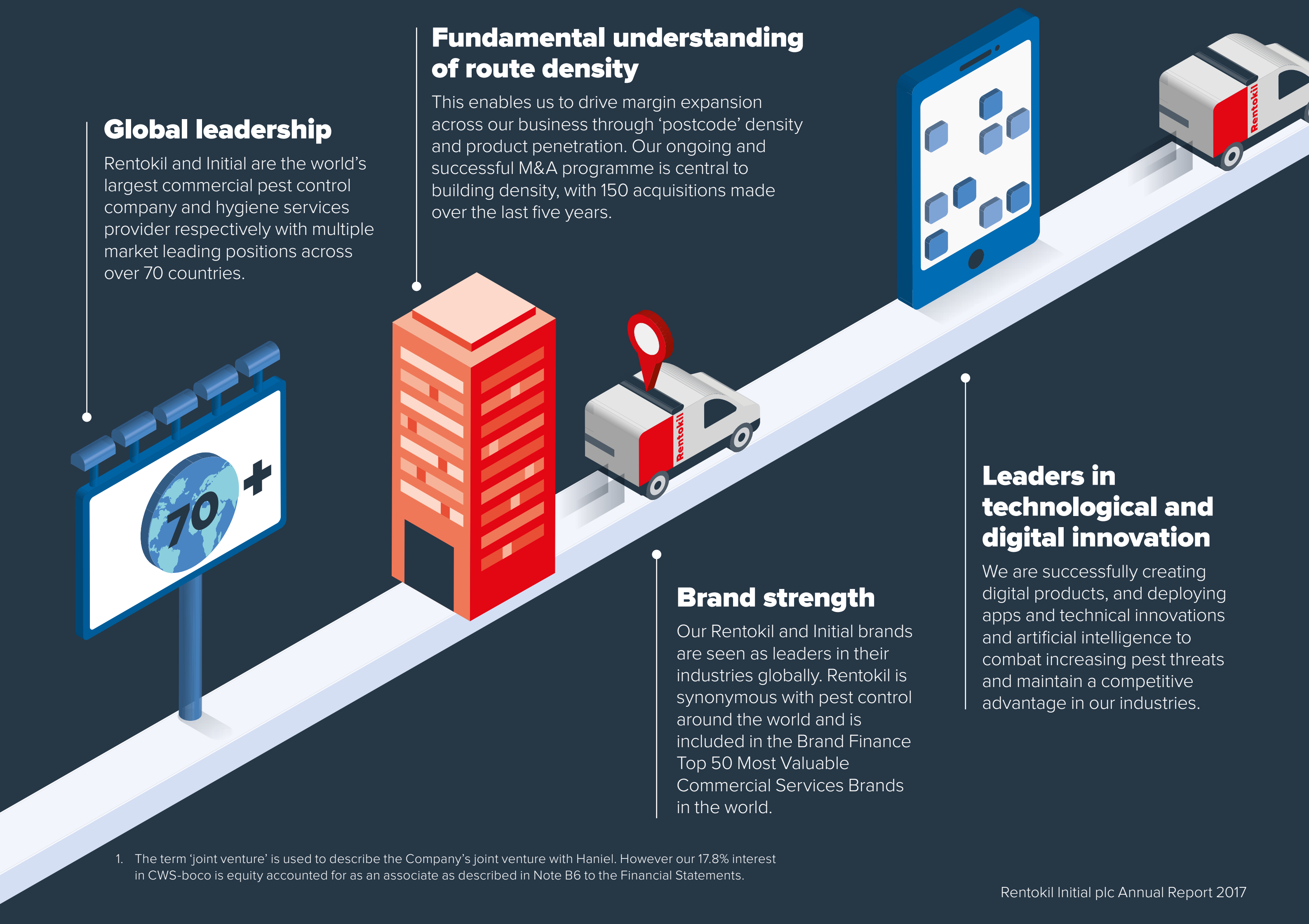
Read on to find out what's next for Rentokil Initial.

Global leadership

Rentokil and Initial are the world's largest commercial pest control company and hygiene services provider respectively with multiple market leading positions across over 70 countries.

Fundamental understanding of route density

This enables us to drive margin expansion across our business through 'postcode' density and product penetration. Our ongoing and successful M&A programme is central to building density, with 150 acquisitions made over the last five years.



Brand strength

Our Rentokil and Initial brands are seen as leaders in their industries globally. Rentokil is synonymous with pest control around the world and is included in the Brand Finance Top 50 Most Valuable Commercial Services Brands in the world.

Leaders in technological and digital innovation

We are successfully creating digital products, and deploying apps and technical innovations and artificial intelligence to combat increasing pest threats and maintain a competitive advantage in our industries.

1. The term 'joint venture' is used to describe the Company's joint venture with Haniel. However our 17.8% interest in CWS-boco is equity accounted for as an associate as described in Note B6 to the Financial Statements.

Accelerating growth

Value-enhancing M&A in Growth and Emerging markets

We continue with our successful M&A strategy and use North America and India as illustrations of our progress to date and opportunities for the future.

Buyer of choice

We believe our reputation as an experienced and sympathetic acquirer of assets frequently affords us a competitive advantage in the bidding process.

Transformational M&A in North America and India

Since 2014 we have grown revenues in North America from $570m to $1.1bn, including revenues generated from the 50 businesses we have acquired. Our joint venture[1] with PCI has substantially increased our revenues in India from £3.9m in 2014 to £45.5m at December 2017.

125

acquisitions in Growth and Emerging markets since January 2014.

111

of which are in Pest Control.

1. The term 'joint venture' is used to describe the Company's 57% investment interest in Rentokil PCI. However our interest in Rentokil PCI has been consolidated in our Financial Statements as described in Note B1.

The journey continues

Creating leading market positions

We are now the No. 3 player in North America and the clear No. 1 in India and the Middle East.

Functional excellence in M&A

Our local teams and our central M&A function are responsible for identifying acquisition targets and maintaining key relationships, with our teams in contact with up to 200 potential targets at any given time. Our rules of the road are to assess the risks, be confident in our synergy plans, pay sensibly and deliver from day one. Deal structures and strong post-completion governance and integration processes ensure our M&A programme consistently delivers against the business case.

Long-term growth prospects

Worth c. $8bn, North America is the world's largest pest control market and approximately 50% of the global total. India's pest control industry is growing rapidly, fuelled by high GDP and population growth, rapid urbanisation, expansion of the middle classes, demand for increased hygiene standards and increasing investment in the food and pharmaceutical sectors.

Good pipeline of M&A opportunities

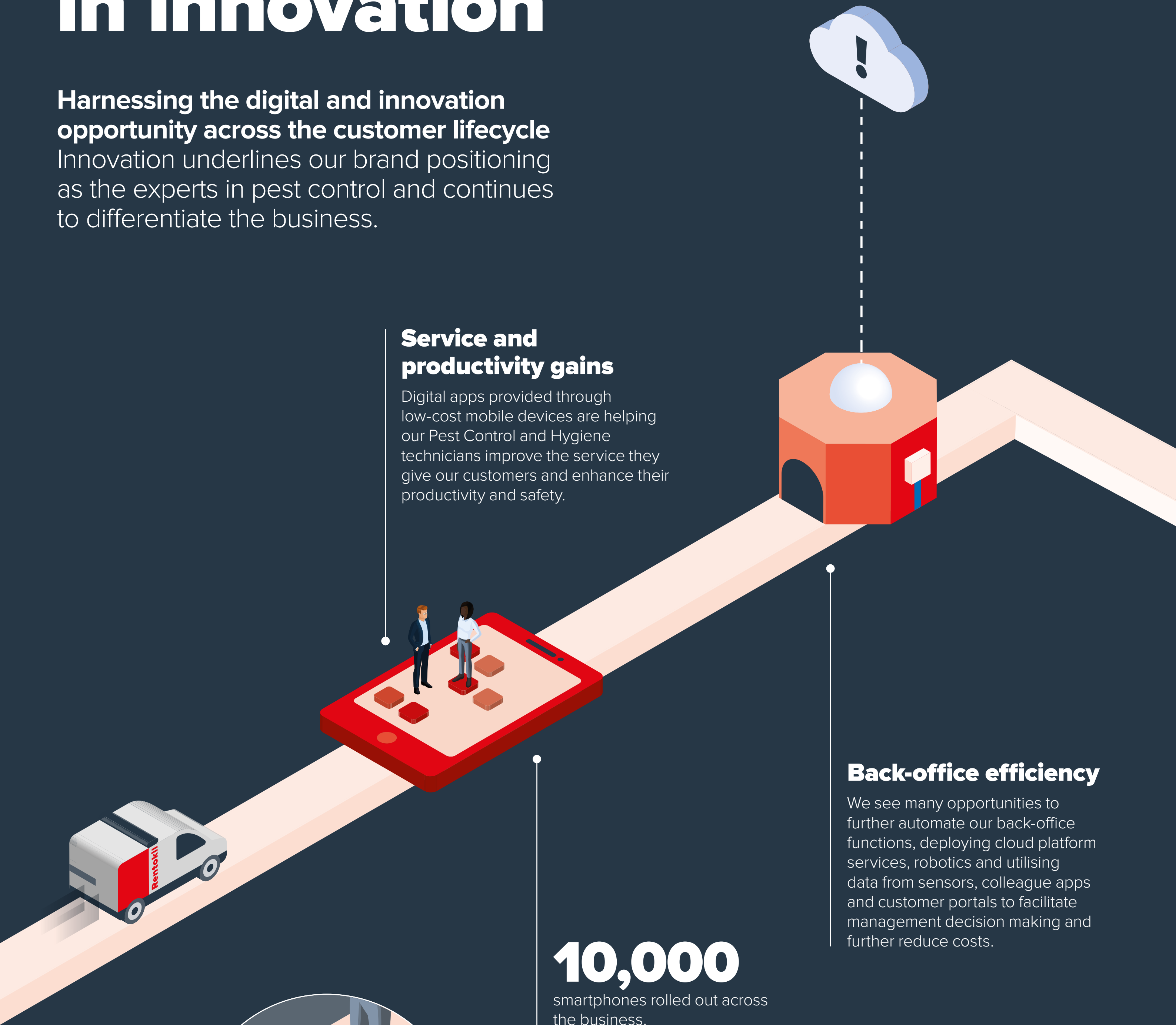
The pest control market in North America is highly fragmented with around 20,000 small, independently owned companies creating a sustainable source of acquisitions. However, asset prices are rising as a result of increased competition for high-calibre targets.

Creating density to drive margins

With truly national coverage across both countries, we can now focus on building city and local density to drive margin expansion.

Leading the field in innovation

Harnessing the digital and innovation opportunity across the customer lifecycle
Innovation underlines our brand positioning as the experts in pest control and continues to differentiate the business.



Service and productivity gains

Digital apps provided through low-cost mobile devices are helping our Pest Control and Hygiene technicians improve the service they give our customers and enhance their productivity and safety.

Back-office efficiency

We see many opportunities to further automate our back-office functions, deploying cloud platform services, robotics and utilising data from sensors, colleague apps and customer portals to facilitate management decision making and further reduce costs.

10,000
smartphones rolled out across the business.

90%
Around 90% of Hygiene colleagues are now using our ServiceTrak smartphone app.

1,000
PesTrak roll-out well underway in 16 countries and with over 1,000 service technicians.

The journey continues

Proprietary and ground breaking product development

New product launches in 2017 included Lumnia, the world's first LED electronic fly killer range, and RapidPro, the world's fastest acting and most effective rodenticide.

The Power Centre

In September we opened The Power Centre, our new Global Innovation, Science and Training Centre based in the UK. The centre brings together our scientific experts and research in pest control with our training teams to ensure that we remain the global leader in the commercial pest control industry.

Enhancing customer service and retention and driving new business

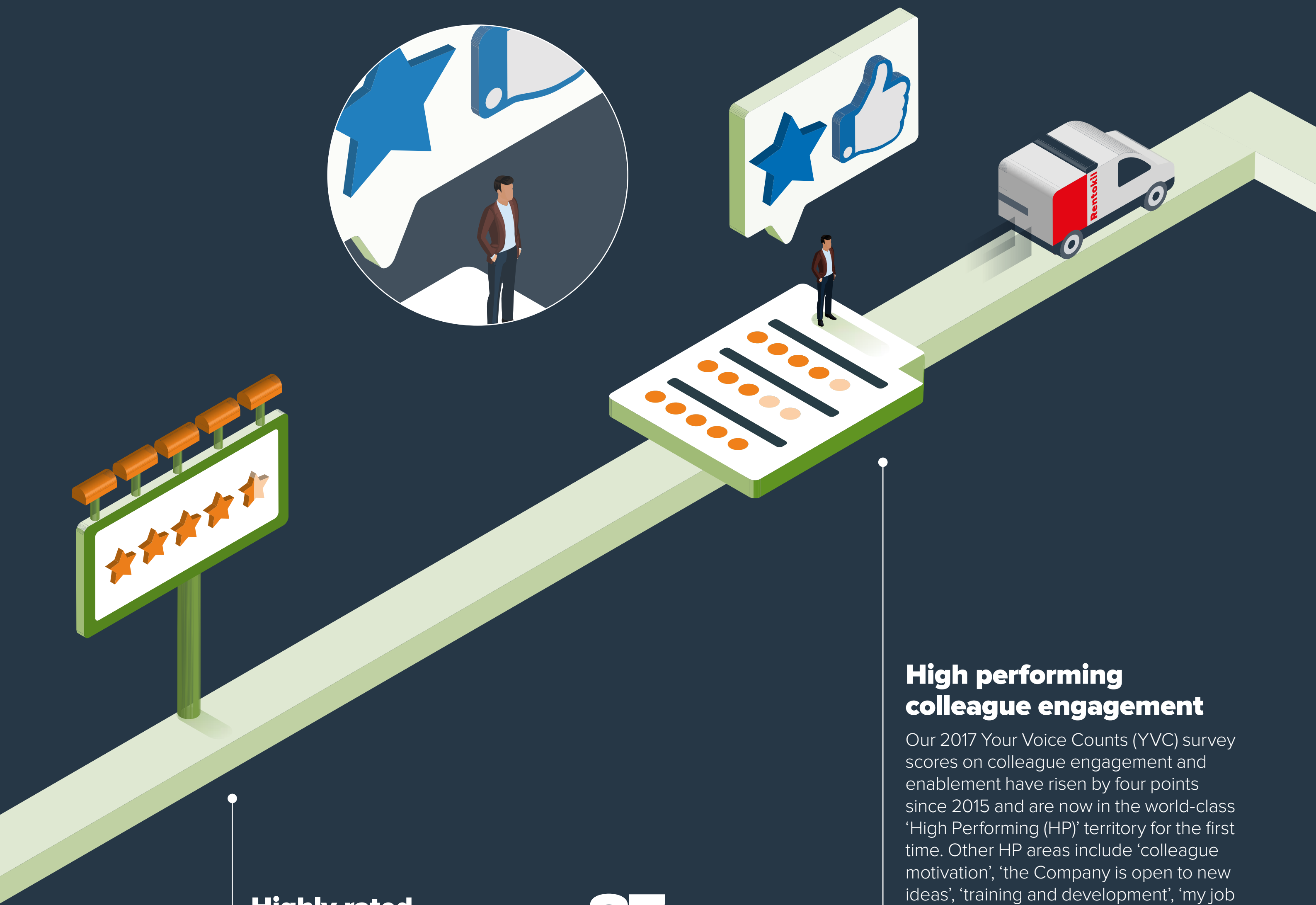
Our digital products include remote monitoring systems and connected devices such as PestConnect (the world's smartest mouse trap) and our myRentokil online customer portal, used by almost 50% of our commercial customers in 520,000 premises. Visits to our Pest Control websites grew organically by 44% in 2017, over 3.7m more sessions than in 2016.

Creating a sustainable pipeline of innovations

We have 15 scientists working on the development of 70 active innovation projects, a 20% increase on project volumes in 2016. In final stages of development are products for combatting bed bugs, connected products for live animal capture, new Lumnia models, fluorescent tracking gel and multi-catch units for rodents. Over the last three years we have doubled our patent portfolio and have a further 16 patent applications pending.

An Employer of Choice

Becoming an Employer of Choice (EoC) means we can attract, recruit, engage, train and retain high-calibre employees, which is at the heart of delivering our business strategy.



High performing colleague engagement

Our 2017 Your Voice Counts (YVC) survey scores on colleague engagement and enablement have risen by four points since 2015 and are now in the world-class 'High Performing (HP)' territory for the first time. Other HP areas include 'colleague motivation', 'the Company is open to new ideas', 'training and development', 'my job makes good use of my skills' and 'the Company is innovative' (which scores some 13% points above the HP norm).

Highly rated workplace culture

Sustained improvements have led to the Company being rated 8th out of 700,000 companies on Glassdoor for Workplace Culture, with an overall score of 4.3 out of 5 (as at December 2017). Increased internal levels of engagement are translating into a strong external reputation as a 'Great Place to Work'.

87%
Recommend to a friend

97%
CEO approval

4.3/5
Glassdoor overall rating

Our cultural attributes

Customer focused, commercial, diverse, down to earth and innovative.

Importance of EoC strategy

We believe that a focus on colleague engagement, retention, technical expertise, training and line management quality delivers productivity and efficiency gains, enhances customer satisfaction and retention, improves workplace safety and reduces staff absenteeism.

Focus on Employer of Choice

In 2017 we introduced Employer of Choice as the No. 2 agenda item for all management team meetings (after our No.1 item, Health & Safety). We identified our strengths and opportunities, EoC metrics against which we can report monthly, and developed action plans and targets for 2018.

Areas for improvement

Our focus remains on improving front line short-term turnover (less than 12 months) which in 2017 was too high. Actions to improve this include attracting and hiring people who fully understand the job role and requirements, influencing retention by ensuring new joiners have the tools, equipment, information and training to do the job while at the same time recognising and rewarding them for their contribution.

Chairman’s introduction

2017 has seen further successful execution of our RIGHT WAY plan and an acceleration in performance.

It is very encouraging to see the performance of the Company accelerate, delivering in line with our strategy through a combination of organic and acquisitive growth over the last year. Having completed our transaction in June to form a leading European workwear joint venture with Haniel, the composition of our profits is now increasingly weighted towards our core, higher growth businesses of Pest Control and Hygiene, which now account for just under 90% of Group Ongoing Operating Profit.

We remain fully committed to our purpose which is protecting people from the dangers of pest-borne disease and the risks of poor hygiene, and enhancing lives with services that protect the health and wellbeing of people and the reputation of our customers’ brands.

Our ambition remains to be both a world-class service company and a world-class Employer of Choice. Our culture is therefore critical to our success, and it is pleasing to see that, across our different businesses, our people share our mission, values and now report engagement and enablement scores across all businesses in the global High Performing quartile.

I would like to thank our shareholders and, of course, our customers for giving their continued support to Rentokil Initial and for their ongoing trust and loyalty. In 2017 we welcomed many new colleagues to the Company through the acquisition of 41 new businesses in the year and also by ongoing recruitment to improve our functional capabilities across the Group. I would like to convey my appreciation to all our colleagues who have made such a sustained and focused effort to deliver outstanding service to our customers. This is key to our success and enables us to continue to deliver our strategy at pace.

The theme of this year’s Annual Report is, ‘The journey continues. The **RIGHT WAY**.’ In the opening pages of this report we aim to illustrate through a series of infographics some of the ways in which we delivered recent growth and how we can maintain momentum throughout the next phase of our journey. I hope you will enjoy reading it.

John McAdam

John McAdam
Chairman
28 February 2018

Reasons to invest

1 **We are a leader in our chosen markets** generating high returns with good growth opportunities. Rentokil is the world’s leading commercial pest control business and our principal engine for growth. We are the brand leader in the industry and believe we possess unrivalled technical expertise. Initial is the global leader in hygiene services with a focus on service quality to grow market share and drive management and back office synergies with other business lines.

2 **We have a clear, differentiated management strategy** to drive performance and capital allocation. Our targeted strategies reflect our 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 those areas offering the best returns and sustainable growth.

3 **We are highly cash generative** and this supports our balance sheet and enables us to fund our M&A programme, implement a progressive dividend policy and pay down debt.

4 **Rentokil Initial is run by an experienced and proven management team** executing our strategy successfully and at pace. We are a people and values-based organisation. Our expert service teams are highly trained and equipped with the best tools to perform their roles, supported by a strong innovation pipeline. We have a clear governance framework and are committed to transparent reporting.

5 **We have a clear plan to deliver 5% to 8% revenue growth in the medium term** We understand our customers’ needs for enhanced health and hygiene standards and deliver high service levels across our diverse customer base. Our operational growth levers are focused on retention, upselling and organic sales. We have a proven city and route density focused M&A strategy.

6 **There is further scope for profit growth and margin enhancement** We drive margins in part by focusing on increasing route density through organic and inorganic revenue growth. We operate a low-cost support structure through shared back offices and efficient administration. We are leaders in utilising technology and innovation to deliver a competitive advantage in our customer sectors.

A snapshot of our year

Strong financial performance

Ongoing Revenue growth
+14.5%

Organic Revenue growth
+3.8%

Revenue growth
+5.5%
(+11.3% at AER)

Ongoing Operating Profit growth
+14.8%

Profit before income tax growth
+241.5%
(+242.3% at AER)

Free Cash Flow and cash conversion
£175.8m (87%)

2017 dividend
+15.1%

Read more on pages 104 to 107

Completion of joint venture with Haniel and divestment of French laundries to RLD

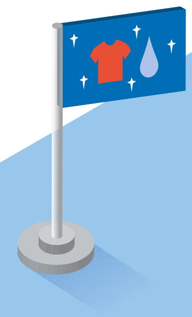
On 30 June we completed our joint venture with Haniel to create a leading provider of workwear and hygiene services in Europe by transferring our Workwear and Hygiene businesses in Benelux, Sweden and Central and Eastern Europe into CWS-boco, a company owned by Haniel. We also divested eight flat linen laundries in France to RLD, further reducing our exposure to the European workwear market.

Cash proceeds from Haniel JV
£449.9m
representing 40x Free Cash Flow and 15.2x APBITA

Annual dividend from JV from 2018
€19m

Total profit on disposed businesses above
£449m

Read more on page 105



Pest Control and Hygiene

Our operations in these higher growth markets now account for 83% of Group Ongoing Revenues. During 2017 we achieved strong growth in Pest Control of 21.4%, aided by 33 acquisitions, and delivered further improvements in Hygiene revenues, which rose by 7.6% year on year.

Read more on pages 22 to 29

Innovation and digital technology

Our focus on the innovation of differentiated products and the deployment of digital technologies including sensing is central to our strategy. This year we opened The Power Centre, our new dedicated global R&D facility in the UK. Innovations in 2017 included Lumnia, RapidPro and AutoGate. Visits to our Rentokil websites rose by 30% from 12m to 15.7m year on year. In addition, just over 50% of our commercial customers are now using our myRentokil online customer portal.

Read more on pages 24 to 28

Pest Control

Ongoing Revenue growth
+21.4%

Organic Revenue growth
+5.8%

Hygiene

Ongoing Revenue growth
+7.6%

Organic Revenue growth
+2.1%

An outstanding year for M&A

2017 has seen particularly strong execution of our M&A programme with 41 businesses acquired during the year, principally in Growth and Emerging markets. Highlights in 2017 included our joint venture with India's largest pest control company, PCI, a strategically important step in a country with significant growth potential. In addition, nine Pest Control acquisitions in North America reinforce our position as the No.3 player in the key North American market. We also became the clear market leader in the Middle East through the acquisition of SAMES in the Kingdom of Saudi Arabia (KSA).

Read more on pages 22 to 25

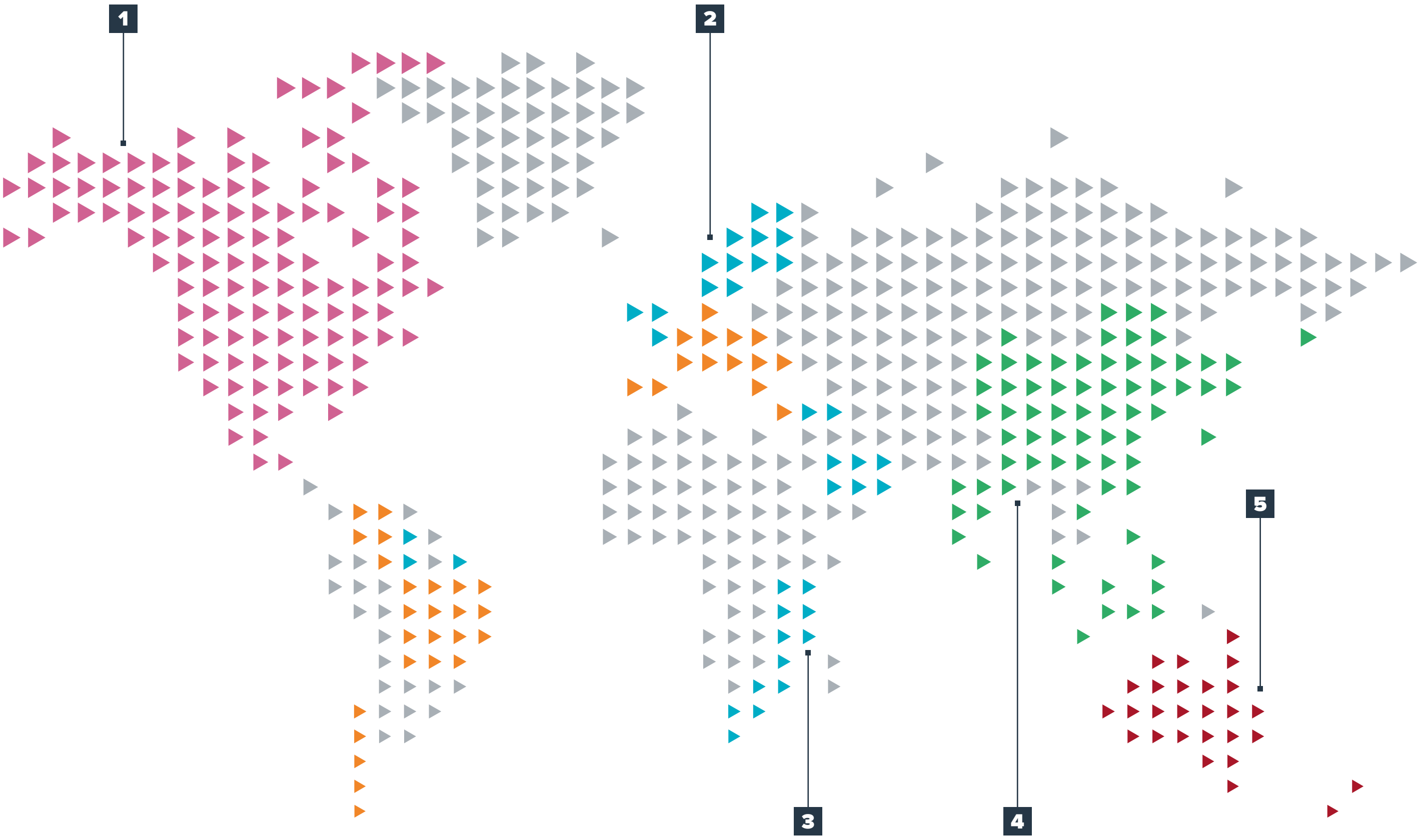
Combined annualised revenues of businesses acquired
£224.7m

Total spend on M&A in 2017
£281.1m

Acquisitions in Pest Control
33

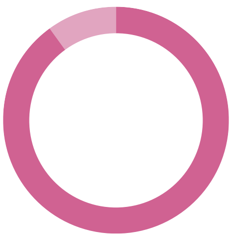
Our brands and businesses

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



1

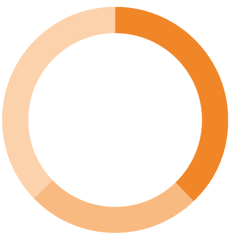
North America
% business Ongoing Revenue



Pest Control	90%
Protect & Enhance	10%

2

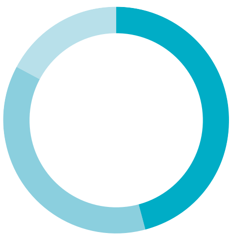
Europe
% business Ongoing Revenue



Pest Control	38%
Hygiene	25%
Protect & Enhance	37%

3

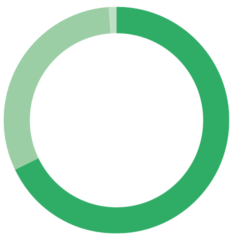
UK & Rest of World
% business Ongoing Revenue



Pest Control	46%
Hygiene	37%
Protect & Enhance	17%

4

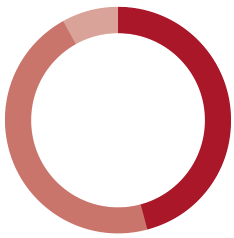
Asia
% business Ongoing Revenue



Pest Control	68%
Hygiene	31%
Protect & Enhance	1%

5

Pacific
% business Ongoing Revenue



Pest Control	46%
Hygiene	46%
Protect & Enhance	8%

Our brands and businesses

Pest Control

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

Rentokil operates in over 70 countries around the world.

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

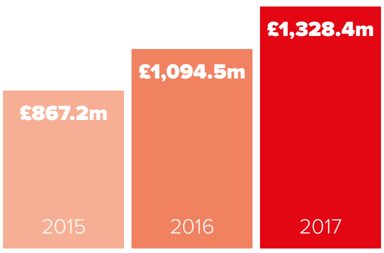
Ongoing Revenue

£1,328.4m

Ongoing Operating Profit

£239.8m

Ongoing Revenue



Hygiene

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

Initial Hygiene operates in 44 countries around the world.

We have top three market positions in 37 of these markets.

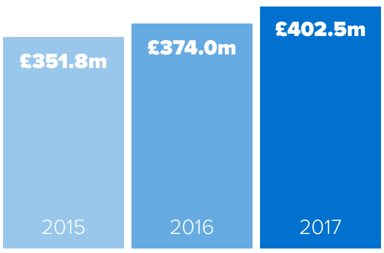
Ongoing Revenue

£402.5m

Ongoing Operating Profit

£71.4m

Ongoing Revenue



Protect & Enhance

The four businesses which are included in this category are Workwear (France), Ambius (Global), Property Care (UK) and Dental Services (Germany and Sweden).

Ambius is a world leading interior and exterior landscaping business which installs and services flower displays, replica foliage, Christmas decorations and ambient scenting. Our UK Property Care business provides damp proofing, property conservation, woodworm treatment and wood rot treatment services. Our France Workwear business specialises in the supply and maintenance of garments such as workwear and personal protective equipment. Our Dental Services business operates principally from two main hubs in Germany and Sweden and specialises in the disposal and recycling of dental waste.

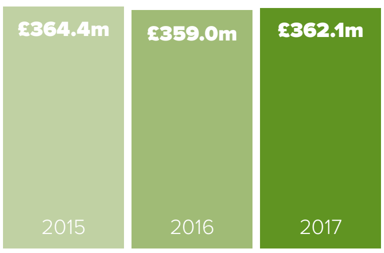
Ongoing Revenue

£362.1m

Ongoing Operating Profit

£37.3m

Ongoing Revenue



Revenue and profit figures above are at constant exchange rates (CER) and represent ongoing revenue from continuing operations and exclude revenue and profit from businesses disposed and closed but include revenue and profit from acquisitions. Ongoing Operating Profit is before central and regional overheads.

Strategic Report

Contents

Q&A with Andy Ransom, Chief Executive

This year we have delivered Ongoing Revenue growth of 14.5% (of which 3.8% was Organic Revenue growth and 10.7% was from acquisitions), Ongoing Operating Profit growth of 14.8% and Free Cash Flow of £175.8m, all in excess of our financial targets for 2017.

Our core Pest Control business has again performed strongly with Ongoing Revenue growing by 21.4%, of which 5.8% was organic. We are also increasingly encouraged by the ongoing traction in our Hygiene business which grew by 7.6% (2.1% organic). In June we completed our transaction to form a joint venture with Franz Haniel & Cie. GmbH (Haniel) to establish a leading provider of workwear and hygiene services in Europe, created by transferring our Workwear and Hygiene businesses in Benelux, Sweden and Central and Eastern Europe (CEE) into CWS-boco (owned by Haniel), retaining a 17.8% interest in the combined entity.

Q. What do you believe are your sustainable unique selling points for both your Pest Control and Hygiene businesses?

A. In Pest Control, we are clearly the most global of the pest control operators, operating in over 70 countries around the world, and we have been in business for 90 years under the Rentokil brand, which is the biggest brand in the industry. We have made a significant and continued investment in innovation in pest control products and services and in technology, more recently with our suite of connected devices which we believe will be an important part of the pest control industry as it continues to modernise through the use of new technology and innovation. We are a business that has been built on a core belief in the expertise of our colleagues and setting the highest standards of training and execution in the field. We believe this translates into the best customer service in the industry. Adding to that, we have a deep and fundamental understanding of density and density building and how to create strong margins in both our Pest Control and Hygiene operations by focusing on growing our businesses in core cities and providing additional services and solutions to our existing customer base. So, really this is a combination of postcode and customer density and we believe this is quite an art, if not a science, and something in which we have a strong level of expertise. We have also been building a significant capability in M&A over the last few years which in many cases makes us the acquirer of choice to many other pest control businesses who are looking to sell their companies.

Q. After a very successful first few years into your tenure as CEO where many things have gone very well, what are you most pleased with and what worries about the business still keep you awake at night?

A. In terms of what has gone particularly well, we have a clear, focused plan which we have executed successfully so far. We have articulated this plan clearly, both internally and externally, but more importantly, it has been executed consistently across the Group. So, I think that is the main key to our success. The business is performing well and I think our central model – where the organisation and the central support services functions work together to support the business to deliver outstanding customer service – is a model which works very well. We have a culture of great openness and sharing and we're all focused on joined-up delivery between the centre and each of the regions. We also have a central category leadership model for Pest Control and Hygiene, to maintain our leadership position and pipeline of new products and services, which continues to work successfully. We've got some great things to be proud of, like our safety performance, for example. Also, I think the engagement of our people and the Employer of Choice agenda which we have started to work on is really important. We now have world-class levels of engagement and enablement among our colleagues but there's still a big opportunity to keep working at short-term retention rates, and ensuring our new colleagues quickly understand how to drive our growth and profitability as well as their incentives, priorities which are strongly aligned.

Things that keep me awake at night? Well, we have to keep it going. We've had a very successful few years so we have to maintain those levels of execution and pace. We live in a rapidly moving world and technology is moving fast in all business sectors including ours and those of our customers. This represents a potentially transformative change that is both a risk but more importantly a significant opportunity, and I feel we are well-placed to capitalise on it. We will be accelerating our plans in digital and the deployment of technology across our businesses in 2018, alongside reinforced protection of personal data and defences against IT security threats. I believe that in our industry we are leading the way but it is critical that we do not risk complacency.

Q. The Company made 41 acquisitions during 2017. Is it reasonable to expect this kind of level going forward?

A. The thing about our M&A agenda is that we operate in over 70 countries around the world and have a focus on acquisitions in all of those markets with a dedicated level of resources deployed to bring in deals in all of our five regions. While M&A is an opportunity-driven activity, we have a highly experienced team and a consistent, repeatable model for identifying targets and closing deals in a pretty fragmented set of markets. There are tens of thousands of independent, typically family-owned, private companies around the world – many of them operating in the key cities in which we operate or want to operate in the future. So, I think the combination of our expertise, our experience and our model, added to the wealth of opportunities that still exist out there, suggest to me that there's still a good source of acquisition opportunities for many years to come. That said, there will obviously be some years where a greater number of opportunities present themselves and others where there will be fewer and we choose to execute fewer transactions. But, for the time being, I think the pipeline and the bench strength and ability of our M&A team are both as strong as they have ever been – we did deals in more countries in 2017, 24 in fact, than ever before.

> **"We have had a very good year, exceeding our targets for revenue, profit and cash."**
>
> **Andy Ransom,** Chief Executive

Q. We hear a great deal about the importance to the Company of North America. Why is this and does such a mature market offer real and sustainable growth opportunities?

A. The first thing to say about the North American pest control market is that it represents around 50% of the global pest control industry, so by any standards it is massive. The pest control market in North America is growing at around 5% and has been doing so for many years. External analysts agree that the growth prospects for the region remain good and are predicting similar growth rates for the next few years. It is a fragmented market so, for us, as well as seeing the opportunity to grow organically in commercial, residential and termite sectors, we also see a continued and significant opportunity to maintain our acquisition focus and to build a pest control powerhouse in this, the world's largest pest market. So, it's a really great opportunity and over the last few years we have seen phenomena such as bed bugs become a very major part of the industry. Increasingly, we are also seeing problems in the southern states with mosquitoes, which we believe represents another major opportunity given our appointment by the Federal Government's Centers for Disease Control and successful work at the Rio 2016 Olympics – to build on this is why we did our recent acquisition of Vector Disease Acquisition, LLC. So, we're very excited about our prospects.

The business has grown both revenues and profits very significantly over the past few years and we see no reason why we won’t continue to make further good progress going forward.

Q. Tell us about your joint venture in India. How is this going?

A. The combination in Rentokil PCI of the world leader and the clear No.1 in India is a really strong one, we think. We now have put together the largest and most established brand in pest control in India – PCI – with ours and have created a really exciting nationwide platform for growth. India is one of the fastest growing economies in the world with great fundamental growth drivers for us. It’s got a vast population – over 1.3bn – and has a burgeoning urban middle class, a key demand driver for professional pest control services. It is a country of extreme weather patterns and high pest pressures and so it really is an excellent, strategic opportunity to be the market leader in pest control here. The joint venture has got off to a great start. Culturally the two companies fit superbly well and the leadership positions in the joint venture have broadly been shared between colleagues from PCI and colleagues from Rentokil and so I think it’s going to be a very successful, very strong part of the Group’s business over the coming years.

Q. What do you think is the biggest misunderstanding in the investment community today about Rentokil Initial?

A. The entire mission of Rentokil Initial is to protect people and enhance lives. Most people understand the expertise we have in Pest Control but are less familiar with the fact we are also the world’s largest Hygiene services business. We view Hygiene as a very strong complementary business to Pest Control – many of the customers are the same, many of the country operations are the same and we share common technology, infrastructure and management across both operations. Both are route-based businesses and both benefit from a deep understanding of density building. The megatrends in the hygiene industry all give rise to an underlying demand for our services. The importance of being able to prevent the spread of diseases, germs and bacteria is driven by factors like an increasingly aged population and adult incontinence, more women at work driving growth in feminine hygiene facilities, regulatory enforcement and reputational risk from poor hygiene standards. So, for me, Hygiene is a great, complementary business to Pest Control and one that we will continue to grow alongside our Pest Control operations for many years to come.

Andy Ransom
Chief Executive Officer
28 February 2018

Our ‘big five’ challenges

1

Organic Revenue growth in Pest Control

Progress so far

Our Organic Revenue growth has improved over the last three years but there is more potential for growth, led by our core Pest Control category.

What’s next on our agenda

- Building greater scale and density in North America through organic growth and acquisitions
- Improving customer retention through better account management, customer service quality and consistency
- Driving growth in international and global accounts
- Deploying our digital marketing expertise to drive increased sales enquiries and rolling out new innovations
- Maximising our reputation for the mitigation of emerging mosquito-borne diseases such as Zika virus and dengue fever
- Leveraging our increasing exposure to Emerging markets, in particular India, China and Latin America

2

Creating value through digital products and applications

Progress so far

We are developing digital solutions for all aspects of our business. Customer developments are focused on our core commercial B2B business, with particular focus on the food sector, while colleague developments are focused on reduced IT costs in infrastructure and deployment of new software to increase sales and service productivity.

What’s next on our agenda

- Continued focus on digital products, customer portals and marketing through the web to help us better serve and retain our customers
- Further deployment of digital applications through low-cost mobile devices to improve our technicians’ service and productivity
- Identification of opportunities to digitalise back-office functions to improve sales efficiency and effectiveness, management decision-making and save costs

3

Building our Hygiene business

Progress so far

In 2017 we achieved our strongest levels of Ongoing Revenue growth for many years. This was achieved through building on the strength of our brand and market positions, selling our product ranges with confidence and building city density and extending our footprint through organic growth and targeted acquisitions.

What’s next on our agenda

- Stronger execution of our service offering (for example, sales of new product ranges)
- Greater postcode density through targeted selling and acquisitions
- Targeted sales to encourage greater take up of multiple service lines per customer premises (and in particular where we provide only one service per premises)
- Linking sales incentives more closely to margin delivery to drive improved yield management
- Improved productivity through the roll-out of Service+, our in-house tool to deliver route optimisation for service colleagues

4

M&A execution

Progress so far

Over the last four years we have acquired 134 companies, delivering combined annualised revenues of £573m. Continued strong M&A execution is a core element of our strategy, offering significant potential value creation.

What’s next on our agenda

- Successful integration of acquisitions to ensure delivery of expected business case and target internal rate of return
- Continued identification of appropriate high-quality targets
- Further bolt-on acquisitions, particularly in Growth and Emerging markets
- Assessing the merits of larger acquisitions, should such opportunities arise

5

Employer of Choice/retention

Progress so far

Following significant improvements in the Company’s reviews on the independent customer review site Trustpilot, as well as on colleague opinions on the workplace review site Glassdoor, we were awarded the title of Britain’s Most Admired Company for Business Support Services in 2017.

What’s next on our agenda

- Improving colleague engagement, enablement, talent and retention (especially short-term retention) through implementation of our Employer of Choice programme
- Focus on learning, development and career progression to build talent pipeline needed for future success
- Ongoing organisational commitment to diversity and inclusion across the Company

2017 progress towards financial targets

Target and key activities	**Performance**	**Progress in 2017**
Target: Ongoing Revenue growth of 5% to 8%		
Group Ongoing Revenue growth	14.5% Group Ongoing Revenue growth, considerably above target	🟦🟦🟦
Acceleration in Organic Revenue growth	3.8% Group Ongoing Organic Revenue growth (2016: 3.6%, 3.0% Reported)	🟦🟦🟦
Revenue contribution from acquisitions	10.7% growth from acquisitions in 2017	🟦🟦🟦
Revenue growth led by Pest Control	21.4% Ongoing Revenue growth from Pest Control (5.8% organic)	🟦🟦🟦
Supported by further encouraging momentum in Hygiene	7.6% Ongoing Revenue growth in Hygiene (2016: 6.3%, 4.8% Reported)	🟦🟦🟦
Improved performance from Protect & Enhance	0.9% increase in Ongoing Revenue (2016: -1.5% decline), France Workwear up 1.7% (2016: -3.1% decline)	🟧
Further progress in customer retention	85.7% in 2017 (2016: 84.9%), but ongoing focus required to reach target 90%	🟧
Ongoing focus on delivering excellence in customer service	Group customer satisfaction scores steady at 42 points with notable improvements in Asia and Hygiene	🟦🟦
Particularly strong M&A programme in 2017	41 acquisitions in 2017 with combined annualised revenues of £224.7m	🟦🟦🟦
Significant progress in product innovation and capability	Around 70 active innovation projects in 2017, an increase of 20% on 2016	🟦🟦🟦
Continued development of digital products and applications	30% increase in visits to our websites worldwide 100,000 users of our myRentokil customer portal in 32 markets	🟦🟦🟦
Target: Ongoing Profit growth of c. 10%		
Further year-on-year improvement in Group Ongoing Operating Profit	14.8% Group Ongoing Operating Profit growth	🟦🟦🟦
Improvement in Group Net Ongoing Operating Margin	Net Ongoing Operating Margin of 13.2% (2016: 13.1%)	🟦
Improvement in Net Operating Margins in Pest Control and Hygiene	0.5% points decline in Pest Control at 18.1% reflecting dilutive impact of PCI joint venture. 0.3% points improvement in Hygiene at 17.7%	🟧
Above the line restructuring costs maintained at below £10m	Restructuring costs of £6.9m, £1.0m below 2016 (at CER)	🟦🟦
Target: Free Cash Flow conversion of 90%		
Free Cash Flow target of £150m for 2017, balance sheet remains robust	£175.8m Free Cash Flow in 2017 (2016: 156.4m), c. 90% cash conversion	🟦🟦
Reduction in gross capital expenditure	Gross capital expenditure of £212.1m (2016: 221.8m)	🟦
Decrease in net debt	£311.4m reduction in net debt helped by proceeds from JV with Haniel	🟦🟦🟦
Fully funded pension scheme	Funding surplus of £325.4m	🟦🟦🟦
S&P credit rating	Maintained at BBB Stable Outlook	🟦🟦🟦

🟦🟦🟦 Very strong progress 🟦🟦 Strong progress 🟦 Good progress 🟧 Further work required 🟥 Disappointing progress

In addition to the financial targets described above, during 2017 we announced three new major commitments for our North America business and France Workwear business. We provide details below.

$1.5bn

Recent growth in our North America business has been aided by a strong performance in national accounts and the Pest products business and by a successful M&A programme. The region generated Ongoing Revenues of $1.1bn during 2017.

Through a combination of organic initiatives and M&A, we aim to generate $1.5bn of revenues in North America by 2020.

18%

Our North America operations generated a Net Operating Margin of 13.6% in 2017.

Going forward, we aim to grow margins to 18% in North America by 2020 by leveraging our scale and building further density in the world's single largest pest control market.

Profitable growth

Our remaining Workwear operations in France have shown operational and financial improvements in 2017.

We aim to return our France Workwear business to profitable growth by the end of 2018, achieved through implementation of our Quality Workwear agenda focused on service quality, together with profit improvement and margin protection initiatives.

Our markets

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

Pest control 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.

We have a principal focus on Growth and Emerging markets with No. 1 positions in 44 markets, No. 2 positions in 13 markets and No. 3 positions in eight markets globally.

The pest control market offers sustainable, long-term growth prospects and is expected to deliver a compound annual growth rate (CAGR) of around 5%[1]. The global commercial pest control market is worth c. $8bn p.a. and the total global pest control market is worth c. $16bn.

Six key structural growth drivers

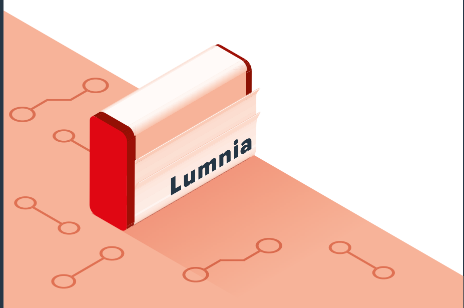
Climate change

Climate change and rising temperatures are enabling pests to become endemic and are leading to an increased threat from mosquitoes transmitting diseases such as dengue fever, Zika virus, yellow fever, encephalitis, West Nile virus, chikungunya and malaria.

Science and innovation

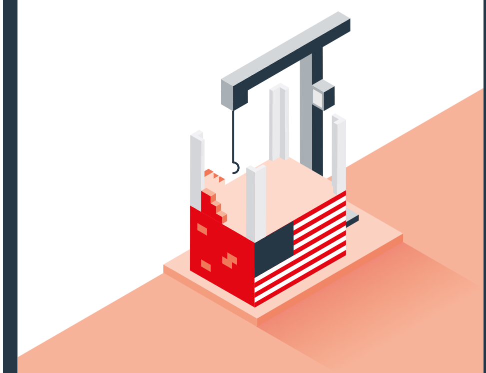
Innovation is fuelling growth in pest control, particularly in established markets where consumer expectations for improved products and techniques are rising. Rentokil leads the industry in providing innovative solutions to enhance core lines, meeting emerging threats and the requirements of new regulation.

Our strong pipeline of innovations includes next-generation PestConnect digital products and Lumnia, our innovative LED electronic fly killer which was launched in 31 markets this year and generated revenues some 40% ahead of our expectations.



Growth in North America

North America represents 50% of the global market and is worth c. $8bn. It is expected to reach $10bn by 2020, growing at a CAGR of c. 5% through to 2023. Rentokil has a strong market position, growing organically faster than the market. There are around 40,000 pest control companies worldwide, of which approximately half are in North America. Industry consolidation is an ongoing market dynamic. Looking forward, demand for mosquito control is expected to outpace demand for general pest control services.



Emerging markets and urbanisation

The rise of middle classes in Asia and Latin America is driving increased spend on pest control. Rentokil is uniquely placed in these markets with unrivalled scale, brand and experience.

% of the global middle class in Asia by 2030[2]

66%

Our footprint in Asia

580+

locations in 12 countries

Number of technicians in Asia

9,000+

Compliance, risks and digital reporting

Drivers here include increasing levels of regulation and enforcement, demand for higher-quality reporting and risk management assurance, and the impact of social media driving companies to invest in brand protection.

Global international hygiene standards

Global international hygiene standards (particularly in the food industry) are converging and driving a consistency in approach from multi-nationals. With operations in over 70 countries, our international reach is a key differentiator in our ability to service global accounts.

1. Source: Various market reports forecasting over 5+ years including Markets & Markets, Allied Market Research, Future Market Insight (all 2017).
2. Source: Organisation for Economic Co-operation and Development.

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

Initial Hygiene is the leading hygiene services business in 23 of its 44 markets around the world with a No. 2 position in 12 countries and a No. 3 position in three markets.

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

As a leading player in the hygiene industry, Initial Hygiene has award-winning products and one of the world's strongest brands, which is particularly valuable in Emerging markets. We have an in-depth understanding of the importance of density of customers by location, what we call 'postcode density', and by the number of serviced products by customer, or 'product penetration', and key operational drivers of growth.

Four key structural growth drivers

Rising customer expectations

There is an increasing awareness of the link between good hand hygiene and healthy workplaces and healthcare facilities. Social media is also driving companies to invest in brand protection while an increasing focus on sustainability is encouraging lower water consumption and paper saving.

Initial Hygiene offers a full range of hand hygiene solutions including soap and sanitiser dispensers, hand driers, roller towels and paper towel dispensers, consumables and premium No-Touch products.

'Hand Care Services' as % of total hygiene market

c.22%

Changing demographics

These include population growth, an ageing population creating more health issues and hygiene product requirements, growth in Emerging markets, rising middle classes and greater levels of women at work requiring more feminine hygiene facilities.

Tighter regulation across the world is also driving greater compliance with workplace hygiene, food production and retail hygiene and environmental standards. These services include disposal of sanitary waste, nappies and incontinence products. Initial has developed high-quality products to match these growth drivers and increase density.

'In-Cubicle Hygiene Services' as % of total hygiene market

c.40%

Enhanced brand experience

This is important within organisations seeking to enhance and differentiate customer experience through the use of design, colour and scent.

Services include commercial air scenting, air fresheners and air purification services to combat airborne bacteria such as influenza, e.coli and salmonella. Initial Hygiene's Premium Scenting range provides both standard and bespoke scenting. Customer segments include hotels, car showrooms and clothing retailers seeking to match scent to brand.

'Air Care Hygiene Services' as % of total hygiene market

c.15%

Mitigating risk

Workplace risks involving trips and slips are driving greater demand for floor care services. These include the provision and laundering of indoor and outdoor mats.

Initial Hygiene offers a range of high-quality products including textile and non-textile floor mats for use in reception areas, industrial and food preparation areas. It also offers logo and branded mats to enhance brand experience.

'Floor Care Services' as % of total hygiene market

c.15%

Our business model

Market-leading businesses

Pest Control

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

Hygiene

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.

Protect & Enhance

Initial Workwear specialises in the supply and laundering of workwear, uniforms, cleanroom uniforms and personal protective equipment. **Ambius** offers interior landscaping services and our **Property Care** business provides property preservation and wood rot treatment services. Our **Dental Services** business specialises in the disposal and recycling of dental waste.

Read more about our business on pages 22 to 31

How we operate

In February 2014 we announced our RIGHT WAY plan to deliver sustainable revenue and profit growth. Our plan is based on a clear business model for the Company which includes strong multi-local operations across the world.

Our geographic regions

North America
Europe
UK & Rest of World
Asia
Pacific

Service coverage of global GDP

90%

Presence in the world's largest cities

90/100

Number of service teams

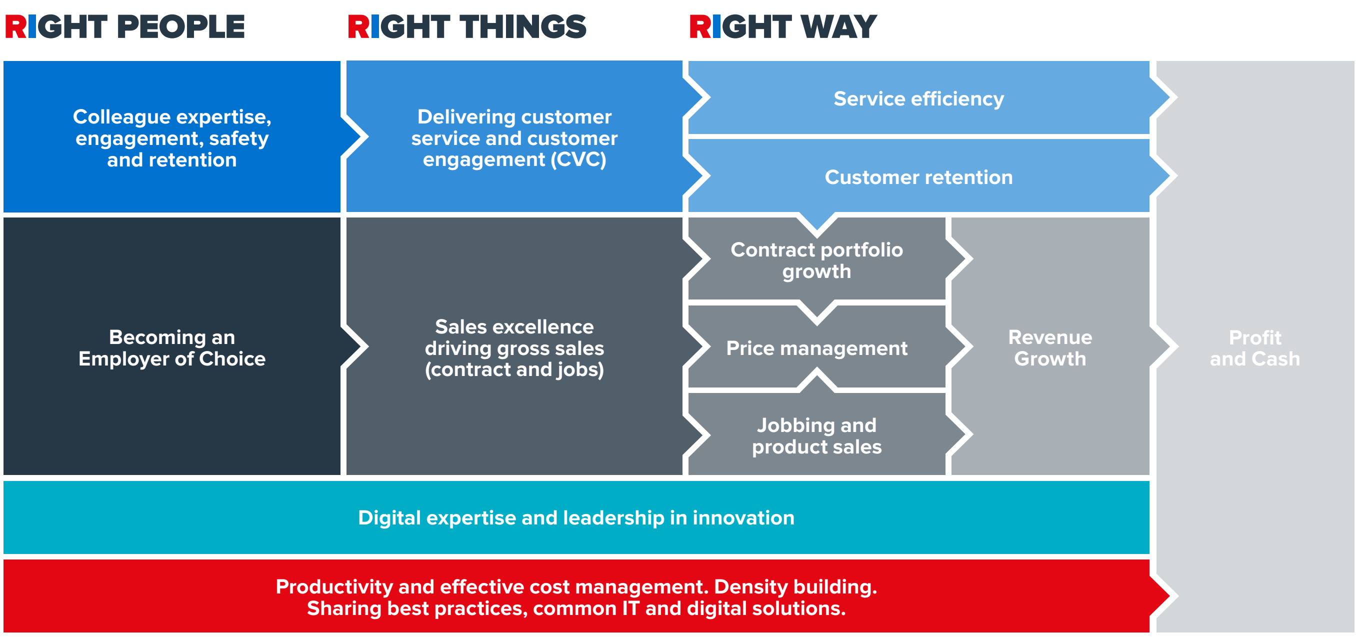
c.1,800

Percentage of revenues derived outside of UK

90%

Read more about how we operate on pages 10 to 11

Consistent and efficient operational model



Why we're different – expertise of our people

Rentokil Initial employs 36,036 (2016: 32,150) 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 than attitude as we provide the best training in our industries. In 2017 we saw strong improvements in colleague opinions on workplace review site Glassdoor, culminating in us being ranked 7th in the 'UK's Best Places to Work' (as at 31 December 2017). We were also awarded the title of Britain's Most Admired Company for Business Support Services in 2017 by Management Today magazine.

Glassdoor rating[1]
4.3/5

Glassdoor CEO approval
97%

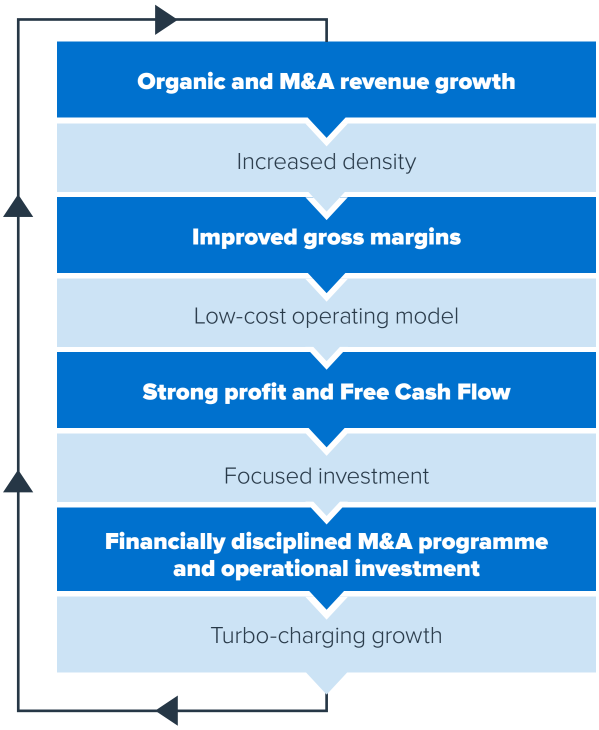
Recommend the Company to a friend
87%

UK businesses Trustpilot rating
Excellent

How we create value

Our financial model to compound growth is a virtuous circle predicated on delivering growth organically and through M&A, which leads to increased density and is directly correlated to improved gross margins across our business categories.
The above, combined with our low-cost operating model, drives strong profitable growth and sustainable Free Cash Flow which is deployed in two ways: first, into a financially disciplined M&A programme and operational investment; and second, into maintaining our progressive dividend policy.

Compounding revenue, profit and cash flow growth



Leadership in digital and innovation

Rentokil Initial is leading the way in digital products and applications and innovating at pace.
We believe we have the best management information tools in our markets which enable us to build stronger relationships with our customers. Our high-quality web platform is driving increased levels of sales enquiries to our businesses around the world. We have an unparalleled innovation pipeline and this year opened **The Power Centre** which brings together our scientific experts and research in Pest Control with our training teams to ensure that we remain the global leader in the commercial pest control industry.

The Power Centre – key statistics

The amount of floor space compared to our previous centre
3x

Training rooms that can accommodate up to 65 people
3

Pest product test rooms, enabling us to run twice as many trials simultaneously
5

Simulated on-site locations for training colleagues in commercial areas[2]
7

One of our scientists testing products.

1. As of 31 December 2017.
2. Such as supermarkets, hotels, restaurants and kitchens.

Our strategy by business category

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

Since the first articulation of our **RIGHT WAY** plan in 2014 we have worked steadily to improve the quality of our revenues, 83% of which are generated by our core categories of Pest Control and Hygiene.

Category	Strategic focus	Market context
Pest Control	Pest Control is our core business and our primary engine for growth. Continued acceleration of our business can be achieved by building on our unrivalled global leadership through further expansion in Growth and Emerging markets, both organically and through our value-creating acquisition programme. Areas of key focus include developing our digital capability, exploiting national and international sales opportunities and continued pest control products and services innovation. In M&A we look for an IRR of 13% in Growth markets and 15% in Emerging markets. Read more on pages 22 to 25	Key factors which are driving consistent growth include an increasing population, additional legislation in critical areas such as food safety and a growing pest burden of species such as mosquitoes. The world population is expected to grow to 8bn by 2025, impacting specifically on strategically important markets to us, including India, China and Brazil where we are already experiencing double-digit revenue growth.
Hygiene	We have continued to make further progress in revenue growth in Hygiene in 2017. Our focus is to build on the strength of our leading Hygiene brand and strong market positions, sell our range of award-winning hygiene products with confidence, lead the way on product and service innovation, build city density and extend our footprint through organic growth and targeted M&A. In M&A we look for an IRR of between 15% and 20%. Read more on pages 26 to 29	As with Pest Control, our Hygiene businesses operate in an attractive industry offering good growth opportunities as expectations around standards of hygiene increase. Margins are driven by postcode density (servicing as many customers as possible in a tight geographic zone) and customer penetration (selling multiple service lines to customers). What we seek therefore is more customers on our routes and more products within customers' premises.
Protect & Enhance	The businesses included in this category are Workwear (France), Ambius (global) and Property Care (UK). It also includes a sub-scale Dental Services business (Germany and Sweden). All are profitable, cash-generative businesses and, combined, represent c. 11% of Ongoing Operating Profit. Our strategic focus is on enhanced customer service, customer retention and profit protection. Acquisition opportunities are likely to be more limited than in Pest Control and Hygiene and would require an IRR of 20%+. Read more on pages 30 to 31	Initial Workwear is the No. 2 player in the French workwear market, where conditions have been challenging for a number of years due to economic pressures and an intense pricing environment. Conditions have, however, shown signs of improvement in 2017 with an improving economic outlook and some easing of pricing pressures. Ambius also operates in competitive markets with pricing pressures remaining. Our UK Property Care business is closely linked to the housing market, which has weakened since the June 2016 referendum result and the General Election.

Our strategy by business category

Our plans for 2018

Growth markets
- Build margins by leveraging our scale and building density in North America
- Maximise national and international accounts propositions
- Deploy innovation targeted at key pest sectors, for example, rodents and bed bugs
- Increase focus on mosquito control/vector control
- Harness the digital opportunity across customer lifecycle
- Complete roll-out of customer extranet portals to give greater value insight and maximise retention
- Further execution of M&A programme

Emerging markets
- Build presence in higher-growth markets, notably India and China
- City-focused acquisitions to build scale and density
- Harness the power of the Rentokil brand to target international customers
- Maximise use of digital tools from web to e-billing to support sales and productivity

Progress in 2017

£1.3bn
Ongoing Revenue, up **21.4%**

£239.8m
Ongoing Operating Profit, up **18.1%**

33
acquisitions completed

- Target upselling of multiple services to customers using our full Hygiene range
- Gross margin-based sales commission and incentives
- Innovation focused on highest growth sectors such as Air Care (particularly in Asia)
- Target growth through national accounts and relationships with facilities management providers
- Build route density through targeted selling, use of new tools such as ServicePlus and a targeted, city-focused acquisition programme

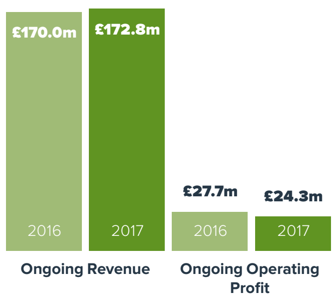
£402.5m
Ongoing Revenue, up **7.6%**

£71.4m
Ongoing Operating Profit, up **9.7%**

7
acquisitions completed

- **France Workwear** – return to profitable growth by end of 2018 through implementation of our Quality agenda
- **Ambius** – while performance is linked to economic conditions in North America and the UK, we have expertise in high-end installations such as 'green walls' and large-scale planting projects. Capitalise on key Holiday season in North America and on growth in global scenting market
- **UK Property Care** – performance linked to improving housing market in the UK

1.7%
Ongoing Revenue growth in France Workwear, however Ongoing Operating Profit has declined by **12.2%**



Strategy in action – Pest Control

Our Bird Pro team in Mumbai is professionally trained in abseiling, which is often the only way to reach areas which require protecting.

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

We have strengthened our position as global leaders in pest control through increased organic growth and by establishing stronger market positions particularly in Emerging and Growth markets, and through innovation, digital expertise and acquisitions.

Our Pest Control strategy

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

- building on our unrivalled global leadership through continued expansion in Growth and Emerging markets, with a continued focus on North America;
- maintaining a strong, value-creating acquisition programme to build density;
- harnessing the digital opportunity – completing the roll-out of our best-in-class customer portals and developing web presence for a mobile/digital-first world. We aim to lead in connected products, particularly for high dependency food clients;
- exploiting the international sales opportunity – using tight profiling and framework agreements. Our pipeline of international opportunities with food industry, hotel, retail and pharmaceutical customers is worth over £55m; and
- continuing to innovate at pace for future growth through deployment of new pest control products and services from our innovation pipeline.

Attractive and growing market

Pest control is an attractive and growing market offering long-term growth prospects and is expected to deliver a CAGR of around 5% over the next five years. Structural growth drivers include: economic activity in growth markets (offices, housing etc.); population expansion and urbanisation, particularly in Emerging markets; a growing middle class demanding higher standards of hygiene; rising international standards in food safety and hygiene regulation; increasing pressure from pest species through climate change; and legislation and regulatory change.

Driving Organic Revenue growth in Pest Control

As the world's leading pest control business we have the scale and expertise to drive Organic Revenue growth ahead of the market, which rose by 5.8% in 2017. We provide an update on some of our Organic Revenue growth levers below.

Global and national accounts

We continue to make good progress in targeting global customers particularly in the food processing and hospitality sectors. Our acquisition of Steritech in North America, combined with our increasingly active participation in the Global Food Safety Initiative, has strengthened our global brand presence in these sectors.

In 2016 we signed our first major international pest control contract with a global food production and agricultural products organisation. At the end of that year we secured a further pest control contract with Mondelez, the multi-national confectionery, food and beverage company. This was followed in 2017 with new global preferred pest control contract wins with facilities management business ISS, and Sodexo, one of the world's largest multi-national food services and facilities management corporations. The combination of our unique global footprint and emphasis on expertise and innovation has been a core theme in these wins, with several customers visiting The Power Centre in the final stages of their selection process, and crediting it with a critical role in the decision. We have a strong pipeline of further new global customer opportunities within the food production, pharmaceutical, hotels, hospitality, transportation and logistics sectors.

The acquisition of Steritech in 2015 has also significantly enhanced our capability in the US national accounts market. Now with greater national scale and density, we are more competitive and a key component of our sales strategy is to grow our national accounts portfolio rapidly through:

- targeting specific national account prospects within the most attractive industry segments such as food and pharmaceuticals;

Strategy in action – Pest Control

- taking a standardised and focused approach to sales execution with common performance metrics and sales processes;
- leveraging the combined national sales expertise of both Rentokil and Steritech; and
- maximising cross-selling opportunities across brands.

In 2017 we increased our national account sales by 40% (2016: 55%) and, as with our global accounts, our pipeline of prospects is strong.

Technical expertise shared across markets

Across the world we help combat the dangers to public health from mosquitoes and believe our depth of expertise and experience in global mosquito control is unrivalled. In Central and Latin America and across the Caribbean, Rentokil undertakes monitoring and control services to support its customers against the potential threat of Zika virus, and in Asia we have over 30 years' experience in helping customers to combat the threat of dengue fever.

In recognition of our expertise in this area we were awarded in 2015 a contract by the U.S. Federal Government's Centers for Disease Control and Prevention (CDC) to help control the species of mosquito that could potentially carry the Zika virus across the USA and its protectorates.

While the contract with the CDC expired in 2017, the threat from mosquito-borne diseases is rising. In response to this growing threat we announced in Q4 our acquisition of Vector Disease Acquisition, LLC (VDA), North America's largest provider of mosquito control services.

For many vector-borne diseases such as Zika virus, West Nile virus, yellow fever, malaria and dengue fever, vector control services are the most effective way to protect public health.

VDA provides a full range of vector control services, including weekly monitoring of mosquito levels, species identification and disease testing (using its in-house laboratory) and control of both adult and larval mosquitoes from the ground and using aircraft. In line with this acquisition, the Company is establishing a new global centre of excellence for mosquito control, which will be based in North America.

Growth markets

We are building strong positions in these key markets, which include North America, the UK, Australia, New Zealand and the Caribbean.

North America is particularly important to us as it is the world's largest pest control market. Worth c. $8bn, it represents 50% of the global market and is expected to grow at a CAGR of c. 5% through to 2023. Our North America business has delivered a four-year CAGR of 23.2% in Pest Control and is currently growing organically in excess of the market rate. This has been aided by a strong performance in national accounts and our Pest Control Products business.

Looking forward, demand for mosquito control is expected to outpace demand for general pest control services. As we have previously highlighted (please see page 2), North America is a key market for M&A and, as the 'buyer of choice', our pipeline remains particularly strong. However, asset prices are rising as a result of increasing competition for high-quality targets, particularly in the US.

+£623.0m

The growth engine of the Group, our Pest Control business has delivered £623m of additional revenues in the past four years.

+5.8%

Organic growth has more than doubled from 2.2% to 5.8% since 2013.

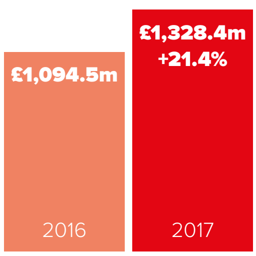
Through a combination of organic and non-organic growth actions, we aim to generate $1.5bn revenues and Net Operating Margins of c. 18% by 2020.

Since 2014 we have acquired 83 new businesses in Growth markets, of which 42 were in North America. We have also established an M&A pipeline in the Pacific, acquiring 15 pest control companies. We have built upon our UK growth story through the use of digital expertise, innovations and productivity and service enhancements. Around 10% of new sales in the UK are being delivered through our innovation pipeline.

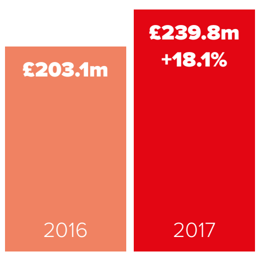
Emerging markets

These markets include Asia, Latin America, MENAT, Kenya, Fiji and Central America. Over the last four years we have expanded our scale in these higher growth markets by acquiring 28 pest control companies.

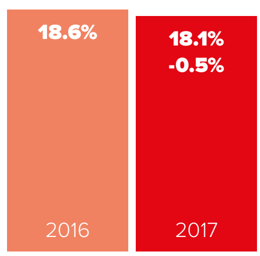
Ongoing Revenue
(AER: £1,396.6m, +27.6%)



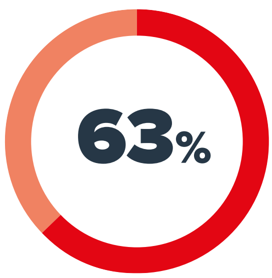
Ongoing Operating Profit
(AER: £252.0m, +24.1%)



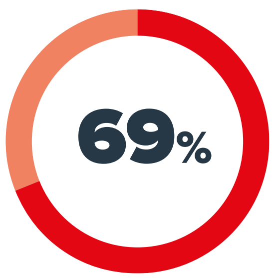
Net Operating Margin[1]



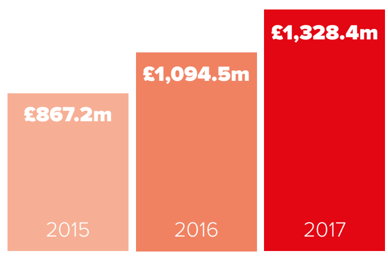
Pest Control as % of Group Ongoing Revenue



Pest Control as % of Group Ongoing Operating Profit[1]



Three-year Ongoing Revenue growth



1. Pre central and regional overheads and restructuring costs.

An Apprentice Entomology Technician ensures that insects are kept in optimum condition in order to study their behaviour.

In India we have grown from a small loss-making unit to the country's No. 1 pest control operator through the formation of our recent joint venture with PCI Pest Control Private Ltd (see more under the section 'Growth through M&A' on page 25). In China we are pursuing a city-based strategy with a focus on specific urban and industrial zones.

Our performance in the more mature markets of Indonesia and Malaysia has been steady, with both countries delivering high-single-digit revenue growth. We have identified Latin America as a significant opportunity and have moved quickly to secure a leadership position in Chile, Brazil and Colombia through organic growth and acquisitions, which we have now combined with our existing businesses in Mexico and Central America (El Salvador, Honduras, Guatemala). In addition, we have introduced productivity enhancements such as ServiceTrak and other innovations across our markets to encourage new sales.

Digital leadership

Rentokil Initial is a digital leader, leveraging technology to create value-added solutions and ways to remove duplication and complexity for our customers and colleagues. As well as the connected devices described below, our field service smartphone app, ServiceTrak, has been deployed to around 90% of our Hygiene front line colleagues globally and is being rolled out to more than 6,000 Pest Control technicians globally in 2018. We are transforming our back-office system to a cloud platform over the next two years and opening up new customer digital channels as a result. This will also allow us to realise further value from technology and to deploy innovations faster across the global business as they become available. We have started to use robotics and artificial intelligence in our back office to automate manual administrative tasks in a cost effective way.

Connected devices

Connected devices open up opportunities to revolutionise our business and provide our customers with a complete pest detection solution and full traceability. PestConnect, our award-winning remote monitoring system for rodents, is the world's smartest mouse trap. We have over 50,000 devices used in over 3,000 customer premises across 10 countries giving real-time business intelligence at the sites and leading the pest control industry. The system has sent us over three million individual messages relating to the presence of rodent activity and service productivity (such as battery life and the level of mobile connectivity). The system also guides our technicians to the exact unit that has signalled rodent activity – particularly useful on sites which use multiple units.

Harnessing the power of the web

In 2017 our web platform handled over 15.7m visits over 12 months, with double-digit visitor growth in key markets. During the year one new website was launched to a new country every three weeks. In addition, the myRentokil online customer portal was rolled out to 32 countries with over 100,000 customers registered. We aim to register the majority of our commercial customers by the end of 2018.

Industry leading innovation

Innovation underlines our brand positioning as the 'experts in Pest Control' and continues to differentiate the business. It is also an important driver of organic growth. In the UK in 2017, 21.5% of new Pest Control job sales came from innovations launched in the last two years, a further 5% point increase on 2016. New product launches in 2017 included three high-quality products: Lumnia, RapidPro and AutoGate.

Lumnia is a range of fly killers that use LED lighting rather than traditional blue-light fluorescent tubes allowing for power reductions of up to 60% versus comparable units. This is the world's first commercial range using LEDs and comes as a result of working in partnership with a leading manufacturer of LED lighting to develop a lamp specifically designed to target a broad range of flying insects. In addition to the benefits of using LEDs, the unit has different lighting settings to suit the specific requirements of customer locations and it also has an active lighting mode that adapts its output according to the ambient lighting levels on customer premises. We currently have 15,000 units being used in 31 markets around the world.

RapidPro is a new rodenticide that is the fastest acting rodenticide bait targeting mice. Not only does this lead to faster control of mice populations, but as an alternative to traditional Anti-Vitamin K (AVK) rodenticides, the product does not risk secondary poisoning of non-target species.

Our **AutoGate** rodent control unit uses sensors to contain poisoned bait behind a gate, safe from non-target species, until activated. During 2017 the product went live in five countries with a further 10 planned for 2018. AutoGate was created to address EU legislation prohibiting certain uses of permanent baiting using chemical products in pest control.

Our innovation pipeline remains healthy, with around 70 active innovation projects – a 20% increase on project volumes in 2016. We also have 16 patent applications pending. Innovations in their final stages of development include Multi Radar, Entotherm Compact, Agrilaser, BedBugConnect, fluorescent tracking gel, CageConnect and LiveCatchConnect.

M&A execution

111
Pest Control acquisitions since 2014

£486m
Revenue contribution from Pest Control acquisitions from 2014

33
Pest Control acquisitions in 2017

£175m
Revenue contribution from Pest Control acquisitions in 2017

Strategy in action – Pest Control

Growth through M&A

This year we acquired 33 pest control companies in 24 countries: Australia, the Bahamas, Canada, Chile, China, Colombia, Czech Republic , Denmark, France, Germany, India, Ireland, Italy, Malawi, Malaysia, New Zealand, Saudi Arabia, Singapore, Slovakia, South Africa, Sweden, Turkey, the UK and the US. We highlight a number of important acquisitions below.

In February we acquired Atlanta-based pest control company Allgood Pest Solutions. Ranked by Pest Control magazine as number 29 in the list of the largest pest control companies in the USA, the business generated annualised revenues for the 12 months prior to acquisition of $26.6m.

In March we completed the transaction to create a joint venture with PCI, India's largest pest control company, which offers a comprehensive range of pest control services and products through its countrywide network. Rentokil, which has management control of the JV, is integrating its Indian operations into the JV and the combined business has revenues of 4.5bn rupees (c. £50m), will operate from 250 locations and will employ 6,900 people.

In April we acquired SAMES, the market leader in the commercial pest control sector in the Kingdom of Saudi Arabia (KSA) with c. 2,500 customers covering most major cities, making us the No.1 pest control company in the KSA and the Middle East as a whole. The business generated revenues of £9m in the last 12 months prior to acquisition.

In addition, as we have previously highlighted, in November we acquired VDA, North America's largest provider of mosquito control services. Headquartered in Little Rock, Arkansas, VDA operates from 52 offices in 32 U.S. states. Annualised revenues for the 12 months prior to acquisition were $47m (£36m).

In addition to mosquito control, VDA also provides lake management services, a new route-based service line for our North America business. Invasive aquatic plants destroy fish and wildlife, and clog pipes used for drinking water, hydroelectric and irrigation supplies. Services include chemical treatments, mechanical vegetation removal, aeration and fountain management. The Lake Management division, which is predominantly a contract portfolio business, is also the largest of its type in North America.

M&A is a core component of our growth strategy and we will continue to look for attractive targets to further build density, particularly in North America and in Emerging markets. Although asset prices in North America have been increasing as a result of increased competition for high-quality targets, the Company has remained both disciplined in the application of its investment criteria and successful despite the competition as a result of its reputation as a highly professional and considered purchaser.

The integration of acquisitions is progressing well and the pipeline remains strong with no shortage of opportunities to create value in 2018 and beyond.

Market

Rentokil is the world's largest commercial pest control business and has 15% of the global commercial market and 8.2% of the total pest control market worldwide. We continue to increase our international presence through a combination of organic growth and targeted acquisitions. For further information on the pest control market, please see page 16.

Customers

In over 70 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, as well as non-food sectors.

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 and wooden housing.

Outlook for 2018

Pest control is a highly resilient industry and offers sustainable, long-term growth prospects. We are ideally placed to take advantage of major growth drivers in the pest control market which we have examined earlier on in this report on page 16.

In 2018 we will continue to build our presence in high growth Emerging markets, (notably India, China, Indonesia and Brazil) by capitalising on our growing scale. We will focus on targeted city-based acquisitions to build scale and density benefits. Organic growth will be achieved through direct sales to brand-sensitive customers and by using the power of the Rentokil brand to target international customers. Further, we will maximise the use of digital tools from web to e-billing to support sales and productivity.

In Growth markets we will continue to grow margins by leveraging our scale and building density, particularly in North America, organically and through further bolt-on acquisitions. We hope to make further progress in securing more national and international accounts. We will deploy new innovations for key pest control sectors, for example rodents and bedbugs, and will increase our focus on mosquito and vector control, supported by the VDA acquisition and establishment of our US-based mosquito centre of excellence. In addition, we will continue to harness the ongoing digital opportunity including the further roll-out of customer extranet portals to aid added-value insight and maximise customer retention.

An unrivalled footprint in Emerging markets

Rentokil has a powerful market position in Emerging markets, and has the scale, brand and experience to ensure further growth. Revenues from Pest Control in Emerging markets grew by over 50% in 2017 to £200m.

Rentokil Asia

12
countries

9,000
technicians

580+
locations

Rentokil India

No.1
market position

4,631
technicians

280+
locations

Rentokil Latin America

+31.4%
Pest Control Ongoing Revenue growth

1,000+
employees

14
acquisitions between 2012 and 2017

Strategy in action – Hygiene

Pursuing an 'Execute Now' growth strategy to leverage our key strengths in our 44 countries of operation.

In 2017 we achieved our strongest level of Ongoing Revenue growth in Hygiene for many years. This was achieved through building on the strength of our brand and market positions, selling our product ranges with confidence, building city density, and extending our footprint through organic growth and targeted acquisitions.

Our Hygiene strategy

Initial Hygiene is the world leader in hygiene services, with global scale and multiple market leading positions. Continued growth in this business can be achieved through:

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

As a leading player in the hygiene industry, Initial Hygiene has award-winning products including Signature, Reflection and Colour and one of the world's strongest brands, which is particularly valuable in emerging markets. We have an in-depth understanding of the importance of density and operational drivers of growth. We have strong market positions in higher-growth markets and are well placed to take advantage of major demographic changes.

Since 2013 we have delivered a significant improvement in revenue growth, established a strong product range, launched the myInitial customer portal for enhanced customer insight and engagement, and have begun to acquire bolt-on businesses to build scale and density. Hygiene has delivered a four-year CAGR of 4.9%.

Attractive and growing market

Like Pest Control, our Hygiene businesses operate in an attractive industry offering good growth opportunities as expectations around standards of hygiene increase. The business is highly profitable with margins being driven by postcode density (servicing as many customers as possible in any tight geographic zone) and customer penetration (selling multiple service lines to customers).

The global hygiene market is expected to grow in line with GDP. An explanation of some of the key growth drivers in the global hygiene market is provided below.

Changing demographics and tighter regulation

These include population growth and an ageing population which result in more health issues and hygiene product requirements, higher expectations for nappy changing/disposal in public and retail areas, and incontinence facilities and product disposal. Other demographic changes include growth in Emerging markets, rising middle classes and greater levels of women at work requiring more feminine hygiene facilities and services. Tighter regulation across the world is also driving greater compliance with workplace hygiene, food production and retail hygiene and environmental standards.

The products and services which address the above are called 'In Cubicle Hygiene Services' and account for around 40% of the hygiene market. Services include disposal of sanitary waste and disposal of nappies and incontinence products. We have developed high-quality products to match these growth drivers and increase density, including Signature, Reflection and full colour bins in different size options to suit customer needs, and also premium No-Touch products.

Rising customer expectations

There is an increasing awareness of the link between good hand hygiene and wellbeing and a greater expectation for healthy workplaces and healthcare facilities. Social media is also driving companies to invest in brand protection while an increasing focus on sustainability is encouraging lower water consumption and paper saving.

Strategy in action – Hygiene

'Hand Care Services' account for approximately 22% of the hygiene market. Initial Hygiene offers a full range of hand hygiene solutions including soap and sanitiser dispensers, hand driers, roller towels, paper towel dispensers, consumables and premium No-Touch products.

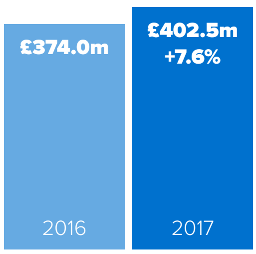
Enhanced brand experience

This is important within organisations seeking to enhance and differentiate customer experience through the use of design, colour and scent. 'Air Care Hygiene Services' account for c. 15% of the market. Clean air is a major topic in Asia given air pollution concerns and accounts for over 30% of the market in Malaysia, for example. Air Care Services include commercial air scenting, air fresheners and air purification services to combat airborne bacteria such as influenza, e.coli and salmonella. Initial Hygiene's Premium Scenting range provides both standard and bespoke scenting. Customer segments include hotels (offering scenting in lobby areas), car showrooms and clothing retailers seeking to match scent to brand.

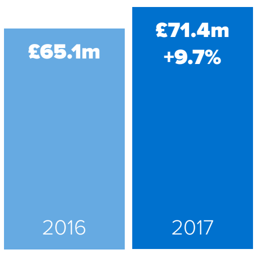
Mitigating risk

'Floor Care Services' include indoor and outdoor mats which help prevent trips and slips and account for around 15% of the hygiene market. Initial Hygiene offers a range of high-quality products including textile and non-textile floor mats for use in reception areas, industrial and food preparation areas. It also offers logo and branded mats to enhance brand experience.

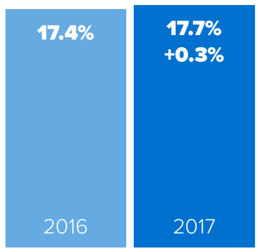
Ongoing Revenue
(AER: £424.3m, +13.4%)



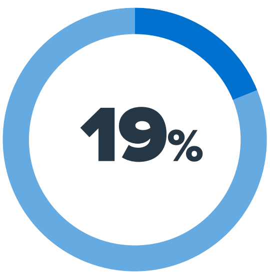
Ongoing Operating Profit
(AER: £75.3m, +15.6%)



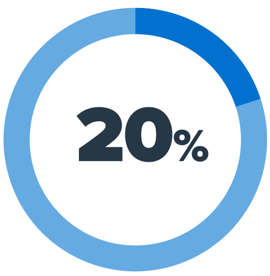
Net Operating Margin[1]



Hygiene as % of Group Ongoing Revenue



Hygiene as % of Group Ongoing Operating Profit[1]



+4.9%

Four-year CAGR in Hygiene

+7.6%

Ongoing Revenue growth in 2017
(2016: +6.3%, 4.8% Reported)

1. Pre central and regional overheads and restructuring costs.

Driving growth in Hygiene

As the world's leading hygiene services business, we have the scale and expertise to drive Organic Revenue growth, which rose by 2.1% in 2017. We provide an update on some of our organic growth levers below.

Postcode density and service productivity

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

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

ServiceTrak is our smartphone field service app used by technicians to record service visits – for example, start time, services performed, customer recommendations, customer signatures and end time. Proof of service is then emailed to customers at the end of the visit and the data uploaded to our customer data systems, allowing our customer care team to view the information and respond quickly and easily to customer queries. We aim to reach 100% deployment of this tool across our Hygiene technicians in 2018. The benefits of ServiceTrak include greater service productivity, delivery of a more professional service and cost savings. In Indonesia, where all 300 of our technicians have access to ServiceTrak, gross margins grew by 1.2% points in 2017.

Product penetration and customer upselling

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

In addition, we continue to strengthen our washroom range to maximise our selling capabilities through additional product launches and the continued roll-out of the range across our operations. Notable developments in 2017 include the launch of our new GENIE air care product, a patented innovation and the world's most advanced commercial air fragrancing system. The product utilises unique dispersal technology and odour neutralising fragrances ideally suited for challenging washroom odours and high-traffic washroom spaces.

Digital leadership and web expertise

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

Growth through M&A

In M&A we are adopting the same route density, city-focused strategy for our Hygiene business as we have for our Pest Control business, seeking high-quality acquisitions in Growth and Emerging markets to build density and grow margins. This year we bought seven businesses in Australia, Colombia, France, Germany, Italy and Sweden generating combined annualised revenues of £44m in the year prior to purchase, all of which are performing well. M&A this year includes the acquisition of CWS-boco's Italian hygiene business which in the year prior to acquisition generated revenues of just under £40m. The increased number of acquisitions in Hygiene in 2017 is a reflection of our growing confidence in the performance of the business and the beneficial impact of greater density on driving margins. We will continue to seek attractive Hygiene targets in 2018.

Acquisition of Cannon Hygiene Services

In early 2018 we completed our acquisition of Cannon Hygiene Services. With operations in nine countries, the business represents a particularly good fit with our existing operations. It will allow us to increase our coverage in key markets and gain a good level of synergy from enhanced density and combining infrastructures. The transaction also marks our entry into the attractive Indian hygiene market where Cannon is the market leader. The acquisition will add c. £77m of global Hygiene revenues and replaces a high proportion of the European Hygiene revenues contributed to the joint venture with Haniel. The business generated £5m of adjusted operating profits in the year to March 2017. In the UK we are currently required to hold the

Increasing focus on M&A

In line with our strategy for Pest Control, we have begun to target Hygiene bolt-ons to add scale and build density. We have also reduced our exposure to some of the more challenging and competitive markets in Europe through the divestment of Hygiene assets to Haniel during the year.

13

Hygiene acquisitions since 2014

7

acquisitions in 2017

Strategy in action – Hygiene

Cannon business separate while we respond to queries from the Competition & Markets Authority, but we remain confident that the acquisition does not create any competition concerns and will be cleared in due course.

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 up with 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 now being used with around 40% of our UK customers).

Outlook for 2018

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 Growth and Emerging markets remains a key focus.

While 2017 has seen a continuation of good revenue growth, our focus once again in 2018 will be on driving margin expansion. We see opportunities for improvement through increasing postcode density through targeted selling and acquisitions and using our full Hygiene product range to increase services provided per premises (and in particular where we provide only one service per premises) through targeted sales. In addition, productivity can be improved through the roll-out of Service+. Innovation will continue to be a key focus for the forthcoming year, and we will concentrate our efforts on the highest growth sectors such as Air Care, which is particularly important in Asia and one of our fastest growing product categories. Finally, we will continue to link sales incentives more closely to margin delivery, thereby reducing price discounting and driving improved yield management.

Add a splash of colour

Our new colour range of hygiene products has been designed to match our customers' washroom decoration or brand, as well as building high standards of hygiene.

9
colours

3
finishes

Strategy in action – Protect & Enhance

Focus on enhanced service, customer retention and profit protection.

The four businesses which are included in this category are Ambius, Property Care, Workwear and a very small Dental Services operation. All are profitable, cash-generative businesses which share overheads with our Pest Control and Hygiene businesses. However, all operate within more challenging markets and are failing to deliver year-on-year profitable growth. Combined, the businesses represent 11% of Ongoing Operating Profit and generate a Net Operating Margin of 10.3% on an annualised basis. In M&A we seek an IRR of at least 20%. A description of each business is provided below.

Ambius

Ambius operates in 17 countries with leading positions in the US, Canada, Australia and New Zealand. Its product offering is broadly consistent across the world and includes interior landscaping, Christmas decorations and premium scenting. Key customer segments are offices, facilities management, hospitality and retail. Its strategic focus is on higher-margin green (living) walls and premium scenting, expanding and exploiting international agreements and driving lead generation through digital applications.

Property Care

Our Property Care business is based solely in the UK. Its services include dry rot, woodworm and damp proofing. Highly fragmented, the UK property care market is valued at c. £150m. We have built a leading position in the industry over recent years, cemented by the acquisitions of Peter Cox and Wise. We have developed a strong operational capability with certified teams primarily undertaking jobbing work in commercial and social housing. While the business has a defensive cash position with advance payment required before work is undertaken, the market is currently experiencing some weakness. The strategic focus of Property Care is on sharing digital expertise with Pest Control, cost optimisation and efficiency, IT system integration and margin management.

Workwear

Our remaining Workwear operations in France specialise in the supply and laundering of workwear, uniforms, cleanroom uniforms and personal protective equipment. The business has shown operational and financial improvements this year however market conditions continue to be challenging. The European workwear industry is currently undergoing a period of consolidation with the Elis/Berendsen merger, our own JV with Haniel and our recent divestment of eight of our textile laundries to RLD. Our France Workwear operations will continue to implement our Quality agenda focused on service quality, together with profit improvement and margin protection initiatives. We are committed to returning the business to profitable growth by the end of this year.

France Workwear Quality agenda

As we have stated previously in this report, we are committed to returning our France Workwear business to profitable growth by the end of 2018. We aim to achieve this through the further implementation of our Quality agenda which we believe is the best approach to mitigate the ongoing market challenges this business faces. This plan involves:

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

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

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

Strategy in action – Protect & Enhance

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

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

Outlook for 2018

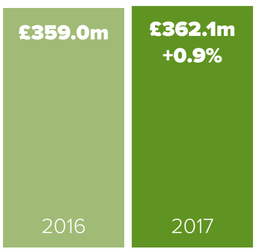
Performance in our Ambius business is linked to economic conditions in North America and the UK. However, the business has expertise in high-end installations and large-scale planting projects. It also benefits from a strong Q4, reflecting strong Holiday sales in North America in the run up to Christmas. The business is also well placed to capitalise on the rapidly growing global scenting market.

Performance in 2018 from our Property Care business, which has suffered in 2017 from a weak housing market since the June 2016 referendum result and the General Election, will be closely linked to an improving housing market and economic conditions in the UK.

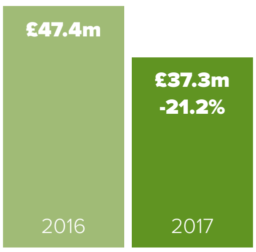
While France remains challenging, we believe the improvements we have seen this year in the French economy and the workwear pricing environment will continue into 2018, which, when combined with our own operational and financial performance improvements, support our ambition to restore our France Workwear business to profitable growth in 2018.

We expect trading conditions in our Dental Services markets of Germany and Sweden to be broadly similar to 2017.

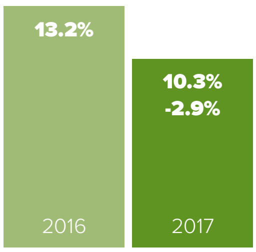
Ongoing Revenue
(AER: £382.9m, +6.6%)



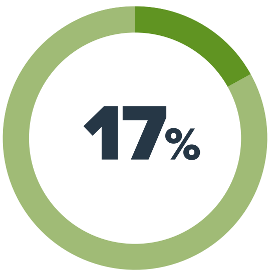
Ongoing Operating Profit
(AER: £40.8m, -13.9%)



Net Operating Margin[1]



Protect & Enhance as % of Group Ongoing Revenue



Protect & Enhance as % of Group Ongoing Operating Profit[1]

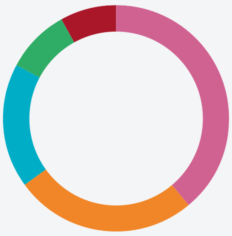
1. Pre central and regional overheads and restructuring costs.

Regional performance

World overview

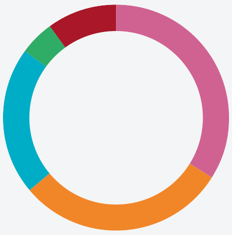
We have a clear and simple geographic model in which our businesses are grouped into five strong regions: **North America, Europe, UK & Rest of World, Asia and Pacific**. Operating in over 70 countries, c. 90% of our revenues are derived outside of the UK. Our single country management teams lead integrated, multi-local and multi-service operations with combined back office functions underpinned by shared systems and processes such as route optimisation and measurement of customer satisfaction.

Regions as % of Group Ongoing Revenue



North America	39%
Europe	26%
UK & Rest of World	18%
Asia	9%
Pacific	8%

Regions as % of Ongoing Operating Profit



North America	34%
Europe	30%
UK & Rest of World	21%
Asia	5%
Pacific	10%

North America

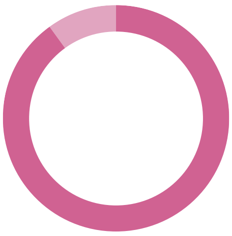
2017 Net Operating Margin

+0.1% at **13.6%**

2017 Ongoing Revenue

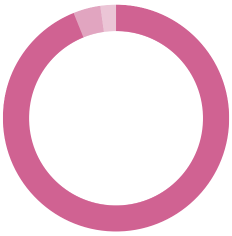
+21.1% at **£824.0m**

Businesses as % of Group Ongoing Revenue



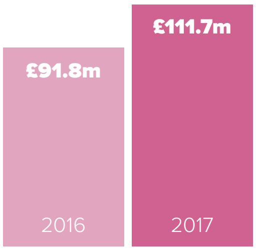
Pest Control	90%
Protect & Enhance	10%

Countries as % of Group Ongoing Revenue



USA	94%
Canada	4%
Central America	2%

2017 Ongoing Operating Profit growth



Europe

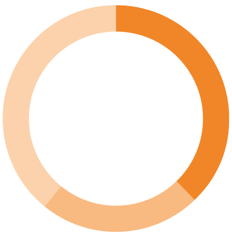
2017 Net Operating Margin

-1.3% at **19.1%**

2017 Ongoing Revenue

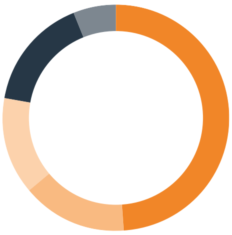
+7.3% at **£556.6m**

Businesses as % of Group Ongoing Revenue



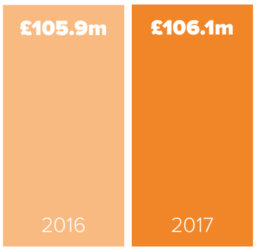
Pest Control	38%
Hygiene	23%
Protect & Enhance	39%

Countries as % of Group Ongoing Revenue



France	49%
Benelux	15%
Germany	14%
Southern Europe	16%
Latin America	6%

2017 Ongoing Operating Profit growth



Regional performance

UK & Rest of World

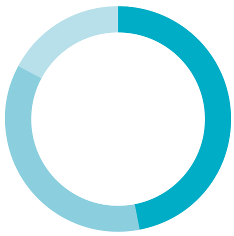
2017 Net Operating Margin

-0.2% at **20.7%**

2017 Ongoing Revenue

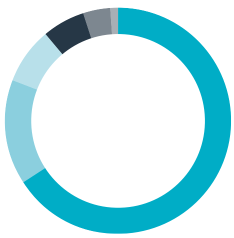
+6.8% at **£370.4m**

Businesses as % of Group Ongoing Revenue



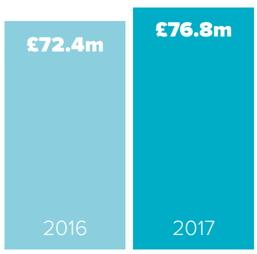
Pest Control	47%
Hygiene	36%
Protect & Enhance	17%

Countries as % of Group Ongoing Revenue



UK & Ireland	66%
Nordics	15%
Sub-Saharan Africa	8%
Caribbean	6%
MENAT	4%
Baltics	1%

2017 Ongoing Operating Profit growth



Asia

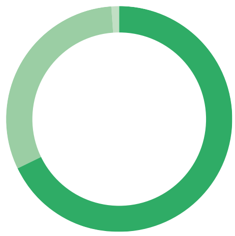
2017 Net Operating Margin

+0.2 at **10.5%**

2017 Ongoing Revenue

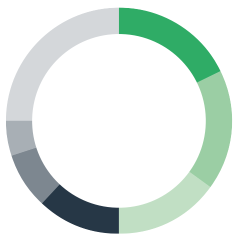
+37.3% at **£179.1m**

Businesses as % of Group Ongoing Revenue



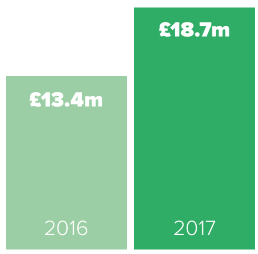
Pest Control	68%
Hygiene	31%
Protect & Enhance	1%

Countries as % of Group Ongoing Revenue



Other	18%
Malaysia	17%
Singapore	15%
Indonesia	12%
Hong Kong	8%
Thailand	5%
India	25%

2017 Ongoing Operating Profit growth



Pacific

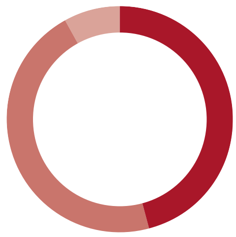
2017 Net Operating Margin

+0.4 at **21.6%**

2017 Ongoing Revenue

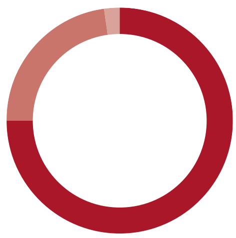
+7.7% at **£162.9m**

Businesses as % of Group Ongoing Revenue



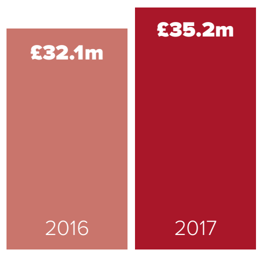
Pest Control	46%
Hygiene	46%
Protect & Enhance	8%

Countries as % of Group Ongoing Revenue



Australia	75%
New Zealand	23%
Fiji	2%

2017 Ongoing Operating Profit growth



Corporate responsibility

Over the last five years, in line with our RIGHT WAY plan, the Company has made significant progress in performance against its priority areas for sustainability.

These corporate responsibility (CR) priorities include health and safety, skills development and engagement, innovation and digital service enhancements for customers, reductions in environmental impacts, supply chain governance including human rights and modern slavery, and supporting communities and charities in line with its mission to Protect People and Enhance Lives.

Further details of the Company's corporate responsibility activities and policies, including in the areas of environment, workplace and marketplace, can be found in this year's Corporate Responsibility Report, available on **rentokil-initial.com**.

Governance

Corporate responsibility is woven into the Company's overall governance arrangements, the cornerstone of which is the Code of Conduct. Rentokil Initial has a robust policy framework for each of the key CR areas, covering health and safety, anti-corruption and bribery, environmental management, human rights, modern slavery and relationships with customers and suppliers. These are reviewed regularly to ensure they meet current best practice and legislative needs. A full list is available on **rentokil-initial.com** with further details provided in the Company's Corporate Responsibility Report.

Rentokil Initial's strong pedigree in overall governance was demonstrated by being ranked 17th equal of all FTSE 100 companies in the Institute of Directors' Good Governance Index for 2017. The Chief Executive has Board responsibility for CR and the Company's broader corporate governance arrangements include CR as well as the Company's engagement with its wider stakeholder groups under section 172 of the Companies Act 2006. CR policies, and the values, behaviour and culture they are designed to instil, are the underpinnings of the Code of Conduct. This is monitored by the Company's Internal Audit team, and there is a mandatory set of training modules in the U+ online learning platform which were completely revised and re-issued in 2017. The Internal Audit team also manages the confidential reporting channel, Speak Up, on an independent basis. Details of control incidents reported in 2017 can be found in the Audit Committee Report. There is also an annual Letter of Assurance process, whereby all senior management sign to confirm their personal commitment to and compliance with the Code of Conduct and key corporate policies, and their assurance that the colleagues for whom they are responsible are similarly aware of and understand what is required of them and have complied.

The Company's Human Rights Policy outlines the human rights principles that reinforce the behaviours expected of our colleagues as set out in the Code of Conduct. 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. There were no incidents reported in 2017 of human rights violations involving the Company.

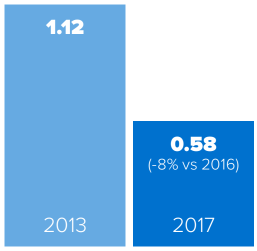
Anti-Bribery and Corruption policy and controls are addressed by: a clear policy framework (within the Code of Conduct) as well as a separate Anti-Bribery policy; dedicated, mandatory training for all managers; reviews of businesses by Internal Audit as well as the critical and key supplier audits carried out by Group Procurement; due diligence processes for targets in M&A transactions; use of gifts and entertainment registers for tracking benefits given and received; and the use of Speak Up to raise any concerns outside the normal line management chain. There were no fines, penalties or settlements reported in 2017 involving the Company in relation to corruption.

Awards in 2017

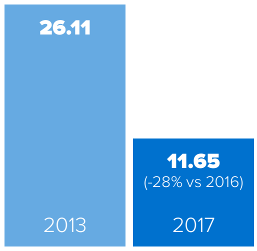
The Company is proud to have been recognised with a number of independent awards, including in 2017:

- The Queen's Award for Enterprise
- Britain's Most Admired Companies – Business Support Services
- Membership of sustainability indices including the Dow Jones Sustainability World Index.
- Corporate Development award for most effective use of M&A to grow and increase shareholder value
- International Plantscape Awards (25 winners) and European Plants@Work Awards (7 winners) for Ambius.
- Ranked 7th Best Company Workplace in Britain
- Most effective communication of company investment proposition – FTSE 100
- Most Innovative Deployment of HR Technology
- Best Learning Team; and Best Advance in Learning Technology Implementation

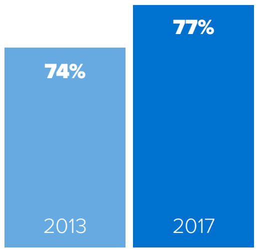
Safety – Lost Time Accidents



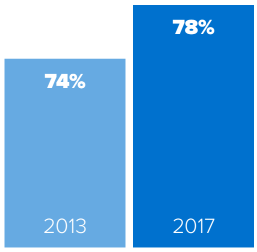
Safety – Working Days Lost



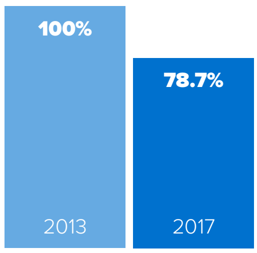
Colleague engagement



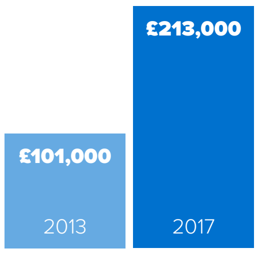
Colleague enablement



Index of emissions intensity



Charitable donations



Health and safety

Since 2013 Rentokil Initial has improved its safety performance by approximately 50%. 2017 was its safest year ever with a 28% reduction in Working Days Lost and an 8% reduction in Lost Time Accidents.

KPI	2017	2016	2015	2014	2013
Lost Time Accidents (LTA)[1]	**0.58**	0.63	0.76	1.00	1.12
Working Days Lost (WDL)[2]	**11.65**	16.14	19.59	28.99	26.11

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

Data excludes those companies which joined the JV with Haniel in 2017.

In 2017 the Company completed the roll-out of its Golden Rules for Safety across all countries as well as minimum Driving at Work standards and Safety Leadership Behaviours, which are specifically targeted at first level managers who have a significant influence on frontline safety standards. In 2018 the focus will be on driving safety, including use of digital technology such as mobile phone blocking, development of a driving behaviour app, and on sharing best practice through a Safety Moments campaign.

Although the number of major safety incidents recorded in 2017 was sharply reduced versus 2016 (14 versus 27), regrettably there were three fatalities in 2017, all related to driving incidents. These involved collisions between our vehicles and pedestrians in the US, Indonesia and Vietnam. The Company's investigations showed that its own drivers were at least partly at fault in each case and corrective actions were agreed.

Workplace

Rentokil Initial aims to become a world-class Employer of Choice. For the first time in 2017, levels of both colleague engagement and colleague enablement were within the global High Performing norm level, as measured independently by the Korn Ferry Hay Group within the Company's Your Voice Counts (YVC) survey.

This year's YVC survey received a response rate of 87% and the results were presented in detail to the Board, regional boards, country and functional management teams and in every branch, for specific follow-up actions to be determined. Main improvements have been seen in colleague engagement (+4%), colleague enablement (+4%), opportunities to learn and develop (+7%), open and honest communication (+7%) and opportunities to achieve career goals (+7%).

Career development is a key driver of engagement and enablement. U+, the Company's in-house 'university', delivers online courses, face to face programmes, as well as compliance and induction programmes. In 2017, over two million items of online training were viewed, 607,000 courses were completed by colleagues (337,785 in 2016) and c. 500 learning assets (videos, courses, etc.) were created covering topics such as sales, safety, technical and operational best practice and compliance. All were developed in-house. U+ received the 2017 Learning Team of the Year award at the Brandon Hall Group Excellence Awards.

In 2017 a major colleague consultation was undertaken involving the representatives of c. 2,500 colleagues across 10 European countries ahead of establishing the joint venture with Haniel (CWS-boco) in June, and a major consultation with unions, works councils and health and safety committees also took place in France in connection with the disposal of eight laundries in September.

Rentokil Initial's Diversity and Inclusion programme fosters greater diversity, leading to stronger business performance, creating competitive advantage and enhancing the attraction and retention of talent, and a new Diversity and Inclusion Policy was launched at the beginning of 2018. See fact box (right) for UK gender pay gap and Group diversity data.

Your Voice Counts

In 2017 all colleagues, including those in newly-acquired businesses such as in India, were invited to participate in a confidential survey. The results from the 2017 survey showed very strong colleague engagement and colleague enablement levels which, for the first time, were both above the global Korn Ferry Hay Group High Performance norms. Other areas of particular strength were:

Question area	High Performance norm
Company is open to new ideas	19 points above
Finding better ways to meet customer needs	17 points above
Company is innovative in developing products	13 points above
Motivation of colleagues	7 points above
Clear link between performance and pay	6 points above

Fact file

Total employees
(average over 2017)
36,036
(2016: 32,150)

Gender diversity
(% of females in post as at 31 December 2017)

Board
38% (3 out of 8)

Senior managers
27%
(21 out of 79 people)
(2016: 24%)

Total workforce
27%
(9,729 colleagues)

Gender (UK) hourly pay gap
(as at 5 April 2017)

Mean pay gap
0%

Median pay gap
-2%

Colleague retention in 2017

Sales colleague retention
82.2%
(2016: 78.9%)

Service colleague retention
83.6%
(2016: 84.4%)

Independent review

The website Glassdoor provides employees of companies around the world with an independent forum to review workplace culture. Our scores on Glassdoor remained strong throughout 2017 and the Company was awarded the seventh Best Company Workplace in Britain, and eighth Best Workplace Culture by Glassdoor. As at 31 December 2017, our overall rating was 4.3 out of 5 with the average company rating on Glassdoor at 3.3 (based on a 5-point scale: 1.0 = very dissatisfied, 5.0 = very satisfied).

Rentokil Initial reviews – Glassdoor

Overall rating: 4.3

Marketplace

Rentokil Initial's focus areas include innovation, quality of products and services, digital excellence and product stewardship. The Company's innovation pipeline has never been stronger with around 70 projects under way and capital expenditure on research and development up by 20% since 2015. Customer service remained strong during the year with State of Service at 97.8% (2016: 97.7%). More than 110,000 Customers Voice Counts (Net Promoter Score) calls were made to customers with the overall customer satisfaction score remaining strong at over 40. Customer retention also improved during the year to 85.7% (2016: 84.9%).

Global innovation launches in 2017 included:

- Lumnia, the first commercial range of electronic fly killers to use LED lighting rather than traditional fluorescent tubes, reducing power consumption by over 50%; and
- RapidPro, authorised in Europe to control mouse infestation without the use of second-generation anticoagulant rodenticides.

Digital leadership continued with:

- PestConnect having c. 50,000 connected devices for sensor-based rodent control;
- customer portals providing added transparency of service, with c. 100,000 users in place by the end of 2017; and
- accelerating growth in organic website sessions in 2017 – c. 30% growth (44% organic) – an additional 3.4m visitors.

Product stewardship is critical in developing new services. Each Rentokil operation has an Authorised Product List. This year the Regulatory team produced 1,400 new Classification, Labelling and Packaging Safety Data Sheets.

In 2017, the Company announced a strategic partnership with the British Retail Consortium to help manufacturers mitigate risks throughout the food industry, played a key role in the Global Food Safety Initiative's global conference, and commissioned research into the impact of the Internet of Things on the food supply chain (producing the From Farm to Fork report).

Independent review

Trustpilot

In the UK the website Trustpilot provides customers with an independent forum to review customer service. As at the end of 2017, our UK businesses have had over 3,000 reviews, with each business rated great or excellent (scoring over 9.0 out of 10).

Rentokil Pest Control UK

★★★★★

Overall rating: 5

Initial Washroom Hygiene UK

★★★★★

Overall rating: 5

The Power Centre

Opened in 2017, The Power Centre is Rentokil Initial's new science, innovation and training centre – bringing science and training together in one building. This £2m investment provides three times the amount of laboratory floor space compared with the previous science centre and includes simulated on-site locations for training in commercial spaces, such as supermarkets, hotels, restaurants and kitchens.

Corporate responsibility

Environment

Rentokil Initial's five-year target for a 10% reduction in emissions intensity was achieved by 2016 and the Board set a new target for a further 20% reduction in emissions intensity by 2020.

The Company reports tonnes of CO_2e, using 2017 DEFRA and International Energy Agency conversion factors. The tables below show global absolute emissions derived from property energy and vehicle fuels, together with the emissions intensity levels at constant exchange rates (CER). The divested European Workwear operations reduced absolute emissions by 15% (compared with 2016 data), and all data below excludes these operations, with prior years restated. Since the beginning of 2016, emissions intensity has reduced by over 11%.

Index of CO_2 emissions

Type of scope	**2017**	2016	2015	2014	2013
Index of energy and fuel-derived CO_2 emissions at CER	**78.7**	80.0	88.7	98.6	100

Index of CO_2 emissions – calculated as an index of kilograms per £m turnover on a constant exchange rate basis, providing an accurate like-for-like performance comparison, removing the variables of currency and divestments and acquisitions.

Absolute values of energy and fuel-derived emissions – tonnes of CO_2e

Type of scope	**2017**	2016	2015	2014	2013
Total scope 1	**166,287**	151,164	145,947	149,578	148,033
Total scope 2	**17,239**	14,331	15,337	20,076	17,684
Total scope 3	**40,953**	36,436	34,777	35,203	34,971
Total outside scope	**3,887**	3,405	3,178	3,032	3,063
Total – all scopes & outside scopes	**228,366**	205,337	199,238	207,889	203,751

Vehicle emissions represented 77% of total energy and fuel-derived emissions at the end of 2017 (2016: 75%) with programmes underway using technology and influencing driving behaviour, as well as fleet renewal, to improve vehicle energy efficiency. The Company continues to consolidate properties through co-location, resulting in improved property energy efficiency.

Sulfuryl fluoride is a gas used to fumigate buildings to protect public health. In 2017, absolute sulfuryl fluoride emissions were 481,390 tonnes (2016: 720,322 tonnes). The usage of this gas is very much determined by customer demand for specialist fumigation work.

Reduced greenhouse gases

Reduction in energy and fuel-derived greenhouse gas emissions in 2017

-1.6%

Energy-derived emissions reduction since 2013

-21.3%

Vehicle efficiency

Improvement in vehicle fuel efficiency since 2013

+10.9%

UK car fleet emissions per km driven in 2017 (2014: 113g)

102g

Rentokil's new Lumnia insect light trap reduces energy usage by up to 60% in comparison to traditional units.

Supply chain

The three key elements of Rentokil Initial's Supply Chain Management are product quality, service delivery and delivered cost. These are delivered through the robust implementation of Group governance procedures including the Rentokil Initial Supplier Standard, Group Procurement Policy, and Warehouse Management and Inventory Control standards. Contracts are based on standard templates that include anti-bribery and corruption clauses. The Modern Slavery Statement covers policies, contractual practices and due diligence processes and has been ranked in the top 30 of FTSE 100 by the Business and Human Rights Centre. A copy of the statement can be found at **rentokil-initial.com/modern-slavery**.

Detailed audits are conducted on all new suppliers who are classified as Critical Suppliers, after which they are placed on a programme with an audit frequency between one and four years, based on the risk profile and previous audit scores. In Pest Control, 87% of Critical Suppliers are on the audit programme, while 92% of Critical Suppliers in Hygiene are on the programme. Major global suppliers of products under their own brands, e.g. Bayer and Dyson, are not on the programme as they have their own stringent quality assurance procedures, but would be audited in the event of a quality, service or corporate responsibility failure.

Hygiene product recycling in Europe

In France and Italy an initiative is underway to substantially reduce the waste burden within our Hygiene washroom business.

This involves establishing facilities to refurbish dispensers (made from metal and plastics) rather than buy new units. In 2017, our business in France established three new facilities (in Paris, Nantes and Nice) with a new facility in Lyon to open in 2018. During the year, the business refurbished approximately 25,000 dispensers and will start to refurbish electrical products such as air hand dryers and electronic fly killing units in Nice with dedicated and certified operations in 2018. In Italy, the business sent over 4,400 hygiene units for refurbishment in 2017, resulting in c. 30% reduction in waste.

Community and charitable support

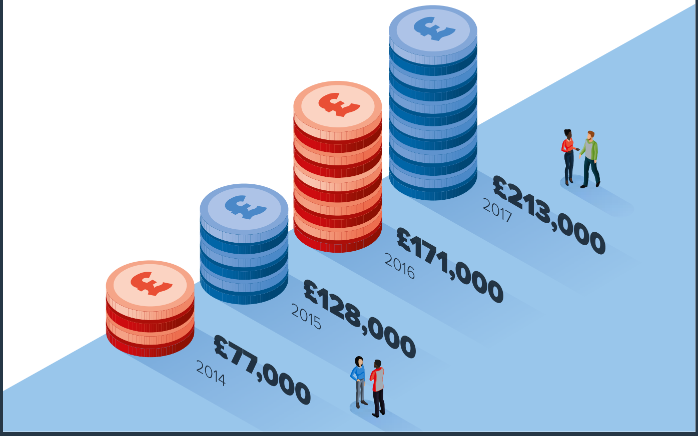
The Company's community involvement is important to colleagues and stakeholders. Charitable cash donations amounted to £213,000 in 2017 with a wide range of charities supported across the globe.

Since 2011, the Company has supported Malaria No More in its important work to save lives in Africa. To date colleagues have raised almost £180,000. Meanwhile, Better Futures, the Company's own community health initiative launched in 2013, has delivered health and hand hygiene education to over 16,000 people. In 2017 in India alone, 1,113 children and 2,014 adults participated.

During 2017, hurricanes in the Caribbean and USA affected customers and colleagues alike. The Company set up dedicated resources to support affected colleagues, customers and suppliers.

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

Charitable cash donations



2017 community stories from around the world

15 volunteers from Yogyakarta went to Kindergarden Al Baraakah, in Central Java in Indonesia, to share knowledge about flu habits and hand hygiene to around 70 children.

Volunteers take the hygiene programme to children in the Puram community in Chennai, India.

40 Rentokil PCI colleagues joined forces to help clean up a 20km stretch of Chennai coastline.

As part of our Better Futures community programme, in India children from Bangalore marched in their community with Rentokil PCI colleagues to promote awareness of Hand Hygiene.

North American colleagues volunteered to share their joy of reading with the children from Thompson Child Family Focus, an organisation that works to improve the well-being of at-risk children and their families in the Charlotte area.

In South Africa colleagues washed over 50,000 hands to celebrate Global Handwashing Day.

2017 community stories from around the world

20 colleagues in Kenya walked 21km to raise funds for the Mater Cardiac Programme for children.

Nine colleagues undertook a gruelling 66-mile mountainous route from Preston to Morley in Leeds in the north of England to raise funds for Diabetes UK in memory of Rentokil Technician Mark McNulty.

Lex Autolease donated £10,000 to Malaria No More to celebrate a 10 year partnership with Rentokil Initial.

Colleagues in Cape Town made a great success of the first Rentokil Initial sponsored Yabonga Youth Programme Mini Olympics. 240 young people from seven support centres participated on the day.

16 colleagues from Trinidad took part in Scotiabank's Women Against Breast Cancer 5km run.

After cycling 40 miles and parachuting out of a plane, colleagues completed a triple challenge by eating a giant water bug, raising over £5,000 for Malaria No More.

Not far from Rentokil Initial's head office in Camberley, a group of our graduates spent a day helping the residents of the Woodlarks Centre with gardening and maintenance.

In Australia, Claudia Guevara took part in 'The World's Greatest Shave' to raise funds for the Leukaemia Foundation. Her A$5,740 was augmented by £500 from the Helping Hands scheme.

In Australia, a Brisbane branch manager was 'locked' in the store cupboard until a 'bail' of A$1,000 was raised to donate to Movember.

Key performance indicators

Measuring achievement in 2017

Priorities and principles	Link to strategy	How we measure performance
Colleagues Ensuring 'Everyone Goes Home Safe'	• As a service organisation, our people make our company what it is. • Our priority is ensuring 'Everyone Goes Home Safe'. • Health & Safety (H&S) is the first agenda item in all senior management meetings (including Executive Leadership Team and Board). • We hold an annual Board review of H&S Policy.	**Lost Time Accident (LTA) rate** LTA rate defined as number of lost time accidents per 100,000 standard working hours. **Working Days Lost (WDL) rate** WDL rate defined as number of working days lost as a result of LTAs per 100,000 standard working hours.
Employer of Choice	• We invest in training and development to ensure our colleagues' expertise is unrivalled. • We recruit, appoint and promote on merit. • We listen to our colleagues via 'Your Voice Counts' (YVC) surveys and act on feedback to make improvements.	**Sales and service colleague retention** Defined as total sales and service staff retained in year as a percentage of sales and service headcount at start of year. YVC trend score analysis.
Customers Keeping our promises to customers	• We are passionate about delivering excellent service to every customer and keeping our promises to them.	**State of Service** Defined as total number of service visits performed as a percentage of total number of visits due.
Delivering outstanding customer service	• Our business model depends on servicing the needs of our customers in line with internal high standards and to levels agreed in contracts. • Measuring customer satisfaction allows us to identify unhappy customers, reduce customer attrition and increase revenue, profit and cash.	**Customer Voice Counts (CVC)** Measured by implementation of an average Net Promoter Score across all branches, including in-year acquisitions. CVC score represents the net balance of those customers promoting our service compared with those neutral or not promoting.
Retaining our customers	• Customer retention is crucial to our long-term success. • Benefits include: increased purchasing and cross-selling; lower price sensitivity and terminations; positive customer recommendations and a strengthened unique selling point.	**Customer retention** Defined as total portfolio value of customers retained as a percentage of opening portfolio.
Shareholders Driving higher revenue	• We aim to drive shareholder value through higher revenue by focusing on our Pest Control, Hygiene and Protect & Enhance businesses, supported by M&A investment and divestment of non-core or poorly performing businesses. • Medium-term financial target: 5% to 8% Ongoing Revenue growth.	**Ongoing Revenue growth** Defined as revenue growth (at CER) from the continuing operations of the Group (including acquisitions) after removing the effect of disposed or closed businesses.
Achieving greater profitability	• Our objective is to deliver sustainable profit growth through reductions in central/regional overheads and restructuring costs, and by improving service productivity pricing and margin improvement. • Medium-term financial target: Ongoing Operating Profit growth of c. 10% per annum.	**Ongoing Operating Profit** Defined as operating profit (at CER) from the continuing operations of the Group (including acquisitions) after removing the effect of disposed or closed businesses. Ongoing Operating Profit is an 'adjusted' measure and is presented before amortisation and impairment of intangible assets (excluding computer software) and one-off items.
Delivering sustainable Free Cash Flow	• We aim to generate sustainable Free Cash Flow through managing working capital, bringing capex in line with depreciation and significantly reducing restructuring costs. • Medium-term financial target: Free Cash Flow conversion of c. 90% per annum.	**Free Cash Flow at AER** Defined as net cash flows from operating activities, adjusted for cash flows related to property, plant, equipment and software, the interest element of finance lease payments and dividends received from associates.

Key performance indicators

Commentary on performance

Our progress in 2017

- Overall, our lowest ever LTA and WDL scores with improvements driven by execution of the Company's H&S operating plan. Our safety culture is strong: employee survey responses show 87% positive on the safety dimension.
- Strong LTA performances from our biggest business (North America -35% vs 2016) and the region which in previous years had the poorest performance (Pacific -64% vs 2016 to LTA 0.33).
- While Asia rates remain low (LTA: 0.43, WDL: 5.52) the LTA rate is being impacted by LTAs reported in Rentokil PCI in India.
- The frequency of major accidents is 50% lower than in 2016, however there were three fatalities, all driving-related, in 2017:
  - in Indonesia a Pest Control technician riding his own motorcycle from customer to branch office overtook a minibus and struck a pedestrian standing in the middle of the road. The pedestrian later died in hospital;
  - in Vietnam a Pest Control service vehicle collided with a motorbike whose rider rejected the offer of a lift to hospital but later collapsed and died; and
  - in the US an Ambius service vehicle collided with two pedestrians in Chicago, one died, and the other was injured. Our driver is being prosecuted for careless driving offences.

7.9%

LTA rate: 7.9% improvement at 0.58 (2016: 0.63)

27.8%

WDL rate: 27.8% improvement at 11.65 (2016: 16.14)

- Significant increase in colleague participation in our online university, U+, training programmes:
  - over two million items of training viewed, 607,000 courses completed and c. 500 learning assets created.
- Highly encouraging colleague engagement survey (Your Voice Counts or YVC):
  - 87% of colleagues participated (in 38 languages across 70 countries);
  - overall Engagement (+4% points) and Enablement (+4% points) from 2015 – both in world class 'High Performance' norm territory for the first time;
  - strong improvements in 'learning and development' (+7% points), 'recommend our services' (+8% points), 'respect' (+4% points); and
  - more work required to improve short-term colleague retention, a key focus for 2018.

82.2%

Sales colleague retention: 82.2% (2016: 78.9%)

83.6%

Service colleague retention: 83.6% (2016: 84.4%)

- In-year improvements have been generated through:
  - increased customer account management to drive customer loyalty;
  - improved customer service responsiveness within European operations, in particular in our Workwear operations through implementation of the Quality agenda; and
  - improved products and services.

97.8%

State of Service: 97.8% (2016: 97.7%)

- We made over 110,000 CVC calls to our customers in 2017, to rate us on five service elements: technician, complaint handling, customer contact, product quality and documentation – all five have improved since 2014.
- On a like-for-like basis (removing business lines transferred into the Haniel JV), our CVC performance remained at 42 points.
- Asia was the most improved region in 2017, with an increase of 4.4 points (rising to 43.6 points).
- In our retained Hygiene businesses, CVC scores improved from 44.0 points in 2016 to 45.9 points in 2017.

42.3

Customer Voice Counts (CVC): 42.3 points (2016: 42.4)

- In-year improvements have been generated through:
  - increased customer account management to drive customer loyalty;
  - improved customer service responsiveness within European operations, in particular in our Workwear operations through implementation of the Quality agenda; and
  - improved products and services.

85.7%

Customer retention: 85.7% (2016: 84.9%)

- Organic Revenue growth +3.8% (2016: +3.6%, 3.0% Reported), growth from acquisitions +10.7% (2016: +9.6%).
- Strong Ongoing Revenue performance from Pest Control: +21.4% (+5.8% Organic Revenue growth).
- Encouraging momentum in Hygiene Ongoing Revenue: +7.6% (2016: 6.3%, 4.8% Reported) (+2.1% Organic Revenue growth).
- 41 companies acquired in 2017 adding £224.7m of annualised revenues.

14.5%

Ongoing Revenue growth: +14.5% (2016: +15.4%, 12.6% Reported)

- Performance reflects growth in North America, UK & Rest of World, Asia, Pacific and Latin America.
- However, partially offset by lower profits in Europe, notably France.

14.8%

Ongoing Operating Profit growth: +14.8% (2016: +11.5%)

- Increase driven by higher profit delivery in 2017 and a year-on-year reduction in interest payments following the bond refinancing in Q1 2016, offset by the disposal of the businesses transferred to the Haniel joint venture and the non-repeat of the £7.3m special dividend from our Japanese associate in 2016.
- Free Cash Flow conversion of c. 90% and in line with our medium-term guidance.

£175.8m

Free Cash Flow: £175.8m, representing cash conversion of c. 90% (2016: £156.4m, 84%)

Risks and uncertainties

Principal risks

The Group's overall risk management approach, described on pages 69 and 70, is designed to provide reasonable, but not absolute, assurance at all levels of the Group that risks are properly identified and are being effectively managed. This includes the provision of appropriate mechanisms to ensure that issues and concerns relating to risk can be escalated up through the organisation effectively and confidentially.

The principal risks most relevant to the Group are described in the table on pages 43 to 47, together with mitigating actions.

Full details of the Company's financial risks can be found in Note C1 to the Financial Statements on pages 135 and 136. 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 £9m to £11m (3% to 4%) and on operating cash flow in the range of £8m to £10m (3% to 4%).

Other risks

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

Changes in risk profile of the Company in 2017

The Company continues to monitor risks regularly in both the Audit Committee (see pages 65 to 70) and the Group Risk Committee (see page 61), and take mitigating action as necessary.

Areas where the risk profile of the business has improved in 2017 include:

- a generally improving macro-economic environment in most of our regions, which helps support growth across the Group;
- continued lower turnover of senior management limiting loss of corporate knowledge and experience;
- further roll-out of our target financial systems across the globe, helping ensure standardisation of finance processes and improvement in the overall financial control environment;
- investment in information security to mitigate the risk of cyber attack;
- transfer of the Rentokil Initial's Workwear and Hygiene businesses in Benelux, Sweden and CEE into a joint venture with Haniel and the disposal of the French flat linen business to RLD; and
- reduction in net debt due to cash received from disposals and refinancing of our term loans with a €400m corporate bond at a € interest rate of 0.95% in November 2017.

Areas where risk profile has increased in 2017 include:

- difficulties in attracting staff in territories with economies close to full employment and others with political trends to limit immigration;
- integration risk in relation to acquisitions – the acquisition programme continues to be focused primarily on North America (where there is already a significant systems integration programme in progress) but the business has also made significant acquisitions in India, Saud Arabia and Italy during the year; and
- the increased likelihood of rising interest rates impacting the future cost of debt.

Implications of business model on risks

The Group's business model incorporates a number of elements that moderate the risk profile of the Company, and which are increasingly the case as the portfolio accelerates its focus on Pest Control and Hygiene. The low capital intensity nature of these businesses, delivering similar route-based services, also benefits from high portfolio retention rates. Pest Control and Hygiene services are characterised by low customer concentration (no single customer is responsible for more than 1% of revenue), local market operations with very limited dependency on cross-border flows of people or products, revenue earned and costs incurred in local currency which reduces foreign exchange risk and the potential impact of Brexit. They exhibit strong defensive qualities, as density and efficiency gains are reflected in margin growth. The global nature and scale of the Group's operations acts to limit exposure to the economic cycle in individual markets: the largest market, North America, represents 39% of revenue (from ongoing operations at CER), with no other single market representing more than 14%.

Viability statement

In line with provision C.2.2 of the UK Corporate Governance Code the Directors have assessed the viability of the Group over a period of three years. The Directors have reviewed the viability period and 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 both customer and supplier contract periods entered into by the business. In making their assessment, the Directors have considered the current position of the business and have taken into account the potential impact of the principal risks, described above, that could impact on the solvency and viability of the Group.

The assessment included stress testing the financial forecasts for severe but plausible scenarios (both individually and in aggregate) together with the effectiveness of mitigating actions. It also considered the level of financing headroom, bank defaults 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 (a reduction in Group profits of 10% each year) and have assessed liquidity in the context of a credit rating downgrade. In addition to this the Directors have also considered scenarios that could threaten the viability of the Group.

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

Based on this assessment and after careful consideration, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending December 2020.

Principal risks

Growing our business profitably in a changing macro-economic environment

Risk description and impact

The Company's three primary business categories (Pest Control, Hygiene and Protect & Enhance) operate in a global macro-economic environment that is subject to uncertainty and volatility. Examples include:

- changes that impact on free movement of people such as Brexit and reduced appetite for immigration in the US which may make it more difficult to attract technicians in the Pest Control and Hygiene businesses and create wage inflation;
- rises in commodity prices that could raise the cost of fuel and hence the cost of delivering our services;
- re-emergence of global inflation;
- low-growth economies with inherent cost inflation but where the Company has weak pricing power; and
- changes to regulations that prevent or limit the use of certain products and chemicals used to deal with pests, e.g. rodents and mosquitos.

Any significant change in macro-economic environment may impact the Company's ability to grow while maintaining or growing margins, and may have an adverse impact on cash flow.

Mitigating actions

- Regular review of our capital allocation model to ensure that scarce resources are directed to countries and businesses that have the most attractive returns and future prospects.
- Employer of Choice being rolled out across the Group to ensure focus on the key priorities of the organisation including recruiting and retaining critical talent and specialists in all markets.
- Working with governments and regulators to set realistic timescales for implementation of new regulations.
- Regular monitoring of market pricing trends (where available) and individual customer profitability to ensure that margin erosion is minimised; sales incentives increasingly prioritise margin and customer profitability.
- Continuing focus on cost, with regular reviews of cost base and productivity programmes (KPI: Gross Margin). Group Procurement function with executive authority to deliver economies of scale in IT, fleet, energy and logistics (KPI: annual cost savings).
- Regular monitoring of debtor days outstanding with action taken against customers with overdue debts (KPI: Days Sales Outstanding).

Read more: Our key performance indicators on page 40 | Employer of Choice on page 6 | Our business model on page 18

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

Risk description and impact

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

Industrial action in one or more of our key operations could result in diminished service levels to our customers and if prolonged could damage the Company's reputation and ability to secure new contracts or renew existing contracts.

In markets where overall employment rates are high we may have difficulty attracting and retaining key personnel at all levels of the business.

Mitigating actions

- Regular tracking of customer satisfaction and the perception of both customers and non-customers of Rentokil Initial, benchmarked against competitors (KPI: NPS scores through Customer Voice Counts exercise).
- Dedicated Operational Excellence team to drive superior customer service and establish key metrics (KPI: State of Service; Customer retention).
- Incentives for sales and service staff aligned closely with strategic targets and based on delivering and improving customer service levels.
- International Key Accounts team developing business with multi-national customers across geographies to take advantage of the Company as the most international player in our markets.
- HR development processes including leadership and development training, performance management, reward and incentives (KPI: sales and service colleague retention monitored).
- Oversight of key industrial relations matters by Group HR Director and regular review by the Chief Executive for countries where risk of industrial action is considered high.

Read more: Our Pest Control business on page 22 | Our Hygiene business on page 26 | Our colleagues on page 35

Principal risks

Developing products and services that are tailored and relevant to local markets and market conditions

Risk description and impact

We operate across markets that are at different stages in the economic cycle, which are at varying stages of market development and which have different levels of market attractiveness. Our Company must be sufficiently agile to develop and deliver products and services that meet local market needs, or we risk ceding advantage to our competitors and will fail to deliver against our targets of growth, profitability and cash conversion.

If we are not flexible, agile or innovative enough to adapt to local business and consumer needs our existing customers may choose not to renew contracts, or may look for reductions in prices which may have a negative impact on our ability to maintain or increase margins and cash flow.

Mitigating actions

- Acquisition of targets that have a strong cultural fit with the brand and our service model whilst supporting growth.
- Targeted investment in innovation to support value-added and innovative concepts to meet market and regulatory needs and defend against commoditisation.
- Investing in new digital platforms to provide improved marketing channels and opportunities for customers to order or amend services.
- Exit from unprofitable businesses with commodity characteristics, e.g. flat linen.
- In North America consolidation onto one IT operating platform to help drive visibility of performance, and improve customer satisfaction and operating efficiency.

Read more: Leading the field in innovation on page 4 | Our markets on page 16 | Our value-enhancing M&A on page 2

Integration of acquisitions and separation of disposals from continuing business

Risk description and impact

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

Since 2014 the Company has been successful in acquiring 135 businesses across all regions with the majority in North America.

In 2017 the Group transferred Rentokil Initial's Workwear and Hygiene businesses in Benelux, Sweden and CEE to a new joint venture with Haniel, in which it retains a minority interest. If the integration of the new JV with Haniel is not completed quickly the JV may fail to deliver the expected financial returns.

In 2017 the business formed a joint venture with PCI in India. Failure to successfully integrate the PCI business with the Rentokil Initial India business may lead to loss of revenue, profit and cash flow.

Mitigating actions

- Integration plans considered by Investment Committee as part of acquisition approval process. Material integration activities managed during relevant monthly performance reviews.
- Dedicated project teams established for largest acquisitions and demergers, e.g. PCI and former CWS-boco business in Italy, with clear deliverables over three months, six months and one year. Additional resources provided to North America to support integration and re-platforming activities.
- Tried and tested induction programme for first 100 days for all acquisitions.
- Continuity of management/leadership in acquired companies, where possible.
- Use of transaction structures including deferred consideration to mitigate deal risk.
- Group departments, e.g. Health & Safety, Legal, Insurance, and IT, involved early with new acquisitions to drive compliance with Group standards, especially when entering new geographies.
- Formal post-acquisition review (PAR) by Investment Committee of benefits delivered against original business plan within 18-24 months. The PAR is undertaken by the Investment Committee ahead of releasing any deferred payments.
- Board review of acquisitions in aggregate every six months.
- Internal Audit review within 12 months of businesses acquired in new geographies.

Read more: Q&A with Andy Ransom, Chief Executive on page 13 | Acquisitons and disposals on page 105 | Our governance framework on page 61

Risks and uncertainties

Principal risks

Business continuity

Risk description and impact

A significant cyber-attack or IT failure which cannot be recovered from in a short period of time could prevent normal business operations across one or more countries for a prolonged period and have an adverse impact on revenue, profitability or cash flow.

In our Workwear business, where deliveries to our customers are often daily, business could be adversely affected if access to the laundries and inventory is not possible due to incidents such as fire or flood.

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

Mitigating actions

- All countries and units maintain business continuity plans and (for IT) disaster recovery plans that are tested regularly.
- Procedures in place to ensure that potential industrial disputes are escalated quickly to Group HR Director.
- Local plans to service customers from adjacent laundries/ branches where supply has been interrupted.
- Ongoing programme to transfer key data and applications from local servers to regional data centres with higher levels of backup capability and resilience.
- Security governance framework and standards established, including IT security management framework, incident management reporting, global standards for network segmentation and incident response protocols being reviewed.
- IT self-assessment exercises carried out across the Group to assess the Company's resilience to cyber attack and remedial action to improve controls where necessary.
- Penetration testing on all systems on at least an annual basis to test external firewalls with action to address any weakness identified.

Read more: Data privacy on page 62 Our approach to risk management and internal control on page 69

Financial market risks

Risk description and impact

Our business is exposed to foreign exchange risk, interest rate risk, liquidity risk, counterparty risk and settlement risk. The impact of Brexit may make some of these risks more volatile and uncertain. If any of these risks materialise, this may have a negative impact on profitability, cash flow and financial statements, and may have a negative impact on financial ratios, credit ratings or the ability to raise funds for acquisitions.

Mitigating actions

- Financing policy in place to ensure that the Company has sufficient financial headroom to finance operations and bolt-on acquisitions. Commitment to target credit rating of BBB.
- Treasury policies that limit the use of foreign exchange and interest rate derivatives, set limits for financial counterparty exposure, govern how financing is raised in bank and other debt capital markets and provide rules around treasury related matters at operating company level.
- Monthly reporting and monitoring of financial covenants and rating agency metrics and compliance with treasury policies.
- Monitoring of the impact of exchange rate movements on non-sterling profits and net debt.
- Cash pooling and debt financing arrangement to match, as closely as possible, currency availability/demand across borders.

Read more: Our business model on risks on page 42 Our financial risk management in Note C1 to the Financial Statements on page 135

Principal risks

Fraud, financial crime and loss or unintended release of personal data

Risk description and impact

Loss of personal data of customers, suppliers or employees could, if significant, result in regulatory intervention which may result in substantial fines and damage to the Company's reputation.

Theft of Company assets including property, customer or employee information, or misstatement of financial or other records via deliberate action by employees or third parties may constitute fraud and result in financial loss to the business, damage to the Company's reputation or fines by regulators.

Mitigating actions

- Programme to review and validate key applications for compliance with data privacy requirements including forthcoming EU General Data Protection Regulation (GDPR).
- Code of Conduct refreshed in 2016 and circulated to all employees. Mandatory online training by all senior employees refreshed annually for competition law, anti-bribery and corruption, information security and privacy. Training was relaunched in Q4 2017 (KPI: % compliance with training).
- Compliance with Code of Conduct and other key policies affirmed by annual Letter of Assurance by all senior management.
- Standardised control framework operating in all locations with a focus on risk prevention and mitigation; framework defined centrally and independently assessed at all material business units every year.
- Wherever possible credit card transactions are managed by regulated third parties who have robust controls in place to prevent loss of data.
- Specific review of adequacy of controls in Group Treasury and remedial actions implemented.
- International confidential 'Speak Up' hotline and email address, monitored by Internal Audit.
- Significant frauds investigated by Internal Audit and lessons learned widely shared.

Read more: Data privacy on page 62 | Our Code of Conduct and key policies on page 34 | Our governance and compliance monitoring on page 62

Health, safety and the environment

Risk description and impact

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

- the use of poisons and fumigation materials in Pest Control;
- driving to customers across all our businesses;
- working at height; and
- exposure to needlestick injury/bio-hazards from dealing with medical waste.

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

There could also be potential environmental risks associated with former activities at sites currently or previously operated by the Company.

Mitigating actions

- Robust and up-to-date health and safety (H&S) policies supplemented by SHE Golden Rules re-issued in 2017 providing increased focus to higher risk and regulated activities, e.g. driving, working at height, fumigation or heat treatment.
- H&S officers appointed in all jurisdictions.
- Mandatory training of all relevant employees in safe working practices, including mandatory training for drivers and those working in hazardous environments, e.g. heat treatment or fumigation.
- Safety Leadership Behaviours initiative for first level management.
- 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 including energy efficiency target of 20% reduction in energy costs/emissions by 2020.
- Monitoring and remediation plans where required.

Read more: Health and safety on page 35 | Our key performance indicators on page 40 | Our energy and fuel-derived emissions on page 37

Risks and uncertainties

Principal risks

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

Risk description and impact

The Company is a multi-national 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, competition law, employment legislation, data protection and privacy laws or financial and tax reporting requirements may result in fines or withdrawal of licence to operate, which could have an adverse impact on growth, profitability and cash flow.

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

Mitigating actions

- Group Legal involvement in all acquisitions, including advising on risk and regulatory issues.
- Regular compliance exercises, for example on anti-corruption and anti-bribery legislation, competition law, labour law and data protection; monitoring of online U+ training completion rates.
- Tax policy re-issued and approved by Board. All significant tax planning opportunities have to be pre-agreed with the Group Tax Director and Chief Financial Officer with independent tax advice taken where necessary. Regular review of tax exposures.
- Authority schedule in place and regularly reviewed.
- Group and local policies in place and regularly reviewed.
- Requirement to report breaches in controls or laws to Group General Counsel and Head of Internal Audit.
- Mandatory training on Code of Conduct, competition, anti-bribery and corruption, IT security and privacy, seeking to instil a highly principled culture of ethical behaviour.
- 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.

Read more: Our key policies on page 34 | Our governance and compliance monitoring on page 62

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

Read our key policies at **rentokil-initial.com/responsible-delivery/policies**

Corporate Governance

Contents

Governance at a glance

Our values and culture

Our ambition is to be both a world-class service company and a world-class Employer of Choice. Therefore our culture is critical to our success. Across our different businesses, our people share our mission, values and culture.

Our mission
What we're here to do

Protecting People. Enhancing Lives.

Our values
The core things that underpin everything we do

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

Relationships
We value long lasting relationships with our colleagues and customers

Teamwork
Our business is all about great teamwork – getting it right, for our colleagues and customers

Our culture
What it's actually like to work with and at Rentokil Initial

Customer focused
Firstly, we're a service company. We strive to meet our customers' needs and our people go the extra mile to do so. We work hard to support our customers and each other. When things go wrong we put them right.

Commercial
We employ smart people who help the Company grow profitably by making good decisions that benefit our customers. We constantly seek out new opportunities for growth and ways to work more effectively.

Diverse
We want our workforce to reflect the diverse customers we serve. We value everyone's talents and abilities and strive to attract, recruit and retain the best people from the widest possible pool of talent.

Down to earth
We don't like big egos. People who succeed with us are friendly, comfortable in their own skin, straightforward, constantly seeking to improve, open to new ideas and experiences and acknowledge the contribution of others.

Innovative
We use the latest advancements to build an innovation pipeline that sets us apart from the competition. We embrace digital technologies that help us create new products and be more efficient.

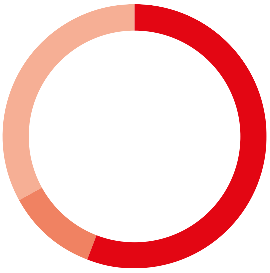
Our measures
How we make sure our culture is working

World-class service company
- Customer satisfaction
- Net Promoter Score
- Trustpilot
- Customer retention

World-class Employer of Choice
- Colleague retention
- Your Voice Counts
- Employer brand (e.g. Glassdoor)
- Diversity

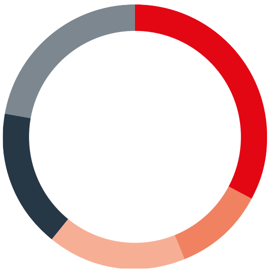
Board composition

Age of Directors



45-55	56%
55-65	11%
65-75	33%

Professional background



Finance	33%
Science	11%
Legal	17%
Economics	17%
Marketing	22%

Principal business sectors
- Academia/broadcasting
- Airlines
- Chemicals
- Distilled beverages
- Energy
- Financial services
- Media/information
- Retail

Chairman's introduction

Dear Shareholder

2017 has seen further successful delivery of our RIGHT WAY plan across a broad range of key areas, and increasing recognition by investors of the continuing opportunity the Company represents.

The completion of a number of major transactions, especially the joint venture with Haniel in Europe, and a strategic move to market leadership in India with the formation of Rentokil PCI, have complemented good organic growth delivery, stronger governance performance and improved health and safety statistics. The Board believes that the Company is positioned well to move into the next phase of our strategic plan.

As a Board we are nonetheless mindful that the Company must not lose sight of its key values and culture, which have been a consistent source of strength through its history. The Company's ambition is to be both a world-class service company and a world-class Employer of Choice and getting the culture right is viewed as critical to the long-term success of the business. Examples of how we measure our values and culture can be found in the Corporate responsibility section on pages 34 to 39. In addition, details on how we as a Board understand and monitor what it is actually like to work at Rentokil Initial and with the business are contained on page 64.

Health and safety

There is nothing more important at Rentokil Initial than ensuring that 'Everyone Goes Home Safe' at the end of their working day. Health and safety will always be the business' first priority, the first item on the Board agenda at every meeting and there can be no compromise on this. I am therefore pleased to be able to report that we continue to improve our health and safety standards as demonstrated in the continued reduction of our rates of lost time accidents and level of working days lost. Overall these have been reduced by 8% and 28% respectively, exceeding the targets set for the year and achieving new record lows. However, this does not mean that 2017 was without incident and, as detailed on page 41, there have sadly been three fatalities during the year. As a Board, we are satisfied that there is no complacency in the business with regards to health and safety but we will continue to challenge the leadership team to maintain a constant focus on the safety of our colleagues and customers and their health and wellbeing, particularly in areas where some risk inevitably arises such as driving within our predominantly route-based businesses, and working at height. For more details on our health, safety and environment performance, see the Corporate responsibility section on pages 34 to 39.

Strategy

The long-term strategic aims of the Company have once again been central to the Board's activities during the year. The Board held its annual strategy away day in November, providing the opportunity to focus in-depth on the strategy of the Company and each of its core businesses as well as its portfolio as a whole. This extended meeting over two days gives us the time to review the strategic plan for 2018 to 2020. It also provides an opportunity to meet members of the extended senior management team and to raise any areas of interest or concern. More information on the topics covered at the strategy away day can be found on page 59.

Talent and diversity

The Board is always mindful of diversity and we believe that a diverse company, in all regards not just gender, provides a more balanced, effective and innovative organisation with a broader skill set from which to draw. As indicated in last year's report, the Board decided to develop and adopt its own Diversity Policy, which is aligned with the Group's Diversity and Inclusion Policy that was subsequently adopted at the beginning of 2018. It was felt that this could then be used to guide best practice and would be more appropriate for future recruitment at Board level. The Board currently comprises three women, meaning that we have achieved the recommendation under the Hampton-Alexander Review to have 33% women on the Board by 2020.

During the year, both the Remuneration Committee and the Board spent time reviewing and approving the Company's Gender Pay Gap Report. Our data shows that across our UK business as a whole, no pay gap exists between our male and female employees. This is supported by our most recent colleague engagement survey, completed in September 2017, which showed that globally 95% of our colleagues believe that in the Company male and female colleagues are not precluded from having equal opportunities to succeed. While these both represent strong and pleasing results, we are in no way complacent, and continue to monitor our approach very carefully to ensure we maintain our principles of fairness and equity. The full Gender Pay Gap Report for 2017 is available to view on our website. Further information on diversity can be found in the Nomination Committee Report on page 73 and in our Corporate Responsibility Report which can be found on our website.

Board changes

There were several changes to the Board composition during the year. In May 2017 Alan Giles stepped down as a Non-Executive Director, Senior Independent Director (SID), Chairman of the Remuneration Committee and member of the Nomination and Audit Committees at the Company's Annual General Meeting (AGM). Chris Geoghegan succeeded Alan Giles as SID and Chairman of the Remuneration Committee from May 2017 until his resignation in September 2017. Following Chris Geoghegan's departure, Richard Burrows was appointed as SID and Chairman of the Remuneration Committee.

I am very pleased with the calibre as well as the diverse background and experience of the three Non-Executive Directors that have joined us in the last year. Sir Crispin Davis joined the Board in July as a Non-Executive Director and a member of the Audit and Nomination Committees. We look forward to benefiting from, amongst other things, his digital and international business experience. Linda Yueh, an economist with considerable Asia experience, joined the Board as a Non-Executive Director in November 2017, bringing a diverse set of skills and experience from her academic and broadcasting background. She also became a member of the Audit, Remuneration and Nomination Committees. Then in January 2018 John Pettigrew joined the Board as a Non-Executive Director and a member of the Audit and Nomination Committees. John Pettigrew, as a serving Chief Executive of a FTSE 50 company, brings strong leadership experience in addition to his economic background. Full details of all Directors can be found on pages 52 and 53. To ensure continuity in the light of three new Non-Executive Directors joining within a six-month period, Richard Burrows has agreed with the Board to remain as a Director, subject to his re-election by shareholders at the AGM in May, until the end of December 2018.

Further information on the Board's succession planning and recruitment processes in 2017 can be found in the Nomination Committee Report on pages 72 and 73. Details of the induction that new Non-Executive Directors undertake following their appointment are contained in the Corporate Governance Report on page 59. In accordance with the UK Corporate Governance Code, Sir Crispin Davis, Linda Yueh and John Pettigrew will be subject to election by shareholders at the Company's AGM on 9 May 2018, being the first such meeting since their appointments.

Whilst I am aware that there have been significant changes to the Board, I am satisfied that the Company's succession planning and recruitment processes have operated effectively during this period. In addition, the Nomination Committee was well able to oversee the various changes which resulted in a number of additional meetings being held. I believe we continue to have a Board with the appropriate and relevant membership and with the right conditions for sound decision-making. I would like to thank all the Board members for their ongoing support and challenge, and for the input and value they continue to bring to both the boardroom and the Company.

Chairman's introduction

Board highlights of 2017

- Board visit to India and in-depth review of Asia businesses.
- Refreshed Board with appointments of Sir Crispin Davis, Linda Yueh and John Pettigrew (from 1 January 2018).
- Adoption of Board Diversity Policy; improving Board gender diversity to 38% female, 62% male, meeting the recommendations of the final Davies Review and the Hampton-Alexander Review ahead of 2020.
- Supporting execution against strategy, and portfolio focus as a result of the Haniel and Rentokil PCI transactions.
- Awards for quality of reporting and disclosure; positioning in top 20% of Good Governance Index.

Areas of focus for 2018

- North America.
- Digital and innovation agenda.
- Risk management, including IT security and data privacy.
- M&A execution.
- Continuing to reflect corporate governance best practice.

Remuneration

As outlined in the Remuneration Committee Chairman's introduction on pages 75 and 76, the Company undertook a detailed consultation in 2017 on its Directors' Remuneration Policy. This was in response to the continued growth of the business and to update our existing policy to improve our remuneration governance arrangements, for instance by the introduction of holding periods in executive share plans for Executive Directors. It was also felt that it was required to address a real concern of the Board's about management retention and its potential risk to future performance and stability of the business. As a result of the considerable support received from investors during the engagement process, the Remuneration Committee decided to propose a new remuneration policy for shareholder approval at the 2018 AGM. Full details on this can be found in the Remuneration Committee Report.

Compliance

I am able to report that the Company has complied fully with all the principles of the UK Corporate Governance Code during 2017 with the exception of two provisions as a result of Board changes. A full explanation on this is provided below.

In December 2017 the FRC published its proposed changes to the UK Corporate Governance Code which will come into effect for reporting periods beginning on or after 1 January 2019. The Company will be reviewing the new code thoroughly in 2018 and will consider any elements of the new provisions which may need to be addressed ahead of its implementation. The Board will also consider the new guidance on board effectiveness produced by the FRC at the same time.

During 2017, the Board approved the Company's first annual Modern Slavery Statement in relation to the business during the previous year. This is available to view on the Company's website.

In 2017, the Company also published its first tax strategy under the Finance Act 2016. This can be found on our website and more information on our tax governance can be found in the Financial Review on page 106.

Yours faithfully

John McAdam
Chairman
28 February 2018

Compliance with the UK Corporate Governance Code

The principal governance framework applying to the Company is the UK Corporate Governance Code, published in April 2016, which applies to accounting periods beginning on or after 17 June 2016 (the Code). The Code is published by the Financial Reporting Council (FRC) and the full text is available on its website at **frc.org.uk**.

The Company has complied throughout 2017 with the requirements of the Code with the exception of the two Code provisions detailed below.

Code Provision C.3.1 states that the Board should establish an Audit Committee of at least three, or in the case of smaller companies two, independent Non-Executive Directors. A recruitment process was undertaken during 2017 for a successor to Alan Giles who retired at the AGM in May 2017. It was anticipated that a successor would be appointed in advance of the next Audit Committee meeting to be held in June 2017. However, the process took longer than anticipated and Sir Crispin Davis was not appointed until following the June Audit Committee meeting which resulted in that meeting being held with only two members, which whilst quorate was not compliant with the recommendations of the UK Corporate Governance Code.

The Board was aware shortly in advance that this situation would arise but that it would be a temporary position which would be resolved upon the appointment of the new Non-Executive Director. It was felt that it was more appropriate to wait for the planned appointment rather than appoint an existing Non-Executive Director on an essentially temporary basis.

Code Provision D.2.1 states that the Board should establish a Remuneration Committee of at least three, or in the case of smaller companies two, independent Non-Executive Directors. Due to the unplanned resignation of Chris Geoghegan as a Non-Executive Director in September 2017, the membership of the Remuneration Committee, of which Chris was chair, reduced from three to two. This resulted in the Remuneration Committee meetings in September and October being held with only two members.

This was a situation that could not have been foreseen but due to the ongoing recruitment and succession planning in place by the Nomination Committee, it was again known to be of a temporary nature. Similarly, it was felt that it was more appropriate to wait for the appointment of the new Non-Executive Director rather than to appoint an existing Non-Executive Director for the short term. Both Committees now have or exceed the advised three members.

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

Read our Modern Slavery Statement at
rentokil-initial.com/modern-slavery

Read our Gender Pay Gap Report at
rentokil-initial.com/gender-pay

Read our Tax Strategy at
rentokil-initial.com/responsible-delivery/policies

Board of Directors

John McAdam
Chairman

Appointed: May 2008

Skills and experience

John brings to the Group a deep and strategic understanding of a wide range of industry sectors gained from his career with Imperial Chemical Industries plc (ICI) and Unilever over more than 30 years, and his other Board and advisor appointments. John joined ICI in 1997 and was appointed Group Chief Executive in 2013. Prior to joining ICI, John spent 24 years with Unilever where he held a number of senior management positions. John was Senior Independent Director at J Sainsbury plc from 2005 to 2016 and a Non-Executive Director of Rolls-Royce plc from 2008 to 2017. John received a BSc honours degree in Chemical Physics at Manchester University and later gained a PhD before becoming a research fellow.

Current external commitments

- Chairman, United Utilities Group PLC
- NED and SID, Cobham plc
- NED and SID, Electra Private Equity PLC (stepping down effective 1 March 2018)

Andy Ransom
Chief Executive

Appointed: May 2008

Skills and experience

Andy has broad commercial experience gained in senior executive positions and legal roles. Andy joined Rentokil Initial from ICI where he held various management positions as a senior lawyer and head of the mergers and acquisitions team since 1987. In 2005, he was appointed to the executive management team and had operational responsibility for ICI's Regional and Industrial Division. During his career with ICI he spent several years working in its businesses in the US and Canada. Andy joined Rentokil Initial in 2008 as the Executive Director of the global Pest Control business and became Chief Executive in October 2013. Andy is a graduate of the University of Southampton and a qualified solicitor.

Current external commitments

- Director and Trustee of Street League
- Patron of Malaria No More UK

Jeremy Townsend
Chief Financial Officer and Chief Information Officer

Appointed: August 2010

Skills and experience

Jeremy has extensive experience in audit and corporate finance gained in various senior and executive roles at Ernst & Young, J Sainsbury plc and Mitchells & Butlers plc. Jeremy has a degree in Management Sciences from Manchester University and is a fellow of the Institute of Chartered Accountants of England and Wales and a former member of the Accounting Council of the Financial Reporting Council.

Current external commitments

- NED, parkrun Trading Limited and parkrun Global Limited
- NED, Galliford Try plc

Richard Burrows
Non-Executive Director

Appointed: January 2008 and became SID in September 2017

Skills and experience

Richard has significant international business experience ranging from leading successful branded manufacturing and service businesses in the drinks industry to banking and financial services roles. His executive career has been with Irish Distillers, where he was Chief Executive from 1978 to 2000, and at Pernod Ricard, where he was joint Chief Executive from 2000 to 2005. He has served as the Governor of the Bank of Ireland and has held several non-executive positions. Richard is a graduate of Wesley College, Dublin, and is a Fellow of the Institute of Chartered Accountants of Ireland.

Current external commitments

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

Sir Crispin Davis
Non-Executive Director

Appointed: July 2017

Skills and experience

Sir Crispin has had a distinguished and successful business career across the international media, fast-moving consumer goods, and publishing sectors. He was Chief Executive of Reed Elsevier plc from 1999 to 2009, and previously Chief Executive of Aegis Group plc and Group Managing Director of Guinness Group plc. Sir Crispin has experience in leading and delivering business change and transformation, particularly in the digital arena, as well as strong international experience having lived and worked in the US and Germany for substantial periods during his early career at Proctor & Gamble. He has held various non-executive positions and has a degree in Modern History from Oxford University.

Current external commitments

- NED, Vodafone Group Plc
- NED, Hasbro Inc (USA)
- Trustee and Member of the University Board for Oxford University
- Advisor to CVC Capital Partners

Board of Directors

John Pettigrew
Non-Executive Director

Appointed: January 2018

Skills and experience

John is Chief Executive of National Grid with a strong economic background and engineering leadership experience. John has a strong track record of developing and implementing global strategies for profitable growth at National Grid. His skillset includes service provision to a large customer base, delivering world-class levels of safety performance and driving transformational change in highly regulated environments. He has significant experience of the US market having led the generation and distribution businesses of National Grid in North America. John holds a BSc in Economics, an MSc in International Economics, is a fellow of the Institute of Engineering and Technology and sits on the Presidents Committee of the CBI.

Current external commitments

- Chief Executive, National Grid plc

Angela Seymour-Jackson
Non-Executive Director

Appointed: March 2012

Skills and experience

Angela is a qualified marketing professional and a member of the Chartered Institute of Marketing. She brings to the Board experience of leading highly customer-focused businesses and improving processes and functions for a mobile workforce gained in various executive and other senior roles at RAC Motoring Services, Aviva UK Life, Aegon UK plc and Norwich Union Insurance. She has over 20 years of experience in retail financial services. Angela holds an MSc in Marketing.

Current external commitments

- Deputy Chairman and SID, Gocompare.com Group plc
- NED, Janus Henderson Group plc
- NED, esure Group plc
- NED, PageGroup plc

Julie Southern
Non-Executive Director

Appointed: July 2014

Skills and experience

Julie has extensive financial experience having 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. Julie, through her role as Chief Commercial Officer at Virgin Atlantic Ltd and her various non-executive roles, has gained significant exposure to commercial, legal, HR and operational challenges and responsibilities. Julie is a Chartered Accountant, having trained with Price Waterhouse, and has a BSc in Economics from Cambridge University.

Current external commitments

- NED, NXP Semi-Conductors N.V. (Netherlands)
- NED, DFS Furniture plc
- NED, Cineworld Group plc
- NED, Stagecoach Group plc

Linda Yueh
Non-Executive Director

Appointed: November 2017

Skills and experience

As an economist, corporate lawyer and financial broadcaster Linda brings a diverse range of skills to the Board, including strong commercial experience gained through her work in corporate law and previous non-executive positions. Linda has acted in various advisory roles, including to the World Bank and the European Commission. Linda has obtained a BA at Yale; Masters at Harvard; Juris Doctorate at New York University; and an MA and doctorate at Oxford.

Current external commitments

- Member of the Policy Committee of the Centre for Economic Performance at the London School of Economics
- Member of the Advisory Board of The Official Monetary and Financial Institutions Forum
- Trustee of Malaria No More UK, Royal Commonwealth Society and Coutts Foundation (Coutts Bank)

Daragh Fagan
Company Secretary

Appointed: Group General Counsel in September 2013 and became Company Secretary in July 2014

Skills and experience

Daragh is a qualified solicitor having trained at Herbert Smith and has extensive in-house legal and company secretarial experience in major listed multi-national corporations, including those with significant businesses in emerging markets. Daragh previously worked at Thomson Reuters as General Counsel, Europe & Asia, and General Counsel, EMEA of Reuters Group plc. Before joining Reuters, he spent 10 years working in the oil and gas industry for the Italian multi-national Eni SpA. Daragh has an MA in History from Cambridge University.

Current external commitments

- None

Key

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

NED – Non-Executive Director
SID – Senior Independent Director

Former Directors in 2017

Alan Giles
Retired as a Non-Executive Director following the AGM in May 2017.

Chris Geoghegan
Resigned as a Non-Executive Director in September 2017.

Executive Leadership Team

Gary Booker
Chief Marketing, Innovation and Strategy Officer

Appointed: January 2018

Skills and experience

Gary's career includes senior leadership roles covering strategy and innovation as well as customer marketing for several high-profile businesses including Dixons Carphone, where he was Chief Marketing Officer and oversaw its Currys and PC World brands; Telefonica (O2); and Electronic Arts, where he gained strong experience across strategy and digital marketing. Prior to that Gary held senior roles at Dunlop Slazenger, Corinthian and Unipart. Gary holds an MBA in Strategic Marketing (University of Hull) and a BS (Hons) in Business Studies, Law and Psychology (University of Hertfordshire).

Paul Cochrane
Managing Director, Asia

Appointed: March 2016

Skills and experience

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

Vanessa Evans
Group HR Director

Appointed: January 2016

Skills and experience

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

Jürgen Höfling
Managing Director, Europe

Appointed: October 2014

Skills and experience

Jürgen has significant experience in senior positions in the logistics sector and in sales and marketing, principally from 14 years at Deutsche Post and DHL International. He also has international management consultancy experience gained as Founding Partner of Theron Management Advisors, an international management consultancy. Jürgen's early career was with Werner & Metz in various sales and marketing roles. He is a German national and fluent in English, French and German. Jürgen holds a degree in Integration & Marketing from Wharton School of the University of Pennsylvania.

Alain Moffroid
Managing Director, Pacific

Appointed: March 2016

Skills and experience

Alain joined Rentokil Initial in 2013 as Managing Director, Pacific. He joined from Unilever where he held a number of senior roles across multiple geographies. He has significant experience in marketing, sales and business development acquired during 23 years with Unilever in Europe, Asia and Pacific. Alain is a dual national Belgian/Australian and is fluent in English, French and Dutch. He holds an MSc in Business from the Solvay Business School, University of Brussels.

John Myers
Managing Director, North America

Appointed: October 2013

Skills and experience

John joined Rentokil Initial in 2008 as President and Chief Executive of the Pest Control division in North America. Previously John held various senior management roles at Cintas Corporation. Prior to that, he was President and Chief Executive at Bio Quest LLC. John has a diverse business background, with extensive sales, marketing and business strategy experience. He is a graduate of the University of Vermont where he earned a Bachelor's degree in Business Administration. Additionally, he earned an MBA from Mercer University in Atlanta.

Phill Wood
Managing Director, UK & Rest of World

Appointed: October 2013

Skills and experience

Phill joined Rentokil Initial in 2006, holding various senior Pest Control roles in Europe before his appointment to lead the UK businesses – Pest and Hygiene in 2009. He became Managing Director of UK & Rest of World in 2013. Prior to joining Rentokil Initial, Phill held a number of top management positions at Lex Services/RAC plc where he served for 15 years. Phill has extensive commercial and business development experience. He is a Chartered Management Accountant and holds a BSc (Hons) in Management Science from Loughborough University.

Andy Ransom, Jeremy Townsend and Daragh Fagan are also members of the Executive Leadership Team. Their biographical information can be found on pages 52 and 53. The Chief Executive chairs the Executive Leadership Team.

Corporate Governance Report

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

Code Principles regarding Leadership and Effectiveness

See the Corporate Governance Report on pages 49 to 64 and the Nomination Committee Report on pages 71 to 74.

Code Principles regarding Accountability

See the Corporate Governance Report on pages 49 to 64 and the Audit Committee Report on pages 65 to 70.

Code Principles regarding Remuneration

See the Directors' Remuneration Report on pages 75 to 98.

Code Principles regarding Relations with Shareholders

See the Corporate Governance Report on pages 63 and 64.

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

See our business model, value generation and strategy in our Strategic Report on pages 1 to 41.

See our approach to risk management and internal control on page 62 and in our Risks and uncertainties section on pages 42 to 47.

See our Directors' Report on pages 163 to 165.

See the statement of Directors' responsibilities on page 165.

The role of the Board

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

Details of the governance framework within which the Board operates to discharge its responsibilities can be found on page 61. This framework along with clearly communicated authority guidelines provides the Board with confidence that the appropriate decisions are being taken at the appropriate levels and further allows the Board to ensure that its obligations to the Company's shareholders and other stakeholders are being met.

Board composition and roles

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

Chairman
John McAdam

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

Chief Executive
Andy Ransom

- Recommending and executing strategies and strategic priorities.
- Managing operational and financial performance, including monthly performance reviews with all regions and identifying and managing risks to delivery of strategy.
- With the Chief Financial Officer, explaining performance to shareholders.
- Chairing the Executive Leadership Team and Investment Committee (see page 61).
- Executive management capability and development.
- Overall development of Group policies and communicating the Company's values.
- Responsibility for all corporate responsibility matters which are reviewed at least annually by the Board.

Chief Financial Officer & Chief Information Officer
Jeremy Townsend

- Supporting the Chief Executive in developing and implementing strategy.
- Supporting the Chief Executive in managing the operational and financial performance of the Group.
- With the Chief Executive, explaining performance to shareholders.
- Chairing the Group Risk Committee and Disclosure Committee (see page 61).
- Recommending appropriate financing, treasury and distribution arrangements.
- Executing the agreed IT strategy.

Senior Independent Director
Richard Burrows

- Leading the Non-Executive Directors' appraisal of the Chairman.
- Working with the Chairman on Board effectiveness.
- Providing an alternative channel of communication for investors, primarily on corporate governance matters.
- Being a sounding board for the Chairman.
- Chairing the Nomination Committee when it is considering succession to the role of Chairman of the Board.

Independent Non-Executive Directors
Richard Burrows, Sir Crispin Davis, John Pettigrew, Angela Seymour-Jackson, Julie Southern, Linda Yueh

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

Company Secretary
Daragh Fagan

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

Full details of all Board members who served during 2017 and in 2018 to the date of this report can be found on pages 52 and 53.

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

A Nomination Committee comprising all the Independent Non-Executive Directors and chaired by the Chairman has responsibility for managing the appointment process to ensure a formal, rigorous and transparent procedure for appointing Directors. Pro-forma letters of appointment and Directors' service contracts are available for public inspection at **rentokil-initial.com**. Further information can be found in the Nomination Committee Report on pages 71 to 74.

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.

Three new Non-Executive Directors were recruited in 2017. In order to achieve the desired composition of the Board and its Committees, a candidate profile was devised as illustrated below to assist with the recruitment process. Further details on the recruitment process can be found in the Nomination Committee Report on page 72.

All Directors may serve on a number of other boards, provided that they can demonstrate that any such appointment will not interfere with their time commitment to the Company and that they obtain the prior agreement of the Chairman before proceeding. This also ensures that any potential conflicts of interest are considered and addressed. The major commitments of the Directors are shown in their biographical information on pages 52 and 53. 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 issue of Board Directors becoming overcommitted by taking on too many potentially onerous positions, including the need to retain flexibility to deal with unforeseen events, is recognised and is monitored in line with published investor guidance. The fact that several members of the Board hold multiple non-executive positions has not presented any difficulties in their ability to manage potentially competing demands for their time. The Chairman typically attends all Committee meetings by invitation and Non-Executive Directors often attend too, even where they are not members of the relevant Committee. All Directors have demonstrated high levels of availability and responsiveness for additional meetings and discussions where these have been required. At present there is therefore no concern that other board commitments have affected any Director's availability or effectiveness in carrying out their Board responsibilities at Rentokil Initial, but the situation is kept under review.

Any changes to the commitments of a Director are reported to the Board. Directors regularly review a conflicts register and any conflicts identified are submitted to the Board for consideration and, as appropriate, authorisation in accordance with our Articles of Association and the Companies Act 2006. No material conflicts have been declared. Further details of this process can be found in the Nomination Committee Report on page 74. Details of the Directors' share interests in the Company can be found in the Remuneration Report on page 94.

Independence of Board members

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

The Board considers that an individual's independence cannot be determined arbitrarily on the basis of a particular period of service. In the case of Richard Burrows who has served as a Director for ten years, the Board benefits from his considerable experience and knowledge resulting from his length of service as well as from his wider business experience and the Board continues to consider Richard as independent.

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

Board skills matrix for recruitment of Non-Executive Directors in 2017

Competencies and behaviours

- Operational focus
- Customer service
- Influencing and partnering style
- International mindset
- Integrity and independence
- Strategic acumen

Knowledge and experience

- Current or former CEO or General Manager
- International, particularly USA or Asia experience
- Digital or technology familiarity or expertise
- B2B Service Sector – sales and marketing
- Operational effectiveness
- Understanding of public listed company (ideally FTSE 100) governance

Diversity

- Skills and experience (to cover expertise of departing NEDs)
- Personality
- Background (education, socio-economic etc.)
- Gender
- Ethnicity
- Nationality

Corporate Governance Report

Meetings and attendance

The Board met ten times during the year, all of which were scheduled meetings, and a Committee of the Board met four times in relation to the release of financial results, the joint venture with PCI Pest Control Private Limited in India, and the acquisition of the Cannon Hygiene Services businesses. The membership and attendance at Board meetings during 2017 is shown below.

Board members and attendance in 2017

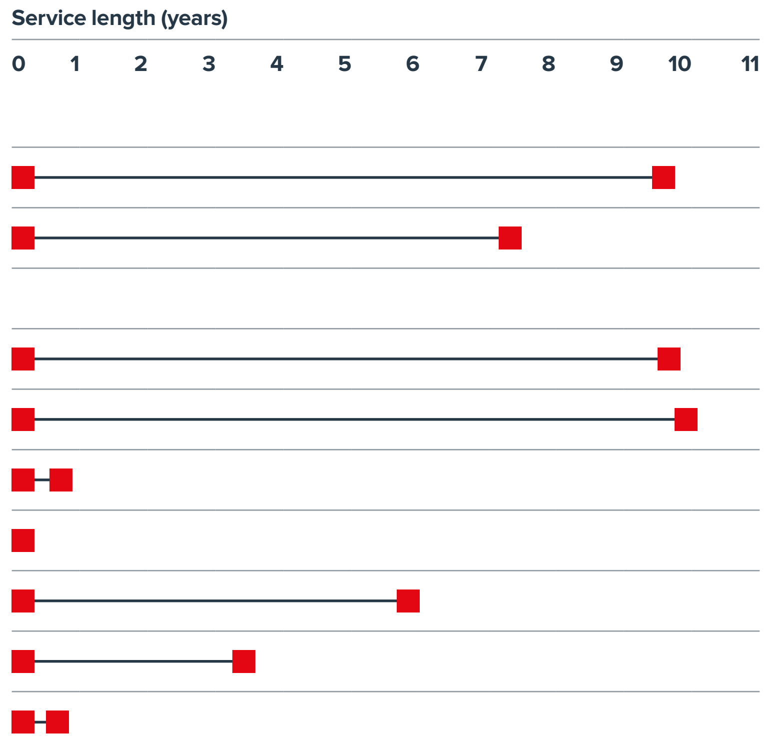
Attendance	Board member	Meetings
100%	**John McAdam, Chairman**	10/10 meetings attended
100%	**Andy Ransom**	10/10 meetings attended
100%	**Jeremy Townsend**	10/10 meetings attended
90%	**Richard Burrows**	9/10 meetings attended
100%	**Sir Crispin Davis[1]**	4/4 meetings attended
100%	**Chris Geoghegan[2]**	6/6 meetings attended
100%	**Alan Giles[3]**	4/4 meetings attended
100%	**Angela Seymour-Jackson**	10/10 meetings attended
100%	**Julie Southern**	10/10 meetings attended
100%	**Linda Yueh[4]**	2/2 meetings attended

1. Sir Crispin Davis was appointed to the Board on 20 July 2017.
2. Chris Geoghegan resigned from the Board on 18 September 2017.
3. Alan Giles retired from the Board on 10 May 2017.
4. Linda Yueh was appointed to the Board on 1 November 2017.

All Board members attended all meetings apart from one instance due to a conflicting commitment. As in all cases where a Director is unable to attend a Board or Committee meeting, copies of all papers are still received in advance and the Chairman will seek the individual's views ahead of the meeting and provide a briefing on any relevant outcomes from the meeting.

Directors' tenure at 28 February 2018

Name	Appointed
Executive Directors	
Andrew Ransom	1 May 2008
Jeremy Townsend	31 August 2010
Non-Executive Directors	
John McAdam	14 May 2008
Richard Burrows	14 January 2008
Sir Crispin Davis	20 July 2017
John Pettigrew	1 January 2018
Angela Seymour-Jackson	5 March 2012
Julie Southern	21 July 2014
Linda Yueh	1 November 2017



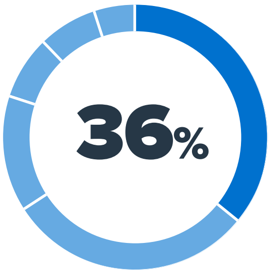
Board activities in 2017

The Chairman's introduction on pages 50 and 51 highlights some of the key focus areas for the Board in 2017. In addition to these, the Board receives regular updates on the Group's financial results, and receives reports from the Chief Executive and the Chief Financial Officer at each meeting as standing items.

Each Board meeting starts with a review of health and safety performance. The Board also receives reports from the Chairmen of the Nomination, Remuneration and Audit Committees following each Committee meeting.

Further details of the main activities of the Board undertaken during 2017 can be found below.

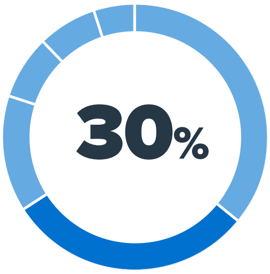
Strategy



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

Read more about leading the field in innovation on pages 4 and 5.

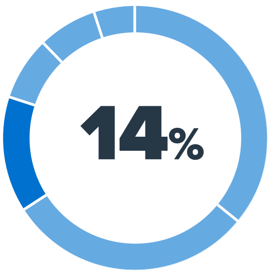
Operations



- Regional presentations and customer visit
- Overseas site visit
- Approval of the 2017 Annual Operating Plan
- Your Voice Counts colleague survey
- Contract approvals above set threshold

Read more about being an Employer of Choice on pages 6 and 7.

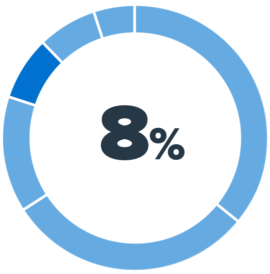
Financial



- Approval of the 2016 financial statements
- Review of the 2017 Interim Results and Q1 and Q3 Trading Updates
- Dividend treatment and recommendation/approval
- Review of financial performance
- Approval of treasury policies and funding
- Investor relations
- Tax strategy

Read more in our Financial Review on pages 104 to 107.

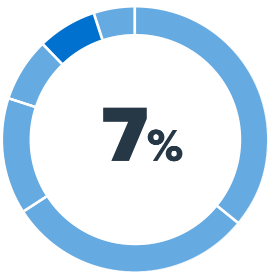
Monitoring and oversight



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

Read more about our KPIs and risks on pages 40 to 47.

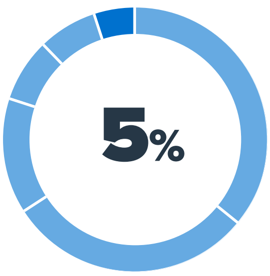
Mergers and acquisitions (M&A)



- Performance review of completed acquisitions including delivery of integration plans
- Oversight of M&A pipeline
- Completion and integration of JV with Haniel
- Formation of Rentokil PCI JV in India
- Acquisition of OCS Group's Cannon Hygiene Services businesses
- Other major transactions (above £10m)

Read more about our value-enhancing M&A on pages 2 and 3.

Governance and compliance



- Board evaluation
- Approval of the 2016 Annual Report and 2017 Notice of Meeting
- Approval of 2016 Corporate Responsibility Report
- Governance procedures review and oversight
- Conflicts of interest
- Setting 2019 Board calendar
- Disclosure obligations, including Gender Pay Gap Report
- Data privacy

Read more about our Board evaluation on page 60.

Non-Executive Director site visit

As part of her induction it was arranged for Linda Yueh to visit the local Rentokil Initial business while she was in China in December 2017. Linda visited the North Region headquarters in Beijing where she was provided with a tour of the facility and had the opportunity to meet with colleagues. Diana Cheng, Regional Director, North Region, provided Linda with an overview of the history of the company in China, and the North Region business in particular, as well as providing a summary of its current performance.

After the office visit, Linda visited a hotel in Beijing which is serviced by Rentokil Initial China where she spoke with both the housekeeping manager and the local technician servicing the hotel. She then accompanied the technician on a site check and had the opportunity to understand the working environment and personal development opportunities within the business.

Board site visit

Each year one scheduled Board meeting is held as part of a larger site visit to one of the Company's overseas operations. In 2017, the Board went to India following the Company entering into the Rentokil PCI joint venture. As a result of this transaction, the Company became the largest provider of pest control services and products in India. The Board members visited Mumbai where they had the opportunity to meet the joint venture partner, Anil Rao and family, and the Asia management team, as well as key members of the India management team. Paul Cochrane, Managing Director, Asia, presented an overview of the business in Asia and its strategic plan for 2018 to 2020. Case studies and strategic plans from all the Group's key Asian businesses were also presented. In addition, the Board received a wide range of presentations covering subjects such as innovation and digital technology, market dynamics and the competitive landscape.

Whilst in Mumbai, the Board took the opportunity to meet customers, suppliers and other regional contacts at a reception hosted jointly by Rentokil Initial and the British Deputy High Commissioner at his residence in Mumbai.

Board strategy review

In addition to regular scheduled Board and Board Committee meetings, the Board undertakes an annual strategy away day each year. This is structured to follow a scheduled Board meeting and is spread over the course of two days. The agenda for the strategy away day is agreed in advance, including specific strategic issues which have been raised at previous Board meetings or requested by the Board.

Following the transformational change in the Group as a result of the major transactions in the year, the 2017 strategy away day focused on the Company's new reporting framework, as outlined on page 20, and the next phase of the **RIGHT WAY** plan. Progress against medium-term targets from 2014 to 2017 were reviewed and the key areas for driving performance in 2018 to 2020 were outlined.

Through a series of presentations and discussions, the Board considered opportunities to deliver further value for shareholders in the coming years. These opportunities would come through leveraging the Company's position as the global No.1 in Pest Control, driving growth and margin in Hygiene, returning the French Workwear business to profitable growth and investing in innovation and accelerating the digital and technology agenda. The Board also considered the strategic opportunities represented by the Employer of Choice agenda and newer business lines such as Premium Scenting and Brand Standards. There was a strategic review of the Protect & Enhance category, a review of the three-year financial plan, and consideration of the Company's relations with key stakeholders from employees to investors.

Board performance, training and development

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

Director induction process

Following the appointment of any new Director, the Chairman, in conjunction with the Company Secretary, ensures that a full, formal and customised 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 most recent meetings held;
- key policies, procedures and governance information about the Company, including the Code of Conduct, Board Governance Manual, Corporate Responsibility Report and the Group Authority Matrix;
- details of the Group structure;
- analysis of the Company's key shareholders and share capital;
- copies of the most recent Board and any relevant Committee evaluation reports; 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;
- attend meetings with other members of the Executive Leadership Team and senior management;
- participate in visits to sites within the UK and/or overseas, such as The Power Centre's research and training facilities, including opportunities to spend time shadowing frontline sales and service staff in the course of their duties; and
- be offered meetings with relevant external advisors such as the external auditor, remuneration advisors, financial advisors and corporate brokers.

During 2017, a review of the induction process was carried out to ensure that Non-Executive Directors received the most relevant papers on the Company ahead of their first Board meeting. In addition, it was agreed that new Directors should undertake the same online induction modules in U+ as new colleagues on core compliance subjects such as the Code of Conduct, anti-bribery and corruption, competition law, and information security and privacy.

Board tour of The Power Centre

Following their Board meeting in September, the Directors were given a tour of The Power Centre, Rentokil Initial's new science, innovation and training academy in the UK which was opened in 2017. The tour was led by Savvas Othon, Service & Science Innovation Director, and Andy Brigham, General Technical Manager, Science and Service. They had the opportunity to meet with members of the team and received demonstrations of the latest technology being developed or applied. They were also able to see the classrooms in the new training academy being used and were shown the simulated onsite locations for training and testing, which include an attic space, bathroom and supermarket area.

Training and development

Directors are provided with opportunities to participate in peer group discussion forums and seminars related to the listed company environment and targeted at specific needs, for example executive remuneration, financial reporting or risk management. Training opportunities also cover the Group, its business sectors and governance matters more generally, including individual experiences with frontline staff. In 2017, the Board received a presentation on the Company's award-winning learning and development platform, U+ (more details of which can be found in the Company's Corporate Responsibility Report). All Directors now have access to a tailored range of modules regarding the business and core compliance training via U+.

Performance evaluation

A comprehensive evaluation of the Board, its Committees and each of the Directors is carried out annually, a process led by the Chairman and supported by the Company Secretary. This was once again undertaken in 2017 using an external independent facilitator, Lintstock. Lintstock is a specialist corporate governance consultancy and has no commercial dealings, or any other connection, with the Group, other than for the provision of corporate governance services to the Board and the provision of software to manage the Company's insider lists requirements under the Market Abuse Regulation.

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

The 2017 evaluation reported high ratings for performance across a number of areas, as well as proposing some greater focus in 2018 on North America and the digital agenda, executive succession, enhancing understanding of key competitive threats, reviewing the governance and control framework in the light of the Company's FTSE 100 status and increased prominence and scale, and continuing to review the portfolio of businesses. No major concerns were raised.

The Board considered the output from the 2017 review at its meeting in February 2018 and agreed the actions for 2018 as detailed below.

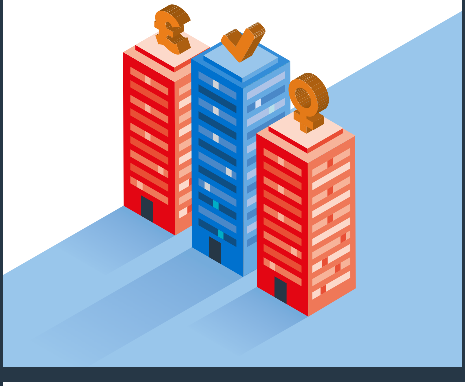
	2016 review actions	Progress	2017 review actions
Operational business reviews	• Focus on the performance of the business in France. • Monitor portfolio and growth strategy. • Maintain regional deep dive programme.	• Divested eight flat linen laundries in France and appointed a new Managing Director. • Two M&A activity reviews undertaken and focus for 2017 strategy away day. • Deep dives for each region and Latin America held in 2017.	• Focus on North America performance and integration/ replatforming programme. • Deepen Board understanding of digital strategy. • Review competitive environment.
Risk oversight	• Review the effectiveness of the additional support for the North America finance team. • Review internal controls in the light of broader M&A growth strategy. • Review scope of Audit Committee terms of reference to consider whether to include certain non-financial controls and risks.	• Regular updates provided by the Chief Executive and Chief Financial Officer. • Internal controls framework and internal audit resourcing reviewed. • Full review of terms of reference undertaken with new terms adopted.	• Deep dive review of one key risk per meeting throughout the year. • Review data privacy and GDPR compliance programme. • Undertake Board review of culture and workforce engagement. • Increased monitoring of effectiveness of internal controls and internal audit resourcing.
Succession planning and talent management	• Nomination Committee review of Board and executive succession. • Aim for exposure of key Executive Director and ELT succession candidates to the Board. • Review progress and performance talent pools and talent strategy. • Review diversity performance including gender pay reporting.	• Three new Non-Executive Directors appointed in 2017 and early 2018. • Strategy away day and overseas Board visit provided opportunities to meet with extended senior management. • Talent strategy update provided by the Group HR Director. • New Board diversity policy adopted. • Gender pay was reviewed and report approved for 2017.	• Continue to monitor progress in talent pools and executive succession bench strength. • Increased exposure of SLF members to the Board e.g. during June overseas visit. • Board succession plans for Remuneration Committee chair and Senior Independent Director roles. • Monitor impact of updated diversity policies.

Governance framework

The Board of Directors

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

Board Committees



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

Read more on pages 75 to 98.

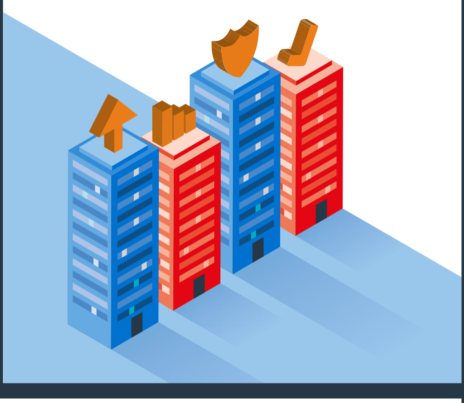
Audit Committee
Provides effective financial governance with oversight of the Group's financial and narrative reporting, risk management and the external and internal audit process.

Read more on pages 65 to 70.

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

Read more on pages 71 to 74.

Executive leadership



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

Executive Leadership Team (ELT)
Supports the Chief Executive in managing the business at Group level, overseeing safety, performance, operational plans and actions, governance and risk management. The Executive Leadership Team membership is provided on page 54.

Senior Leadership Forum (SLF)
Forum where the 25 most senior operational and functional colleagues globally meet to share progress and discuss a range of issues that are critical to the operational performance of the Group as a whole.

Category boards
Forums where the senior operational and functional leaders of Pest Control, Hygiene and Ambius meet to coordinate the development agenda for innovation, growth and productivity initiatives and to oversee the sharing of best practice.

Management Committees

Disclosure Committee
Supports the Board's responsibility for the accuracy and timeliness of the disclosures made by the Company and compliance with the requirements of the Market Abuse Regulation.

Group Risk Committee
Monitors the internal control environment and reviews the effectiveness of the Group's internal control policies and procedures for the identification, assessment and reporting of risks.

Investment Committee
Reviews and approves investments below the threshold requiring approval by the Board, including M&A transactions, property sales and investments and environmental remediation expenditures. It also conducts post-acquisition reviews (PARs) of completed M&A transactions and reviews material litigation quarterly.

Treasury Committee
Reviews and approves capital structure and financing strategy as well as risk and cash management within set thresholds.

Matters reserved for the Board and delegated authorities

To ensure a clear division of responsibilities at the top of the Company between the running of the Board and the executive responsibility for running the Company's business, the Board has set out in writing matters which are specifically reserved for its decision. The matters reserved for the Board and the terms of reference of each of its Committees, which are reviewed annually, most recently on 6 December 2017, are available on the Company's website at **rentokil-initial.com/investors/governance.**

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

Monitoring and oversight

Policies

The Company has a robust Group-wide policy and procedure framework in place to supplement local policies or legislation. The content and appropriateness of policies are reviewed periodically by the relevant functional department head and approved by the Chief Executive. The cornerstone of this policy framework is the Code of Conduct. Full details of the Company's policies relating to environmental, social and governance matters and their application can be found in the Company's Corporate Responsibility Report and the key policies are disclosed on the Company's website. In addition to the policies described there, the Company has a treasury policy in place to ensure the Group has sufficient liquidity and to manage financial risk as outlined in Note C1 to the Financial Statements on page 136. In 2017, the Board also approved the Company's tax strategy which has been published on our website in compliance with the Finance Act 2016. More details on tax governance can be found on page 106.

Specific programmes are in place to support implementation of the Code of Conduct and underlying policies, national laws and regulations, and monitoring and reporting compliance with them. In some cases dedicated specialists are in place to ensure that standards are set and complied with, for example in health and safety, IT security and data privacy, regulatory compliance, pensions and tax. More broadly, e-learning training, principally on the Company's online learning and development platform U+, is used to ensure that expected standards of behaviour are widely disseminated and adopted across the Group. Clear guidelines are provided to all colleagues on how to seek further advice or report concerns. Compliance is monitored through an annual Letter of Assurance process covering all Group senior management, and by monitoring control incidences reported via the Company's confidential reporting process 'Speak Up'. Further details of the Company's governance and compliance framework can be found on page 61. The Group Risk Committee considers current and emerging risks, reviews current arrangements and makes recommendations for enhancements as appropriate.

In 2017, the Company reviewed its data privacy arrangements across its European businesses and established a project to achieve compliance with the forthcoming EU General Data Protection Regulation (GDPR), which comes into force on 25 May 2018. A multidisciplinary project team has undertaken significant work since then to ensure that the Company's handling of personal data meets all the regulatory requirements, and external consultants have been engaged to provide benchmarking and project assurance. Following updates throughout the year, the Board received a detailed presentation on data privacy and GDPR compliance at its meeting in December 2017. At the same meeting, the Board also received an update on cyber security.

Strategic process

The Executive Directors and senior management closely monitor progress against the Company's strategy and this is communicated to the Board at each meeting by the Chief Executive and the Chief Financial Officer's reports. All Board members attend an annual strategy away day, details of which can be found on page 59. In addition, the Board receives detailed presentations from the Regional Managing Directors of the Company and their Finance Directors over the course of the year. These review the operations and strategy of the region, highlight specific areas of progress or challenge, review the financial and control environment, and present the opportunity for the Board to challenge management on any area. In 2017, as in 2016, the Board received an additional deep dive review on our emerging business region of Latin America.

Board review of risk management and internal control

The Board has overall responsibility for maintaining sound systems of risk management and internal control that are both fully effective and ensure compliance with the Code on internal control and risk management. Risks are considered in the context of long-term strategic and emerging threats, and shorter-term risks to the delivery of the annual operating plan. The Board has also assessed the viability of the Group over a period of three years, and the potential impact of the principal risks and stress testing financial forecasts for severe but plausible scenarios, and the anticipated effectiveness of mitigating actions. The Board has carried out a robust assessment of the principal risks facing the Company, including those that would impact its business model and future performance. The principal risks identified can be found in the Risks and uncertainties section on pages 42 to 47, along with the Company's viability statement. Additional briefings on risk and control topics included health and safety, IT security, data privacy, funding and foreign exchange impact, tax strategy, environment and emissions, litigation and contingent liabilities, as well as a review of aggregate M&A transaction performance and a forward-looking corporate governance tracker twice a year.

In 2018, the above structure will be continued and refined, with additional topics to be covered in more depth scheduled to include data privacy and GDPR (ahead of the regulation coming into force in May 2018), assurance on how the requirements of balance and disclosure in the Annual Report preparation process are fulfilled, and reviews of business continuity planning and workforce engagement.

The framework of risk management and internal control described in the Audit Committee Report on page 69 is designed to manage and mitigate risk rather than eliminate the risk of failure to achieve business objectives. In pursuing business objectives, internal controls and risk management can only provide reasonable, and not absolute, assurance against material misstatement or loss. Review of its effectiveness is achieved through regular and transparent management reporting, the governance processes and external and internal assurance processes, and in the Audit Committee and Board's annual review of strategy and operational risks.

The Board has conducted a review of the effectiveness of the system of internal control for the year ended 31 December 2017 and confirms that:

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

Fair, balanced and understandable

The Directors' statement on 'fair, balanced and understandable' can be found on page 165. The requirement under the Code to provide a fair, balanced and understandable assessment of the Company's position and prospects in its external reporting is considered throughout the process of producing the Annual Report and Financial Statements.

In order to provide the information necessary to comply with this requirement, the Board places particular reliance on the conclusions and recommendations arising from the Audit Committee's review of the Annual Report and Financial Statements, further details of which can be found on page 67. In addition, the Board has oversight and takes into account the following elements:

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

Engagement with shareholders

As a Company we maintain effective channels of communication with our debt and equity institutional investors and individual shareholders. This helps us to understand their views about the Company and allows us to make sure they are provided with timely and appropriate information on our strategy, performance, objectives, financing and other developments. We do this in a number of ways.

Our shareholders are invited to attend our twice-yearly presentations on our preliminary and interim results. Recognising that attending in person is not always going to be possible (not least for our non-UK shareholders) we have been providing live webcasting of our results days for over 10 years so that all shareholders can be kept fully up to date of our progress and strategic objectives going forward.

We believe Capital Markets Days presentations are an excellent way for our shareholders to gain a deeper insight into our business. These have been historically very well attended and have given our investors the chance to meet with and engage with our wider senior management team from around the business. We plan to host two Capital Markets Days in May 2018 in London and New York with a primary focus on our global Pest Control business.

We believe regular and ongoing engagement with our shareholders is paramount. Members of our senior management and Investor Relations teams held 185 separate interactions with 160 different institutions during 2017. These were conducted through telephone calls and video conferences, roadshows, one-to-one meetings, group meetings and conferences. In 2017 we undertook investor roadshows in London, New York and Boston and participated in conferences in London, New York, Paris and Frankfurt. Key subjects of discussion with our shareholders over the year have been the performance and future potential of our Pest Control and Hygiene businesses; the status of our joint venture with Haniel; our strategy for the remaining France Workwear business; our M&A programme; our ongoing focus on digital and innovation; and capital allocation.

We believe it is important that we receive feedback from our investors and are seen to act upon it. The Board and Executive Leadership Team are given detailed quarterly updates of the Company's Investor Relations activity which include feedback from investors, as well as shorter commentary and updates at each Board meeting. Specialist advisors and the Head of Investor Relations provide regular updates on market sentiment.

The Board fulfils its obligations of accountability to shareholders through clear and open reporting on current performance and plans for the future, engagement with shareholders and investor representative bodies, and taking into account the views expressed by shareholders. Details of substantial share interests notified to the Company are contained on page 164.

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. During 2017 Chris Geoghegan undertook a series of introductory meetings with key investors following his appointment as Senior Independent Director. Between June and October 2017, Richard Burrows, as Remuneration Committee Chairman and Senior Independent Director, subsequently met with representatives of almost 50% of the share register as well as with the Investment Association, Glass Lewis and ISS as part of the consultation about the potential introduction of a new Directors' Remuneration Policy. Further details on this can be found in the Remuneration Report on page 75.

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

Additional information for investors can be found on pages 166 and 167.

Annual General Meeting

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

The 2018 AGM will be held at 12 noon on 9 May 2018 in the Ascot Suite at the Hilton London Gatwick Airport, South Terminal Gatwick Airport, Gatwick, RH6 0LL. A separate Notice of Meeting, containing an explanation of the items of special business, has been sent to shareholders and is available on the Company's website. In accordance with the Code, the Directors are subject to annual re-election by shareholders and will, therefore, be stepping down and seeking re-election at the AGM. The exceptions to this are Sir Crispin Davis, John Pettigrew and Linda Yueh, who have all been appointed since the last AGM and so, in accordance with the Code, will be subject to election by shareholders at the AGM, being the first such meeting since their appointment. The Board recommends to shareholders the election of Sir Crispin Davis, John Pettigrew and Linda Yueh, and re-election of the other Directors on the basis that they are all effective Directors of the Company and demonstrate the appropriate level of commitment to the role.

Biographical information in respect of the Directors as well as information as to why the Board believes the Directors should be elected and re-elected can be found on pages 52 and 53, and in the Notice of Meeting.

Engagement with colleagues and customers

The Company is aiming to be both a world-class service company and a world-class Employer of Choice. As an integral part of the Directors' duties, the Board considers the Company's relationships with its key stakeholders and this year has given particular attention to achieving the strategic aims of the business and the means of monitoring the value and culture which underpin such ambitions.

Details of the ways in which the Company engages with its colleagues, customers and other key stakeholders can be found in the Corporate responsibility section on pages 34 to 39, with further information also provided in the Company's 2017 Corporate Responsibility Report.

During the year both Alan Giles and Linda Yueh attended the Company's Executive Talent Pool programme where Alan shared his perspective on operating at Chief Executive level and how boards operate, and Linda presented a social-economic and political discussion on China, Brexit and the US.

In 2018 the Board will consider the new provision in the revised UK Corporate Governance Code due to apply to reporting years starting on or after 1 January 2019, as to the best method of strengthening the employee voice in the boardroom. The recommendations given in the draft revised Code are the appointment of a director from the workforce, the creation of a formal workforce advisory panel, or having a designated Non-Executive Director.

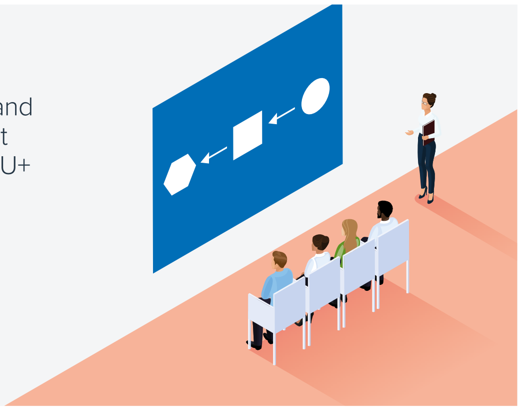
>2/3rds

During 2017, the Board met over two thirds of the senior management team.

Board engagement with colleagues during 2017

Received a presentation on learning and development available on U+

Read more on page 60



Received regional deep dive presentations

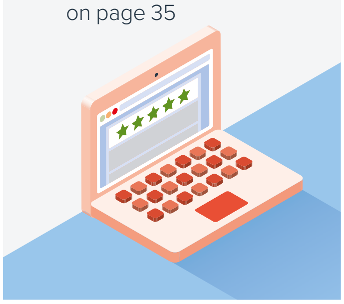
Read more on page 62

Received a presentation on Your Voice Counts

Read more on page 35

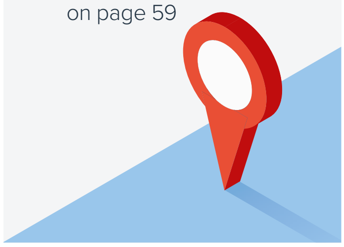
Monitored Glassdoor

Read more on page 35



Met with senior managers during overseas visits

Read more on page 59



Met with members of the Company's graduate programme at the AGM

Read more on page 63

Met with frontline staff as part of induction and ongoing development

Read more on page 59

Received verbal updates on the Employee of Choice agenda and other key colleague developments from the Chief Executive

Read more at **rentokil-initial.com/investors**

Read the 2018 Notice of Annual General Meeting at **rentokil-initial.com/investors/shareholder-centre**

Read the 2017 Corporate Responsibility Report at **rentokil-initial.com/responsible-delivery**

John McAdam
Chairman
28 February 2018

Audit Committee Report

Julie Southern
Chairman of the Audit Committee

Dear Shareholder

In 2018, the Audit Committee has maintained its focus on financial reporting and controls, while looking at broader risk management and compliance issues with the support of the Internal Audit function.

The Company's growth strategy has again this year included a significant amount of M&A activity, including the formation of joint venture structures with Haniel in Europe and Rentokil PCI in India. As North America continues to grow and become more material to Group performance, so the Audit Committee has taken a closer look at the component parts of the business and the change programme to consolidate operations from multiple systems onto a single platform. A thorough, and highly competitive, audit tender exercise was undertaken in the second half of the year, resulting in the reappointment of KPMG as Group auditor (see page 69 for further details).

Over the past five years steps have been taken by the Company's executive management to improve the control environment across a broad range of financial and operational processes. 2017 saw notable improvements in the IT security environment, customer contracting controls including improvement in pricing processes, and in communication of core governance policies and training. The Company is less exposed than for many years to litigation risk and has no material contingent liability arising from legal action, following diligent efforts over a number of years to pursue and resolve historic disputes.

Highlights of 2017

- Internal control framework continues to mature and strengthen.
- Thorough audit tender process completed.
- Improvements in key risk areas, from IT security to record low health & safety results.
- Audit Committee refreshed and induction of new members.
- Review of terms of reference.

Areas of focus for 2018

- North America operational platform consolidation.
- Payroll tax compliance.
- Implications of increased business complexity and scale.
- M&A integration.
- IT security and data privacy (GDPR).

However, there remain a few areas where enhanced arrangements are being put in place to control risks which materialised in 2017. Rigour in monitoring payroll tax compliance is an area of focus for 2018, where failures to keep up to date on changing regulations caused non-material issues on holiday pay and incentives in a small number of countries during the year. In North America, ongoing complexity in the finance and IT systems while the replatforming programme proceeds is placing heavy organisational demands on the business. Despite continuing strong organic and acquisition-led growth, and improvements in service productivity, this has made reporting and forecasting of revenue and profit in the business more challenging, an issue that should be fully resolved as that complexity is significantly reduced through the first half of 2018.

The Audit Committee has discussed ways to ensure that the finance and control environment, the culture, and the capability of key functions including Finance and Internal Audit, remain fit for purpose following the promotion of the Company into the FTSE 100 and the growth in its profile, scale and geographic reach. It is encouraging to see no apparent correlation between the level and type of internal control issues and the maturity of the local business environment or distance from head office, although the Audit Committee will maintain its focus on successful integration of acquisitions and entries into new territories. The M&A process continues to be robust, from pre-acquisition assessment and deal structuring to post-completion checks, execution of integration programmes and post-acquisition reviews of business cases 12 months on.

In response to changing regulations and the reforms of the audit market created by the EU Audit Directive and EU Audit Regulation, and following the publication by the ICSA of new best practice guidance, the Audit Committee undertook a detailed review of its terms of reference during the year. A more comprehensive document was adopted which more accurately reflects the existing practices of the Audit Committee. The terms of reference are available to view on the Company's website.

The membership of the Audit Committee has been refreshed with Sir Crispin Davis and Linda Yueh joining in 2017 and John Pettigrew joining at the beginning of 2018. The timing of these appointments did unfortunately mean that there was one meeting, in July, where the Audit Committee only had two members but as explained in greater detail on page 51, it was known that this would be a temporary situation due to recruitment timing, with the Committee adding a third member before the end of July. I am pleased to report that I believe that the Audit Committee continues to have the necessary balance of skills, experience, professional qualifications and knowledge as detailed on page 66.

In the principal risks analysis, the IT security environment continues to present an evolving set of challenges such as the WannaCry ransomware attack, as do geopolitical issues such as the uncertainty of the ultimate trading arrangements between the UK and EU27 post-Brexit. The Company continues to be well-insulated from changes in international trading arrangements by its predominantly localised business model and absence of significant cross-border movement of people, products and services. In Europe in particular, 2018 will see a significant increase in the risk associated with personal data when the EU General Data Protection Regulation (GDPR) comes into force in May, and this will be an area of increased focus in terms of controls and compliance framework, alongside the linked topic of IT security.

Julie Southern
Chairman of the Audit Committee
28 February 2018

Role of the Audit Committee

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

The Audit Committee:

- monitors the integrity of the annual and interim results, including a review of the significant financial reporting judgements contained therein (the Directors' statement of responsibilities for preparing the Annual Report and Financial Statements can be found in the Directors' Report on page 165);
- 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 UK Corporate Governance Code (the Code) requirement to present a fair, balanced and understandable assessment of the Company's position and prospects;
- monitors and reviews the effectiveness of the Company's internal audit function;
- establishes and oversees the Company's relationship with the external auditor, including setting their fees, monitoring their independence and effectiveness and ensuring that the Company's policy relating to their engagement on non-audit matters is appropriate and observed;
- reviews correspondence from regulators in relation to the Company's financial reporting and, if appropriate, reviews management's response; and
- monitors matters raised pursuant to the Company's whistleblowing arrangements.

Terms of reference

Following the publication of the ICSA updated guidance for audit committees which contains model terms of reference, the Audit Committee undertook a full review of its terms of reference during 2017. This resulted in the Audit Committee adopting new, more extensive terms of reference which more accurately reflect the existing practices of the Audit Committee. These new terms of reference were approved by the Board in December and are available on the Company's website.

Composition and attendance of the Audit Committee

The Audit Committee met four times during the year and the members of the Audit Committee and their attendance during 2017 can be found below.

During the year Alan Giles and Chris Geoghegan stepped down and Sir Crispin Davis and Linda Yueh were appointed as members of the Audit Committee. John Pettigrew was also appointed as a member in January 2018.

Julie Southern, Chairman of the Audit Committee, is a Chartered Accountant and is considered to have relevant and recent financial experience. Sir Crispin Davis and John Pettigrew have extensive commercial and operational experience in overseeing the financial affairs of substantial business undertakings and Linda Yueh has a strong economic and international background. The Audit Committee as a whole is, therefore, considered to have competence relevant to the sector in which the Company operates. Full biographical details of the members of the Audit Committee are contained on pages 52 and 53. All Audit Committee members are independent Non-Executive Directors. The Audit 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 Audit Committee are attended by the Company Chairman, the Chief Executive, the Chief Financial Officer, the external auditor, the Director of Risk & Internal Audit, the Group Financial Controller & Treasurer, the Company Secretary and the Assistant Company Secretary. The Audit Committee meets at least once per year separately with the Company's auditor, KPMG LLP, and the Director of Risk & Internal Audit without executive management present. The Chairman of the Audit Committee reports to the Board at the next Board meeting on the activity of the Audit Committee and any matters of particular relevance to the Board in the conduct of its work.

Audit committee members and attendance in 2017

100%
Julie Southern, Chairman
4/4 meetings attended

100%
Sir Crispin Davis[1]
2/2 meetings attended

100%
Chris Geoghegan[2]
2/2 meetings attended

100%
Alan Giles[3]
1/1 meeting attended

100%
Linda Yueh[4]
2/2 meetings attended

1. Sir Crispin Davis was appointed to the Audit Committee on 20 July 2017.
2. Chris Geoghegan resigned from the Audit Committee on 18 September 2017.
3. Alan Giles retired from the Audit Committee on 10 May 2017.
4. Linda Yueh was appointed to the Audit Committee on 1 November 2017.

Activities of the Audit Committee in 2017

In 2017, the Audit Committee considered the following key areas:

Internal controls and risk

- The effectiveness of the internal control and risk management framework including an assessment by the external auditor of the Company's risk management framework relative to peer group companies to ensure that best practices are applied where relevant.
- The statement to shareholders on the control environment.
- The outcome of internal audit investigations and status of resolution of issues raised.
- Group risks and actions to enhance their measurement, monitoring and mitigation actions.
- Review and enhancement of relevant policies and procedures including the Group authority schedule, tax and treasury policies and the internal audit charter.
- Group reporting processes and the central control environment, including the review of Group Risk Committee minutes.
- Output from financial controls testing carried out across the Group by the Company's auditor, KPMG LLP.
- The conclusions and themes emerging from the internal audit investigations conducted during the year and approval of the plans for 2018 in parallel with the Board's strategic review and operating plan for the year.

External audit

- The reappointment of KPMG LLP following the outcome of a formal and competitive audit tender process.
- The terms and scope of the audit engagement for the annual and interim financial statements.
- The effectiveness of the external audit process.
- A review of the annual financial statements, consideration of principal areas of accounting judgement or materiality, further details of which are provided below, including discussions with the auditor without executives present.
- The audit strategy for the 2017 audit including the key areas of focus, materiality levels, scope and coverage including the decision to enhance the US audit scope.
- An analysis setting out the basis on which KPMG LLP continued to meet the appropriate professional standards of independence as auditor to the Company.

Accounting and financial reporting

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

Significant accounting judgements

After discussion with both management and the auditor, the Audit Committee has determined the key issues of accounting judgement affecting the financial statements and therefore providing the potential for material misstatement in the 2017 Annual Report. The significant areas of focus considered and actions taken are set out below. These issues have been discussed and reviewed by the Audit Committee during the year, notably at the review of the interim results and at the review and agreement of the audit plan for 2018.

	Significant matter	Action taken
Deferred tax assets recognised on unused tax losses	The Group holds substantial deferred tax assets recognised on unused tax losses. The amount recognised is judgemental and is based on future profitability which is inherently uncertain, and involves judgement in determining the forecast period.	Where judgements are material to the Group the auditor uses its own specialists to assist in the review of the approaches taken and assumptions made by management to ensure these are consistent with previous years and result in adequate provisions. The Audit Committee reviews the position at the half-year and year-end balance sheet dates supported by papers from the Group Tax Director and is satisfied that the assumptions supporting the valuations are appropriate and that the assets are reasonably stated in the financial statements.
Tax provisions	The Group holds a number of provisions for tax contingencies in relation to various potential claims from tax authorities, which require significant judgements and estimates in relation to tax risks. The complexity is increased as a result of the large number of tax jurisdictions in which the Group operates, and the time taken for tax matters to be agreed with the relevant authorities.	The Group employs local tax experts to support judgements where there is significant uncertainty and the amounts involved are material. In respect of transfer pricing across tax jurisdictions the Group has benchmarked its approach using international tax experts to ensure the risk of breaching local tax authority requirements is mitigated. As noted above, the Audit Committee reviews the position at the half-year and year-end balance sheet dates supported by papers from the Group Tax Director and is satisfied that the assumptions supporting the valuations are appropriate and that the liabilities are reasonably stated in the financial statements.
Valuation of intangible assets	The Group carries material balances for intangible fixed assets arising on acquisitions, and due to the acquisition programme makes material additions to these balances each year. Annual impairment tests are based on value-in-use calculations which require significant judgements in relation to the inputs used, including forecast growth rates and discount rates. Management is required to perform annual tests for impairment of goodwill balances over £1m as well as other acquired intangible assets when there are indicators of impairment.	The Group's intangible assets are grouped into cash-generating units (CGUs) for the purpose of assessing the recoverable amount (usually a country business unit). Impairment tests are carried out using a centrally provided model. Cash flows are based on recent strategic plans as amended for any significant changes since preparation. Discount rates used for cash flows must be the applicable rate from the internally published Group discount rates, which are adjusted for local country risk. The Audit Committee receives a summary of the results of the annual impairment review process from management. Although the total values of intangible assets are significant, management has been able to demonstrate to the Committee that there is material headroom in the major balances based on the assumptions made.
Acquisition accounting	The Group makes a large number of acquisitions each year, many of which require the valuation of acquired intangible assets such as brands, customer lists and goodwill. The calculations for valuing these assets on acquisition are subject to significant judgement and estimation about the future performance of the acquired business, such as forecast customer termination rates, discount rates and growth rates. The Group utilises the allowances for provisional accounting within the standards where appropriate, and there is judgement required during this period as to whether the adjustments relate to the pre- or post-acquisition period.	At each balance sheet date, management provides the Audit Committee with a summary of M&A activity in the period, including updates to provisional accounting as well as details of new acquisitions. The Audit Committee reviews the accounting treatment of certain aspects of significant acquisitions, including determination of the consideration paid, the identification and valuation of acquired intangible assets and a review of provisional opening balance sheets.

Internal audit

The Group has an operational internal audit team of six led by the Director of Risk & Internal Audit. The Director of Risk & Internal Audit reports to the Chief Financial Officer and has direct lines of communication with the Chairman of the Audit Committee, the Chief Executive and the Company Chairman, as well as to all operational and functional leaders in the business.

During the year, internal audit continued to review a broad range of business processes in depth at business locations across all regions. These included:

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

The internal audit plan approved by the Audit Committee in December 2017 was largely completed, but with some re-prioritisation of the internal audit programme to incorporate short-term changes in the risk profile of the business. Thus, additional audits were included during the year covering North America financial controls and payroll, including in the newly acquired Residex distribution business, and of key financial controls in France following some weaknesses identified earlier in 2017. In all cases controls were found to be working effectively at the time of the internal audit visit. A number of lower-priority internal audits were consequently delayed to early 2018. The common themes arising from the internal audit work were presented to the Audit Committee in December 2017, together with recommendations to further enhance the Group's overall control environment.

None of the failures identified in the control environment by internal audit or any of the recommendations resulting from individual audits represented a systemic underlying issue. The overall work of the internal audit function is supportive of the Audit Committee's and the Board's view that the financial and operational controls environment, set out in the Risks and uncertainties section on page 42, is working adequately. The Board's statement on the effectiveness of risk management and internal control can be found on page 62.

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 Audit Committee is responsible for oversight of the auditor, agreeing the audit strategy and related work plan as well as approving their fees.

The auditor attends all meetings of the Audit Committee and meets with the Audit Committee without executive management present. The main engagement with the Audit Committee in 2017 has been over the audit and publication of annual and periodic financial statements, including the auditor's scope and priorities approach and key judgement areas, as well as advising on the reporting requirements relating, for example, to significant acquisitions and disposals. The Audit Committee considers that it has an effective working relationship with the external audit team. As reported below, the Audit 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 Audit 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 Audit Committee regularly reviews the amount and nature of non-audit work performed by the auditor to ensure that the auditor's independence is not compromised and in 2016 updated the Company's policy to ensure full compliance with the EU Audit Directive and EU Audit Regulation. Any engagement fee on permitted services in excess of £10,000 requires the approval of the Chairman of the Audit Committee and any engagement fee in excess of £250,000 requires the approval of the Audit Committee. A copy of the policy on engagement of the auditor's service is available at **rentokil-initial.com**. There was no significant non-audit service engagement during 2017.

Fees for audit-related services incurred during the year amounted to £0.6m (2016: £0.2m) and fees for non-audit services incurred during the year amounted to £0.1m (2016: £0.7m). The ratio of non-audit fees to audit fees for the year was 0.25:1 (2016: 0.37:1). The majority of the audit-related services were in relation to non-statutory accounts audits. Further 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 Audit Committee monitors the process leading up to the preparation of the financial statements, including the arrangements the Company has in place for disclosing all relevant audit information to the auditor. A formal confirmation on disclosure of information to the auditor is provided in the Directors' Report on page 165.

Effectiveness

Under the Code, the Audit 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 2016 audit was completed and all milestones reached, and there were no significant unexpected events relating to the publication of the year-end results.

In 2017, the Audit Committee considered the findings of the review of the auditor's effectiveness of the 2016 audit process which had been conducted during the preparation of Group and local statutory accounts for the 2016 financial period. The process drew input from the Chief Financial Officer, the Director of Risk & Internal Audit and other members of the senior finance management team as well as from the majority of the Finance Directors of the Group's subsidiaries. The process made use of a formal evaluation using a questionnaire which was completed by 34 business units as well as by the central accounts and tax functions. In order to allow direct comparability of the evaluation scores across periods, the questions were exactly the same as those used previously. The questionnaire covered:

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

The Audit Committee considered the comprehensive findings of the review where it was noted that the accounting environment continued to be impacted by the significant acquisition activity across the Group, with 41 acquisitions concluded during 2016. None of the findings were considered material in the overall context of the Group audit but comments received were helpful in relation to improvements in the Company's processes and those of the auditor. Taking all responses into account, the scoring mechanism demonstrated that the audit performance was effective and at a similar level to the previous year.

Audit Committee Report

Audit tender

As previously disclosed, the Audit Committee oversaw a formal and competitive tender process during 2017 in relation to the Group's external auditor. This was undertaken in accordance with the UK Competition and Market Authority Order (the Order), which states that a competitive tender process must be undertaken at least every ten years; the last tender process took place in 2009 resulting in the appointment of KPMG LLP as the Group's external auditor.

The process started in July with a broad and unrestricted review of potential audit firms to be invited to participate in a detailed selection exercise. Of the firms contacted, three were selected and sent a formal Request for Proposal (RFP). They each met with a number of Board members and senior executives, including:

- the Chairman and the Audit Committee Chairman;
- the Chief Executive and Chief Financial Officer;
- the Managing Directors and Finance Directors of each of the five regions; and
- the Group Financial Controller & Treasurer, Group Tax Director, Head of Treasury, Group M&A Director, Director of Risk & Internal Audit, and Finance Development Director.

The firms were also invited to present their IT software to a smaller group comprising the Group Financial Controller & Treasurer, Finance Director of UK & Rest of World, Director of Risk & Internal Audit and Finance Development Director.

Formal written responses to the RFP were then submitted and each firm presented to a Steering Group comprising the Audit Committee Chairman, the Chief Financial Officer, the Group Financial Controller & Treasurer, and the Director of Risk & Internal Audit.

A formal evaluation process was followed at all stages with the Audit Committee and Board being regularly updated and key reflections of the Steering Committee being presented to the Audit Committee for consideration. Areas of consideration included commitment to building a long-term relationship, cultural fit, a demonstrable understanding of Rentokil Initial's business, technical expertise and proposed fee structure and development. The tender was further used as an opportunity to seek input on the approach to the audit and the Company's external reporting. Further to the outcome of the tender, the Audit Committee recommended to the Board that KPMG LLP be reappointed as the Company's external auditor while identifying certain opportunities for improvements, for example in the use of technological tools as part of the audit.

The Board approved the Audit Committee's recommendation and the Directors will be proposing the reappointment of KPMG LLP for the financial year ending 31 December 2018 and the setting of its fees at the Company's 2018 AGM.

KPMG LLP are required to rotate the audit partner responsible for the Group audit every five years and, as previously communicated, the current lead audit partner, Paul Sawdon, having served since 2013 will, therefore, rotate after the 2017 year end. The new KPMG audit partner is Mike Maloney.

The Company confirms its compliance with the provisions of the Order for the financial period ending 31 December 2017.

Auditor independence and objectivity

In concluding that KPMG LLP should be proposed for reappointment as auditor at the AGM in May 2018, the Board and the Audit Committee took into account the need to ensure that auditor independence was safeguarded. The Audit Committee also took into account the review undertaken of the effectiveness of the audit process as well as input from executive management.

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

Group's approach to risk management and internal control

The Group's approach to managing risk and ensuring that an effective internal control environment is maintained is described below. The Board's statement on risk management and internal control is set out in the Corporate Governance Report on page 62.

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

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

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

Some of the above responsibilities are delegated to the Audit Committee as previously described. The Audit Committee receives regular reports from the Chief Financial Officer and the Director of Risk & Internal Audit on financial controls and process improvement programmes. These include:

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

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

The Audit Committee has continued its practice of reviewing in depth the risk and control environment in the five main regional businesses, as well as the Regional Finance Director's assessment of the quality and priorities of the Finance function in that part of the business. This provides a high-level insight for the Audit Committee as well as an opportunity to challenge key managers on potential risks. It further supports the discussions that take place in the Nomination Committee on talent and succession in the Finance function.

The number of control issues across the Group remains relatively low, with those which do occur not resulting in a material impact on Group performance. During 2017 the Audit Committee reviewed the following specific control issues:

- weakness in the US financial control environment in the second half of 2016, including forecasting, and in the implementation of a new payroll system in Q1 2017;
- control weaknesses in Brazil and Norway in 2016 which were identified in early 2017. These were the result of weak oversight by the local finance managers, both of whom have since left the business;
- a few instances of incorrect social security deductions and miscalculation of statutory holiday and annual leave pay. In response, a self-assessment checklist has been developed for all countries to confirm compliance with local social security regulations by the end of Q1 2018; and
- incorrect accounting for share options in the UK resulting in an understatement of profit; the accounting was corrected in the second half of the year.

There is a Group Risk Committee composed of key functional and operational senior managers which considers the risk framework and key risks. The Group Risk Committee supports the Audit Committee and executive management by:

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

Copies of the minutes of the Group Risk Committee are provided to the Audit Committee.

Governance and compliance

The Audit Committee has responsibility for reviewing the Company's procedures for handling compliance with the Company's Code of Conduct, including its anti-corruption policy and confidential reporting (whistleblower) arrangements. The Code of Conduct, a fundamental commitment to comply with all applicable legal requirements and with high ethical standards, can be found on the Company's website.

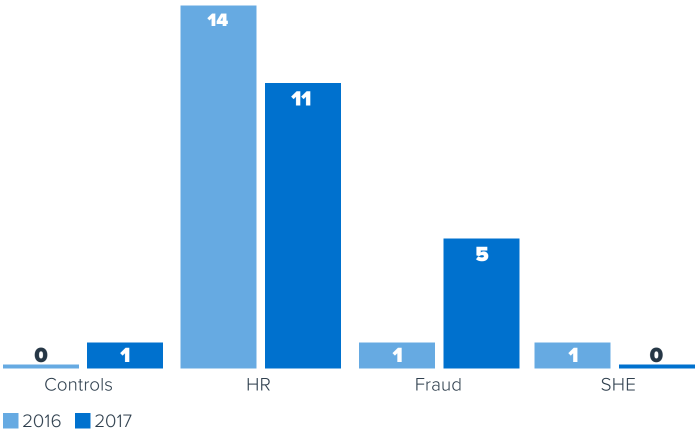
During the year, the Audit Committee reviewed assurance of the compliance procedures in place and the degree to which mandatory training has been undertaken by senior management relating to the Code of Conduct, which was revised and reissued in 2016. In 2017, the mandatory corporate compliance training was refreshed with new online modules on the Code of Conduct, preventing anti-competitive practice, preventing bribery and corruption, and securing information and protecting privacy. Full details on the application of the U+ learning management platform throughout the Company can be found in the Corporate Responsibility Report on the Company's website.

The Audit Committee is also informed of feedback from senior management who are required to provide an annual Letter of Assurance confirming compliance with key Group policies, including the Code of Conduct, and the dissemination of these policies to their respective country and functional teams. There are policies and procedures in place for the reporting by colleagues of suspected wrongdoing, for these suspicions to be formally investigated, and for the results of the investigation to be reported to the whistleblower.

There were 17 control incidents reported in 2017 (2016: 16). Details of the types of incidents can be found below. There have been no anti-bribery or anti-corruption matters reported during the year.

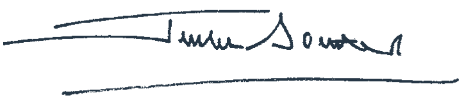
The Audit Committee also periodically reviews processes which the Company has in place to ensure that in all territories there is an effective communication process through which colleagues are kept informed about the whistleblowing process.

Reported control incidences by category



Audit Committee effectiveness

In November 2017, the Audit Committee conducted a review of its effectiveness using the services of Lintstock, an independent external corporate governance consultancy. The review concluded that the Audit Committee was performing effectively and had received sufficient, reliable and timely information from management to enable it to fulfil its responsibilities.



Julie Southern
Chairman of the Audit Committee
28 February 2018

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

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

Nomination Committee Report

John McAdam
Chairman of the
Nomination Committee

"I am very pleased with the calibre, background and experience of the three new Non-Executive Directors."

John McAdam
Chairman of the Nomination Committee

Highlights of 2017

- Refreshing the Board with recommended appointments of Sir Crispin Davis, Linda Yueh, and John Pettigrew (from 1 January 2018).
- Improving Board gender diversity at year end to 38% female, 62% male.
- Improved focus on talent and succession.

Areas of focus for 2018

- Maintaining focus on executive talent and succession, including talent pools and improving bench strength in key operational roles.
- Diversity and future female leaders.
- Succession of Senior Independent Director at year end.

Dear Shareholder

The Nomination Committee has been central to refreshing the composition of the Board during 2017.

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

In 2017, we have executed on our succession planning and recruitment processes, and taken the opportunity to enhance the composition of the Board in key areas. We have also reviewed the commitments of Board members to ensure that they all had sufficient capacity and commitment to devote the necessary time to performing their duties alongside their roles with other organisations.

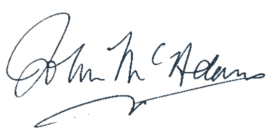
The Nomination Committee has overall responsibility for succession planning and recommending to the Board new appointments as well as annual reappointments of Directors. In addition, the Nomination Committee is responsible for assessing the composition, diversity, experience, knowledge, skills and independence of the Board. The Nomination Committee also has oversight of the Company's policy and procedures with regard to managing conflicts of interest.

During 2017, the Nomination Committee held four scheduled meetings and met an additional three times. This was in response to the recruitment of three new Non-Executive Directors: Sir Crispin Davis, John Pettigrew and Linda Yueh. I am satisfied that the process undertaken worked acceptably in each case although there was a short gap between the departing Director and their successor joining on two occasions. One was due to the unplanned departure of Chris Geoghegan in September, and on the other occasion this was due to an unexpectedly lengthy recruitment process. Despite this non-compliance with the UK Corporate Governance Code, more details of which are set out on page 51, it was critical to use this opportunity to reinforce the strength and diversity of the Board, taking the time to achieve the best long-term result.

I am very pleased with the calibre, background and experience of the three new Non-Executive Directors and confident that they will enable the Board to continue to carry out its duties to a very high standard in the coming years. We have reviewed our processes and will in the future try to ensure that any potential gap between one Non-Executive Director resigning and the appointment of a successor is avoided.

I am also very pleased to be able to report that the Company reached 38% female representation at Board level during the year, in excess of the recommended minimum level. More information on this and the Company's approach to diversity and inclusion can be found within the Nomination Committee Report on page 73.

Yours faithfully



John McAdam
Chairman of the Nomination Committee
28 February 2018

Role of the Nomination Committee

The Nomination Committee has delegated authority from the Board as set out in its terms of reference. The terms of reference of the Nomination Committee were reviewed by the Nomination Committee during 2017 and are available at **rentokil-initial.com**.

Membership and attendance

All Non-Executive Directors are members of the Nomination Committee in order to ensure that all Directors are able to provide input and help determine the future composition of the Board. The Nomination Committee met formally four times during the year. There were three additional meetings to oversee the recruitment process or recommend the appointment of the new members of the Board of Directors. The members of the Nomination Committee that served during 2017, along with their attendance at Nomination Committee meetings, can be seen below.

Nomination Committee members and attendance in 2017

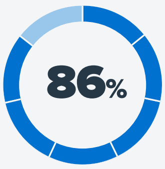
John McAdam, Chairman
7/7 meetings attended

Richard Burrows
7/7 meetings attended

Sir Crispin Davis[1]
3/3 meetings attended

Chris Geoghegan[2]
4/4 meetings attended

Alan Giles[3]
3/3 meetings attended



Angela Seymour-Jackson
6/7 meetings attended

Julie Southern
7/7 meetings attended

Linda Yueh[4]
1/1 meeting attended

1. Sir Crispin Davis was appointed to the Nomination Committee on 20 July 2017.
2. Chris Geoghegan resigned from the Nomination Committee on 18 September 2017.
3. Alan Giles retired from the Nomination Committee on 10 May 2017.
4. Linda Yueh was appointed to the Nomination Committee on 1 November 2017

John Pettigrew joined the Nomination Committee upon his appointment to the Board on 1 January 2018.

Where any member is unable to attend a meeting, the Nomination Committee Chairman will seek their views in advance and provide a briefing on outcomes if appropriate. All Nomination Committee members are provided with the papers and the minutes of the meeting, whether or not they are able to attend. The Chief Executive also normally attends meetings, especially to assist with discussions of executive succession and talent programmes.

Activities of the Nomination Committee in 2017

The key activities of the Nomination Committee were the review of Board succession planning, including key skills and experience to prioritise in the search for new Directors; updating the forward multi-year succession plan; and the recommendation of the appointments of Sir Crispin Davis, John Pettigrew and Linda Yueh to the Board. Other items discussed by the Nomination Committee during 2017 included:

- a review and selection of executive search consultants;
- a review of the Nomination Committee's terms of reference;
- a review of the Nomination Committee's effectiveness, externally facilitated by Lintstock, an independent corporate governance consultancy;
- the review and adoption of a new Board Diversity Policy;
- a review of the performance of individual Directors, using output from the Board evaluation process, and making recommendations to the Board over the re-election of Directors at the AGM; and
- a review of potential conflicts of interest authorised by the Board and the processes in place to ensure that they are properly considered.

More detailed information is provided below, where appropriate.

Appointment process to the Board

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

The process of appointing new Directors to the Board is supported through the use of an external recruitment consultant. After their selection, the recruitment consultant is briefed on the skill sets and candidate experience being sought, as illustrated on page 56, and prepares a candidate specification for approval by the Nomination Committee. Thereafter potential candidates are identified and interviews take place with members of the Nomination Committee, Executive Directors and, usually, the Group HR Director. The Nomination Committee then forms a recommendation for consideration by the Board. Recruitment for Executive Leadership Team (ELT) roles tends to be led by the Chief Executive and the Group HR Director with oversight from the Nomination Committee.

In 2017, this process was undertaken in the search for a replacement Director following the retirement of Alan Giles at the AGM in May 2017 and the resignation of Chris Geoghegan in September 2017. Inzito Partnership, an external executive search consultancy with no other connections with the Company, was engaged by the Company to undertake recruitment during the year. Inzito Partnership is a signatory to The Enhanced Code of Conduct for Executive Search Firms. Following a formal, rigorous and transparent process, the Nomination Committee recommended to the Board that Sir Crispin Davis, John Pettigrew and Linda Yueh be appointed as Non-Executive Directors.

Succession planning and talent development

Both the Nomination Committee and the Board recognise that strategic, thoughtful and practical succession planning is critical to the long-term success of the Company. The Nomination Committee looks to bring new energy, challenge and oversight to the Board and to reflect the business strategy and operational goals in appointments. The Board is ultimately responsible for succession planning for Executive and Non-Executive Directors and senior management, with the Nomination Committee having oversight and making recommendations as required. Board and senior manager succession planning has been an action highlighted by the Board and Nomination Committee evaluations for the last three years, although the Nomination Committee recognised that good progress had been made in 2017 in this area. The Board evaluation also identified the importance of long-term planning for the Chairman and Chief Executive succession.

Nomination Committee Report

The Group HR Director presented an overview of the Company's talent strategy to the Nomination Committee during the year, which reviewed the current succession pipeline for key senior management roles as well as wider talent development priorities, and the creation of three talent pools. The talent pools have been established to help identify successors for roles in the ELT and Senior Leadership Forum (SLF), to improve the succession pipeline for senior operational management, and to identify and accelerate the development of fast-track talent. Identified members of the talent pools are offered development that focuses on individual needs and stretches people in the areas required for their next role within the Company. Descriptions of the ELT and SLF can be found in the Corporate Governance Report on page 61.

The aim of the talent strategy is to ensure that activity is focused on the key priorities of the organisation, in particular strengthening internal succession paths to key operational and leadership roles in the short and medium term, and retaining critical talent and specialists. Reinforcing operational management career paths from branch to country and regional management, and reducing reliance on the UK and Rest of World region as a source of talent for the wider Group are areas specifically targeted for improvement. This is being addressed through regional talent pools, for example in Europe and Asia. The increased focus on these areas is already producing encouraging results. Key areas for the future include improving the diversity of the succession bench, especially by gender, and further information on this can be found in the diversity section below.

Fostering a diverse and inclusive culture

A key strategic aim of the Company is to be recognised as a world-class Employer of Choice that is able to attract, recruit and retain the best people from the widest possible pool of talent. There is, therefore, a commitment to creating a diverse and inclusive working environment for all employees through, at all times, striving to be an organisation that values everyone's talents and abilities and where diversity is encouraged.

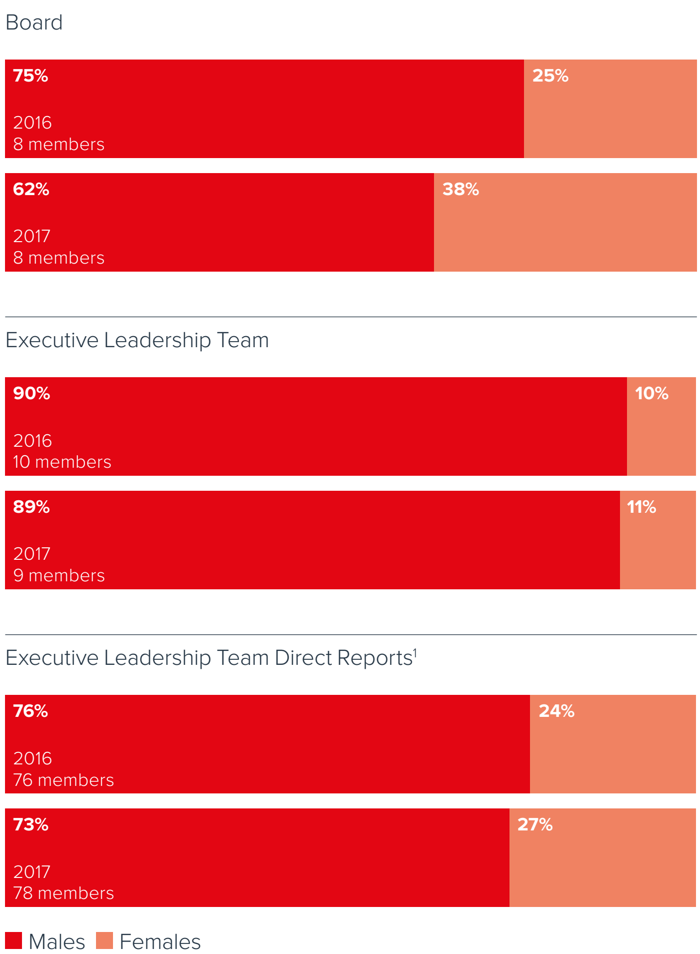
It is critical that the Company's workforce reflects the diverse nature of the business environment and markets in which it operates and the customers that it serves. A more diverse and inclusive workforce will boost the Company's financial performance, enhance its reputation, increase innovation and support colleague engagement.

Building on the diversity programme launched in 2016, the Group Diversity and Inclusion Policy was reviewed in 2017 and new policies were issued for the Board in June 2017 and for all colleagues at the start of 2018. These aim to ensure greater clarity, detail and focus on this area and to drive the right actions and culture across the Group. In particular:

- The new Board Diversity Policy reaffirms the Company's commitment to meeting the recommendation made in the final Davies Review and in the Hampton-Alexander Review on improving gender balance in FTSE leadership, which set a target of 33% female Board representation by 2020. In 2017, the Company achieved this ahead of schedule, with females representing 38% of Board members at year end and 33% following the appointment of John Pettigrew in January 2018.
- The new Group Diversity and Inclusion Policy explicitly outlines and makes public the Company's commitment to improving the gender mix of its senior management team. Whilst there was no change in the composition of the Executive Leadership Team in 2017, nor therefore in the proportion of women in it, the number of women (excluding non-managerial, administrative and support staff) reporting into this group increased by 17%. As a result, female leaders now represent 27% of our senior management population, up from 24% in 2016.
- The Company is working to enhance the pipeline of future female senior leaders. Global succession plans feature a number of female candidates and the Company monitors progress against its efforts to develop female leaders for the future. For example, the Company's current Corporate Graduate Scheme comprises 56% female participants and the Global Fast Track programme, aimed at developing individuals in junior management roles who have the potential to move into senior leadership positions, includes 40% female participants.
- The Company has committed to working only with executive search firms who have signed up to The Enhanced Voluntary Code of Conduct for Executive Search Firms on gender diversity and best practice, to make sure that it attracts and recruits the best people from the widest possible pool of talent. Any search firm engaged to assist the Company in identifying candidates is specifically directed to include a diverse range of candidates.
- Our data shows that, across our UK business as a whole, there is no pay gap between our male and female employees (0% mean, -2% median). Beyond pay, the workforce reports that the Company is delivering in offering career opportunities and interesting work equally to men and women, a fact supported by the Company's most recent colleague engagement survey, completed in September 2017. This showed that 95% of colleagues globally believe that in this Company we do not preclude male and female colleagues from having equal opportunities to succeed.
- In addition to gender, in a number of areas of diversity, such as national origin, the Company believes there is a strong track record that underlines its commitment to creating a workforce that reflects the diverse nature of the markets in which it operates and the customers it serves. Further efforts will be needed in future in data capture and reporting to demonstrate this in a robust way.

Proportion of males and females

As at 31 December



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

Managing conflicts of interest

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

The Company has a procedure in place to deal with the situation where a Director has a conflict of interest and as part of the process the Board considers each potential conflict situation on its merits. Since the procedure was introduced a number of potential situational conflicts have been authorised after review by the Chairman, with support from the Company Secretary. The Board maintains a register of authorisations granted and the scope of any approvals given, which is circulated to Board members prior to each meeting.

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

We have also carefully considered the impact of each Non-Executive Director's other commitments on their ability to perform their role on the Board. While not strictly a conflict of interest, the implications for effective conduct of Board responsibilities of so-called 'overboarding' are clear, and an increasing concern for some investors. Our experience shows that all the Company's Non-Executive Directors have been able not only to perform their roles on the Board, but also to go beyond their formal commitments, including for example attendance in many cases at meetings of other Committees in addition to those of which they are members. Further details can be found in the Corporate Governance Report on page 56.

Under its terms of reference the Nomination Committee has responsibility to review the current schedule of authorisations with a view to considering whether they remain appropriate or whether they should be revoked or otherwise limited. This review is undertaken annually and also considers the process for considering and authorising potential conflicts of interests. In 2017, the process for the disclosure of any perceived conflicts upon the appointment of a new Director was reviewed and updated. All authorisations given were considered appropriate and none were revoked or otherwise limited.

Nomination Committee effectiveness

The Nomination Committee has conducted an independence evaluation of each Non-Executive Director seeking election or re-election and recommended to the Board that they be put forward for election or re-election on the basis that their performance, both individually and in aggregate, continues to be effective and that each demonstrates commitment to the role. In addition, the Nomination Committee conducted a review of how it operates, which concluded that the Nomination Committee had operated effectively in 2017. In 2018, the focus of the Nomination Committee will be on supporting the talent and diversity programmes, and considering the effectiveness of Executive Director and senior management succession, as well as longer-term planning around Chairman succession.

John McAdam
Chairman of the Nomination Committee
28 February 2018

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

Read our Group Diversity and Inclusion Policy at
rentokil-initial.com/responsible-delivery/policies

Read our Gender Pay Gap Report at
rentokil-initial.com/gender-pay

Directors' Remuneration Report

Richard Burrows
Chairman of the Remuneration Committee

This report is structured as follows:

Highlights of 2017

- Directors' Remuneration Policy review and proposal.
- Consultation with key investors and proxy agencies.
- Induction of new members of the Remuneration Committee.

Areas of focus for 2018

- Succession planning for new Remuneration Committee Chairman in December.
- Introduction of new Directors' Remuneration Policy, further increasing alignment of remuneration arrangements for executives with shareholder interests.

Dear Shareholder

Following my appointment to the position of Chairman of the Remuneration Committee in September 2017, I am pleased to present, on behalf of the Board, the Directors' Remuneration Report for the financial year ending 31 December 2017.

Remuneration review and consultation with major shareholders

After four years of strong financial progress and strategic execution, above sector growth, and significant reshaping of the business, the Remuneration Committee decided to undertake a review of the current executive remuneration framework applying to the Executive Directors in order to ensure the arrangements continue to be:

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

The Remuneration Committee, in undertaking this review, considered the positive performance of the executive management and the criticality of ensuring their retention, the current strong and clear alignment of the Executive Directors' remuneration with that of shareholders and other senior managers through the Group Management Bonus Scheme (GMBS) and the Performance Share Plan (PSP), and the effectiveness of the current performance measures in the GMBS and PSP. With this in mind the Remuneration Committee determined that, whilst the current Directors' Remuneration Policy met the majority of the above criteria, there was still some significant retention risk due to a lack of opportunity within the policy, and an absence of bonus deferral and a holding period, which is now more common practice.

While ever mindful of the broader climate surrounding executive remuneration and corporate governance in the UK, the Remuneration Committee considered it appropriate to consult with key shareholders and several leading proxy agencies over proposals to address these issues. The proposals are designed to maintain the principles of the overall framework approved by shareholders in 2016, while making some changes to enhance the retention effect of the annual bonus and long-term incentive scheme crucial to the retention of the Executive Directors, as well as aligning the variable pay opportunity of the Executive Directors with their peers and with shareholder interests.

The Remuneration Committee and I are pleased to report that the proposals received widespread support throughout the consultation process with investors (representing almost 50% of the shareholder register), as well as from the proxy agencies. These proposals have been discussed with the Board, which supports the changes that are contemplated. It is on this basis that the proposals are now put forward for shareholder approval at the 2018 AGM.

Proposed amendments to the Directors' Remuneration Policy

Full details of the proposed changes are set out in the table on page 79, with the key changes detailed below:

Annual bonus scheme

- Annual bonus opportunity will be increased from 100% to 150% of salary for the Executive Directors, before the application of the individual performance modifier. This bonus opportunity will be based on corporate financial measures only, which are likely to include revenue, cash and profit.
- The individual performance modifier, which is already a feature of the annual bonus and contains financial and non-financial measures, will continue to have the effect of increasing the bonus payout for corporate financial performance by up to 25%, capped at an overall maximum of 180% of salary (currently 120% of salary), or decreasing it to a minimum of zero.
- The Executive Directors will defer 40% of annual bonus (beginning with bonus earned in relation to 2018 performance) into a new Deferred Bonus Plan, with a minimum deferral period of three years.

Performance Share Plan (PSP)

- Annual share awards under the PSP will be increased from 200% to 250% of salary for the Chief Executive. Annual share awards for the Chief Financial Officer will remain at 200% of salary. This PSP limit of 250% and 200% of salary for the Chief Executive and Chief Financial Officer respectively may be increased to 300% of salary (versus 250% under the current policy) in exceptional circumstances as determined by the Remuneration Committee.
- To further support shareholder alignment, a two-year holding period will apply to any awards granted in or after 2018.

Shareholding guidelines

- The Executive Directors' shareholding guidelines will increase from 200% to 300% of annual base salary for the Chief Executive and from 150% to 200% of annual base salary for the Chief Financial Officer. This will ensure the Executive Directors have an increased financial stake in the business, which further aligns them with shareholders' interests.

Pensions

- The current Executive Directors will retain their current pension arrangements. Any future Executive Directors appointed into the role will be eligible for a pension contribution or cash equivalent of 15% of salary, which reflects the pension arrangements for other senior executives. The only exception to this would be if an internal candidate was promoted to the Board with a pension entitlement exceeding 15% of salary; in this situation the legacy term would be honoured.

As part of our consultation, we considered the effectiveness of the performance metrics in the current PSP (namely relative total shareholder return (TSR) and earnings per share (EPS) in the ratio of two thirds TSR and one third EPS). The Remuneration Committee considered a number of options including: adjustment to the relative proportions of the current metrics; their potential replacement; and the introduction of new or additional metrics including, for example, a returns-based measure or a free cash flow conversion metric. While there is a range of external opinion across the investor community on the optimal measures for inclusion in long-term incentive arrangements, the Remuneration Committee is satisfied that the current metrics continue to operate successfully in driving business performance, aligning the executive with shareholders' interests and are both demanding on a long-term basis and fully aligned with operational priorities. The Remuneration Committee also felt they continue to support the overall remuneration strategy.

Key decisions in 2017

The business had a successful year in 2017, seeing a strong increase in shareholder value, successful execution of key strategic initiatives such as the creation of the joint ventures with Haniel in Europe and PCI in India, as well as good progress on the revenue and profit growth targets. This is described in more detail in the Strategic Report. It was also heartening to receive recognition in the Institute of Directors' 2017 Good Governance Index, where we received one of the highest scores in the report for the quality of the Company's Remuneration and Reward arrangements.

The 2017 annual bonus had two performance gateways based on profit and cash generation, both of which were surpassed. The level of bonus achievement was determined by Ongoing Operating Profit and Ongoing Revenue performance, which was then overlaid with an individual performance modifier. As outlined elsewhere in the Annual Report, financial performance during 2017 in the form of revenue, profit and cash flow performance has shown consistent progress. The Remuneration Committee reviewed the financial performance in 2017 against the annual bonus targets and determined that the Chief Executive, Andy Ransom, and the Chief Financial Officer, Jeremy Townsend, should both receive a bonus of 76.45% of base salary. In respect of the individual performance modifier, Andy Ransom was awarded a performance rating of 4 taking his overall bonus to 84.10% of salary, and Jeremy Townsend was awarded a performance rating of 3, resulting in his overall bonus remaining at 76.45% of salary.

During 2017, the 2014 PSP award, measured two-thirds using TSR (measured over a three-year period ending 30 March 2017) and one-third using EPS (measured over three financial years to 31 December 2016), was tested and resulted in 100% of the award vesting, subject to the individual performance modifier.

Performance of the 2015 PSP will be measured one-third using EPS (measured over three financial years to 31 December 2017) and two-thirds relative TSR (measured over a three-year period ending 29 March 2018). Based on the Company's performance for the period in respect of the 2015 PSP award, vesting is anticipated to be at 94.97%. The 2015 PSP award is based on the actual EPS result as at 31 December 2017 and an estimated TSR result based on average performance in the fourth quarter of 2017. More detail is set out on page 92.

The chart on the following page illustrates the 2017 single figure total for remuneration for each of the Executive Directors. The 2016 single figure total has been restated from last year to reflect the actual value of the 2014 PSP award following its vesting in March 2017.

Key decisions in 2018

With effect from 1 January 2018, Andy Ransom's salary was increased by 2% to £750,276 and Jeremy Townsend's salary was increased by 2% to £482,316. The increases received by the Executive Directors were in line with the overall annual cost of labour increase, which was set at 2% for the UK.

I would like to thank both my predecessors as Chairman of the Remuneration Committee, Alan Giles (until May 2017) and Chris Geoghegan (from May to September 2017) for their contribution to the work of the Remuneration Committee.

I hope that you will find the information in this report clearly explains the remuneration approach taken by the Company and enables you to understand how it links to our strategic business priorities and the delivery of our business plan.

As always, I welcome any comments you may have and look forward to seeing shareholders at the 2018 AGM.

Yours faithfully

Richard Burrows
Chairman of the Remuneration Committee
28 February 2018

Remuneration at a glance

How did we perform during 2017?

Ongoing Operating Profit outcome

100.29%

Ongoing Revenue outcome

103.22%[1]

Free Cash Flow

£175.8m

Exceeded gateway of £130m

Total shareholder return (TSR)

159.3%

increase over three years.

TSR is anticipated to finish in the upper quartile allowing this element of the 2015 PSP to vest in full.

Earnings per share (EPS)

16.9%

EPS was just below maximum allowing 84.9% of this element of the 2015 PSP to vest.

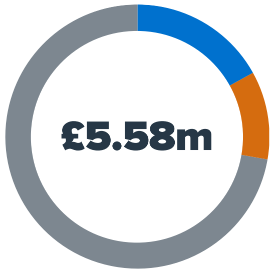
Executive Director total remuneration

Andy Ransom

2017

Total fixed pay	22%
Bonus	14%
PSP	64%

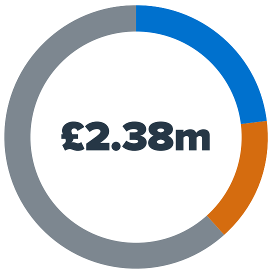
2016



Total fixed pay	17%
Bonus	11%
PSP	72%

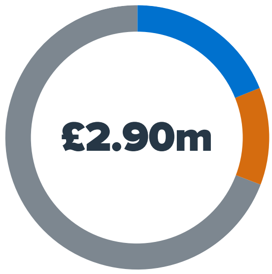
Jeremy Townsend

2017



Total fixed pay	24%
Bonus	15%
PSP	61%

2016



Total fixed pay	19%
Bonus	12%
PSP	69%

Key

- Fixed pay
  - – Base salary
  - – Benefits
  - – Pension
- Bonus
- Performance Share Plan

1. After application of Ongoing Revenue co-efficient (see page 89).
2. Further information on the IPM can be found on page 89.

How was performance reflected in our Executive Directors' pay?

	Andy Ransom 2017	Jeremy Townsend 2017
Performance rating	4	3
Individual performance modifier (IPM) for 2017[2]	110%	100%
	£'000	£'000
Base salary	735.6	472.9
Benefits	22.1	16.5
Pension	183.9	70.9
Annual bonus (after application of IPM)	618.6	361.5
Performance Share Plan	2,807.6	1,462.9
Total	4,367.8	2,384.7

Proposed changes to the Directors’ Remuneration Policy

Executive Directors

	Main features of current policy	Proposed policy change
Base salary	Increases awarded are normally broadly in line with those awarded elsewhere in the business. Adjustments to this may be made where the Remuneration Committee deems it appropriate.	No change.
Benefits	Benefits provided at a rate commensurate with the market and include life assurance, car or car allowance, family healthcare, permanent health insurance and relocation benefits.	No change.
Pension	Executive Directors may contribute to a defined contribution arrangement or receive a cash supplement in lieu of pension. Contributions for the existing Executive Directors are 25% of salary for the Chief Executive and 15% of salary for the Chief Financial Officer.	Maximum 15% of annual base salary or cash equivalent for new Executive Directors.
Bonus	Bonus opportunity of 100% of base annual salary (before the application of the individual performance modifier). Maximum opportunity of 120% of base annual salary (after the application of the individual performance modifier). Measured against Ongoing Operating Profit, Ongoing Revenue and Free Cash Flow. Clawback and malus provisions apply.	Increase in bonus opportunity from 100% to 150% of salary (before the application of the individual performance modifier). Increase in maximum opportunity from 120% to 180% (after the application of the individual performance modifier). Introduction of deferral of 40% of bonus into shares with a minimum three-year holding period. No change to performance metrics.
Performance Share Plan	200% of annual base salary for the Chief Executive and Chief Financial Officer. Maximum award of 250% in exceptional circumstances. Measured against two-thirds TSR and one-third EPS. Clawback and malus provisions apply.	Increase from 200% to 250% of annual base salary for the Chief Executive. It remains at 200% for the Chief Financial Officer. The maximum award can be increased to 300% of annual base salary in exceptional circumstances. Introduction of a two-year holding period for Executive Directors for any awards granted in or after 2018. No change to performance metrics.
Shareholding guidelines	200% of salary for the Chief Executive and 150% of salary for the Chief Financial Officer and other Executive Directors (within five years of appointment).	300% of salary for the Chief Executive and 200% of salary for the Chief Financial Officer and other Executive Directors (within five years of appointment).

Non-Executive Directors

	Main features of current policy	Proposed policy change
Non-Executive Directors (including Chairman)	Fees reviewed at appropriate intervals. Comprise basic fee plus additional fee for extra responsibility for Board Committee Chairman or Senior Independent Director. In addition, the Chairman is entitled to the use of a car and driver.	No change.

Proposed Directors' Remuneration Policy

This part of the Remuneration Report sets out our proposed Directors' Remuneration Policy and has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The policy has been developed taking into account the UK Corporate Governance Code and the views of our major shareholders. The policy will be put to a binding shareholder vote at the 2018 AGM to be held on 9 May 2018 and, subject to shareholder approval, will take formal effect from the conclusion of the AGM.

The proposed policy is broadly consistent with the current Directors' Remuneration Policy that was approved by shareholders at the 2016 AGM. Key areas of difference between the current and proposed policies are set out on page 78. The current Directors' Remuneration Policy is available to view on the Company's website at **rentokil-initial.com/investors/governance**.

The information provided in this section of the Remuneration Report is not subject to audit.

In setting the Remuneration Policy for the Executive Directors, the Remuneration Committee ensures that the arrangements are in the best interests of both the Company and its shareholders, by taking into account the following general principles:

- To ensure total remuneration packages are simple and fair in design so that they are valued by participants.
- To ensure that total remuneration is highly performance-orientated.
- To balance performance-related pay between the achievement of financial performance objectives and delivering sustainable performance, creating a clear connection between performance and reward and providing a focus on sustained improvements in profitability and returns.
- To provide a substantial proportion of performance-linked pay in shares allowing senior management to build a significant shareholding in the business and, therefore, aligning management with shareholders' interests and the Group's performance, without encouraging excessive risk-taking.

Consideration of shareholders' views

The Company is committed to maintaining good communications with investors. The Remuneration Committee considers the AGM to be an opportunity to meet and communicate with investors, giving shareholders the opportunity to raise any issues or concerns they may have. In addition, the Remuneration Committee will seek to engage directly with major shareholders and their representative bodies should any further material changes be proposed to the Remuneration Policy.

In formulating this proposed Remuneration Policy, letters containing our draft proposals were sent to all our top shareholders, representing almost 50% of the shareholder register, as well as to leading proxy agencies. Meetings were offered and were held with the majority of those contacted, who were supportive of the rationale as well as the changes being proposed for 2018.

Key elements of policy – Executive Directors

Base salary

Purpose/link to strategy	Operation	Levels of payout	Performance measures and period
To attract and retain executives of the calibre required to implement our strategy.	Cash salaries are normally reviewed annually with effect from 1 January. Salaries are set taking into account: • market data from both Willis 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; and • pay conditions for other colleagues based in the UK and other regions which are considered by the Remuneration Committee to be relevant for that executive.	Salary policy is to set base salary at an appropriate level taking into account the factors described under the 'Operation' column and salary increases are considered in this context. While there is no maximum salary level, the Remuneration 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 Remuneration Committee considers this appropriate, such as: • where a new Executive Director has been appointed to the Board at a lower than typical market salary to allow for growth in the role, then larger increases may be awarded in following years to move salary positioning closer to typical market 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; or • where the positioning of an Executive Director's salary has fallen significantly behind market practice. In exceptional circumstances, where a Non-Executive Director temporarily takes up an executive position, salary increases for the Non-Executive Director may be awarded as appropriate.	The payment of salary is not dependent on achieving performance targets although individual performance is taken into account when setting salary levels and determining any salary increases.

Key elements of policy – Executive Directors

Benefits

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

Pensions

Purpose/link to strategy	Operation	Levels of payout	Performance measures and period
To attract and retain executives of the calibre required to implement our strategy. To facilitate executives’ planning for retirement.	Executive Director pension arrangements are by way of a defined contribution arrangement or through a cash alternative of a similar value or a combination of the two. The Remuneration Committee retains the discretion to operate different pension arrangements where new Executive Directors are appointed to reflect individual circumstances, market practice or Company strategy.	For any future Executive Director hires the maximum contribution will be 15% of base salary. The only exception to this would be if an internal candidate was promoted to the board with a pension entitlement exceeding 15% of salary; in this situation the legacy arrangement would be honoured. The contributions for the existing Executive Directors are 25% of salary for the Chief Executive and 15% of salary for the Chief Financial Officer.	None.

Key elements of policy – Executive Directors

Annual bonus

Purpose/link to strategy	Operation	Levels of payout	Performance measures and period
Recognise and reward for stretching business performance against annual financial, strategic, operational and individual goals that contribute to Company performance. To attract and retain executives of the calibre required to implement our strategy and drive business performance. The deferral of an element of the annual bonus into shares provides alignment with shareholders' long-term interests following the successful delivery of short-term targets.	The annual bonus is paid each year after the Remuneration 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. Normally no more than 60% of any bonus is paid in cash with the balance deferred in shares. Deferred shares vest after a period of three years with no further performance conditions. 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. The Remuneration 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 other circumstances where the Remuneration Committee, in its discretion, considers that this treatment is appropriate. A clawback provision exists to give the Remuneration Committee, in the same circumstances to malus, the ability to recover sums already paid for up to two years after bonus determination, or vesting date for deferred shares. Deferred shares may be 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.	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 75% of base salary and a maximum bonus opportunity of 150% of base salary (before the application of the individual performance modifier). An individual performance modifier, based on individual performance as measured by the Company's performance and development review process, may also increase or decrease the opportunity stated above to recognise individual contribution to business performance. The individual performance modifier can increase the payout to a maximum of 180% of base salary, or reduce it to zero. Vested deferred share awards may include dividend equivalents (in cash or shares) that accrue by reference to the period between grant date and vest or exercise date.	The annual bonus is based on corporate financial measures including profit, revenue and cash. The bonus can be further enhanced through the individual performance modifier which contains financial and non-financial measures. The Remuneration Committee reserves the right to add key strategic performance targets where appropriate. Performance is tested over a one-year performance period. The Remuneration Committee reserves the right to change the measures in future years to ensure alignment with business strategy and shareholder interests, subject to a minimum of 50% of measures being financial in nature.

Key elements of policy – Executive Directors

Performance Share Plan (PSP)

Purpose/link to strategy	Operation	Levels of payout	Performance measures and period
To motivate and incentivise delivery of stretching business performance over the long term and to create alignment with growth in value for shareholders. To act as a retention tool for Executive Directors.	Awards are made over shares (normally in the form of nil-cost options or conditional shares) with a face value set by reference to a multiple of base salary. Award levels and performance conditions are set to support the business's long-term goals and seek to reflect market practice and shareholder guidance. Award levels are generally set at a market competitive level, relative to companies of comparable size and complexity. A malus provision exists to give the Remuneration Committee the ability to scale back awards 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 Remuneration Committee considers that this treatment is appropriate. A clawback provision exists to give the Remuneration Committee, in the same circumstances as malus, the ability to recover sums already paid for up to five years from the grant date. The Remuneration Committee will usually assess the achievement of the relevant performance conditions and underlying performance after the three-year performance period. Thereafter, a two-year holding period normally applies. The ownership of the shares is not delivered to the participants until the end of the holding period when the award vests. Awards may be settled in cash. 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. Awards may be 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.	The maximum regular annual award will be 250% of base salary for the Chief Executive and 200% of base salary for the Chief Financial Officer and any other Executive Directors. 25% of the award shall vest for meeting threshold levels of performance. This limit of 250% and 200% of base salary for the Chief Executive and Chief Financial Officer and any other Executive Directors respectively may be increased to 300% of base salary in exceptional circumstances as determined by the Remuneration Committee. Vested PSP awards may include dividend equivalents (in cash or shares) that accrue by reference to the period between grant date and vest or exercise date. These limits are in the proposed amendments to the 2016 PSP Rules which will be submitted for approval by shareholders at the May 2018 AGM.	Awards are normally subject to the following two performance measures weighted two-thirds and one-third respectively: • relative total shareholder return (TSR) performance; and • the achievement of earnings per share (EPS) targets. For any particular award, the Remuneration Committee shall retain discretion to adjust the weightings of these two measures or to include additional or alternative performance measure(s) aligned to the corporate strategy. Performance conditions are normally measured over a three-year period. If events happen which cause the Remuneration 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.

Shareholding guidelines

Purpose/link to strategy	Operation	Levels of payout	Performance measures and period
Encourages greater levels of shareholding and aligns employees' interests with those of shareholders.	Executive Directors are expected to achieve and maintain a holding of the Company's shares at least equal to a significant proportion of their respective salary.	Chief Executive: 300% of salary. Chief Financial Officer and other Executive Directors: 200% of salary (within five years of appointment).	N/A.

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

During 2017 the Company had an average of 36,036 colleagues based in over 70 countries (2016: 32,150 colleagues based in over 66 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.

The Remuneration Committee monitors and reviews the effectiveness of the senior remuneration policy and has regard to its impact and compatibility with remuneration policies in the wider workforce.

The Group HR Director advises the Remuneration Committee of the approach which will be adopted with the forthcoming UK pay review and the Remuneration Committee then considers the Executive Directors' pay in line with these arrangements.

The Group HR Director consults on all Executive Director bonuses and advises the Remuneration Committee on how, and the extent to which, they can be cascaded throughout the Company. The Remuneration Committee also reviews and approves any Performance Share Plan awards made to Executive Directors and members of the Executive Leadership Team prior to their grant.

While our colleagues are not currently formally consulted on Executive Director pay, our employee opinion survey 'Your Voice Counts' asks colleagues about the fairness and reasonableness of employee pay and benefits. Any comments made through this survey are reviewed and considered. The Remuneration Committee recognises that it needs an understanding of the broader remuneration of colleagues when making decisions on Executive Director pay. The Remuneration Committee reviews pay and conditions for all colleagues based in the UK annually, and has high level insight into the outcomes of annual bonuses. The Remuneration Committee is responsible for approving all PSP awards across the Group.

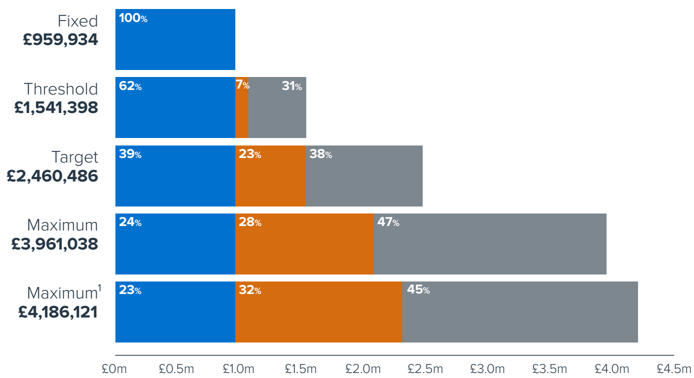
A broad population of management colleagues are invited to join the annual bonus plan called the Group Management Bonus Scheme (GMBS). The performance measures for GMBS are identical to those laid out in the policy table above, so there is full alignment between the Executive Directors and senior management.

The senior management population are eligible to participate in the PSP, wherever practicable under local legislation in the country where they are resident, and annually around 600 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.

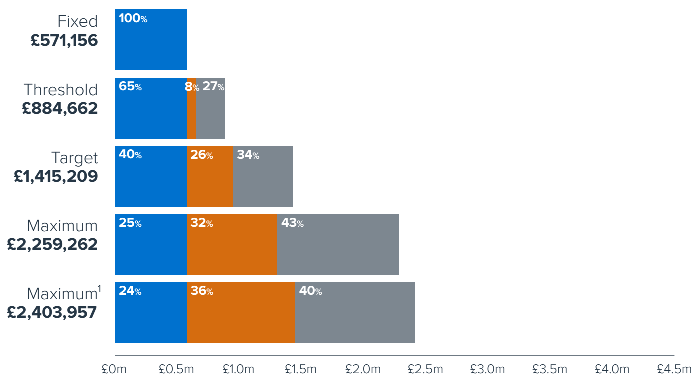
Illustration of proposed Directors' Remuneration Policy for 2018

The charts below provide an illustration of what could be received by each of the Executive Directors in 2018. These charts are illustrative as the actual value that will be received will depend on business performance in 2018 for the bonus and in the three-year period to 2020/21 for the PSP, as well as share price performance to the date of vesting for the deferred share element of the annual bonus and for the PSP.

Chief Executive – Andy Ransom



Chief Financial Officer – Jeremy Townsend



Key

Fixed pay
Includes all elements of fixed remuneration:
- base salary (effective 1 January 2018), as shown in the table on page 97;
- pension; and
- benefits using the same values as shown in the single total figure table on page 89.

Annual bonus including Deferred Bonus Plan
Represents the potential value of the annual bonus for 2018. 40% of any bonus would be deferred into shares for three years and this is included in the value shown. No share price growth is assumed.

Performance Share Plan (PSP)
Represents the potential value of the PSP to be awarded in 2018, which would vest in 2021 subject to performance against the targets disclosed on page 98. Awards would be held for a further two years. No share price growth is assumed.

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.

1. After application of the individual performance modifier.

Basis of calculations

Fixed

Fixed remuneration only. No payout under the annual bonus plan or PSP.

Threshold[1]

Includes the following assumptions for the payout of the incentive components of the package:

Bonus: 15% of base salary for the Chief Executive and Chief Financial Officer (10% of maximum opportunity).

PSP: 62.5% of base salary for the Chief Executive and 50% of salary for the Chief Financial Officer (25% of maximum opportunity).

Target

Includes the following assumptions for the payout of the incentive components of the package:

Bonus: 75% of base salary (50% of maximum opportunity).

PSP: 125% of base salary for the Chief Executive and 100% of salary for the Chief Financial Officer (50% of maximum opportunity).

Maximum

Includes the following assumptions for the payout of the incentive components of the package:

Bonus: 150% of base salary (100% of maximum opportunity before application of the individual performance modifier).

PSP: 250% of base salary for the Chief Executive and 200% of salary for the Chief Financial Officer (100% of maximum opportunity).

Maximum after application of the individual performance modifier

Includes the following assumptions for the payout of the incentive components of the package:

Bonus: 180% of base salary (100% of maximum opportunity after application of the individual performance modifier).

PSP: 250% of base salary for the Chief Executive and 200% of salary for the Chief Financial Officer (100% of maximum opportunity).

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

Recruitment – Executive Directors

The Remuneration 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 Remuneration Committee to recruit an executive of the required calibre to develop and deliver the business strategy. When determining appropriate remuneration arrangements the Remuneration 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 Remuneration Committee would generally seek to align the remuneration package offered with our policy outlined in the table above. However, the Remuneration Committee may offer additional variable remuneration arrangements in respect of an Executive Director's appointment that it considers appropriate and necessary to recruit and retain the individual. Any variable remuneration awarded in respect of the Executive Director's appointment shall be limited to 480% of base salary, this reflects our bonus policy (180% of salary) and the level of award under the PSP in exceptional circumstances (300% of salary). 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 Remuneration Committee may make awards on appointing an Executive Director to 'buy out' remuneration terms forfeited on leaving a previous employer. In doing so the Remuneration 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.

In the event of recruitment, the Remuneration Committee may grant awards to a new Executive Director under Listing Rule 9.4.2R 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 9.4.2R 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 Remuneration 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. A description of the payment in lieu of notice provisions can be found below. The Company's policy in respect of the notice periods for the termination of Executive Directors' contracts conforms to the UK Corporate Governance 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 **rentokil-initial.com/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

1. The proposed policy would provide the Remuneration Committee with the flexibility to increase the payout for threshold performance up to 20% of salary in future years. For 2018 threshold remains at 10% of the maximum bonus opportunity as was the case in 2017.

Key provisions upon contract termination

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 Remuneration Committee would look to ensure that the level of these costs/benefits was reasonable and in the best interests of shareholders.

Bonus including Deferred Bonus Plan (DBP)

Cash bonus
In the event of retirement, death, disability, redundancy, change of control, sale of the employing company or any other circumstance at the discretion of the Remuneration Committee, 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 Remuneration Committee retains the discretion to review overall business and individual performance and determine that a different level of bonus payment is appropriate.

Otherwise, generally, Executive Directors must be employed at the date of payment to receive a bonus. In certain circumstances, the Remuneration Committee may determine that a bonus payment may be due to reflect performance and contribution to the point of cessation.

DBP – leaving before date of vest
Deferred bonus shares will normally vest in full following completion of the three-year vesting period. Participants will have six months from the date of vest to exercise.

The vesting of awards will be accelerated for death and there will be 12 months from death to exercise (or up to 24 months if the Remuneration Committee so determines). The Remuneration Committee has the discretion to allow the vesting of awards so that it vests before the original three-year vesting date.

DBP – leaving after date of vest
The Executive Director will generally have six months in which to exercise their awards from the date of leaving (12 months for death (or up to 24 months if the Remuneration Committee so determines)).

Performance Share Plan (PSP)

Leaving before the end of the performance period
In the event of retirement, redundancy, change of control, sale of the employing company or any other circumstance at the discretion of the Remuneration Committee, awards will vest on the original vesting date on a time apportioned basis (unless the Remuneration Committee determines otherwise). Performance will be measured at the end of the original performance period. Participants will have six months from the end of the holding period to exercise.

In the event of ill health, disability or death (or in the event of any other exceptional circumstance if the Remuneration Committee determines), awards will vest early on a time apportioned basis. Performance will be measured to the early vesting date. Participants will have six months from leaving to exercise (12 months for death (or up to 24 months if the Remuneration Committee so determines)).

If participants leave for any other reason before the end of the performance period, their award will lapse on termination.

Leaving after the end of the performance period
Any awards in the two-year holding period will vest following completion of the two-year holding period. Participants will have six months from the latest of the end of the holding period or the leaving date to exercise (12 months for death (or up to 24 months if the Remuneration Committee so determines)).

When an Executive Director leaves the business on the basis of mutual agreement, the Remuneration 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.

Key elements of policy – Chairman and Non-Executive Directors

Fees

Approach

Non-Executive Directors' remuneration is determined by the Board on the recommendation of the Non-Executive Directors' Terms Committee of the Board (comprising the Chairman, the Chief Executive and the Chief Financial Officer) within the limits set by the Articles of Association. Non-Executive Directors' fees are set at a level which is considered appropriate for the calibre of individual required to support the delivery of business strategy and taking into account skills, experience, time commitment and independent surveys of fees paid to Non-Executive Directors of similar companies.

Fees for the Company Chairman are determined by the Board based on external remuneration advice and considered by the Remuneration Committee taking into account typical fee arrangements at other companies of a similar size and complexity, the time commitment required to fulfil the role and the calibre of the individual required.

Fees are reviewed at appropriate intervals.

Details

Non-Executive Directors' fees are payable in cash and consist of a basic fee plus additional fees payable to:

- the Senior Independent Director; and
- the Board Committee Chairmen.

Additional fees may be paid to Non-Executive Directors on an ongoing or temporary basis if there is a change in their responsibilities or a significant increase in the time commitment required from them to fulfil their role.

The fees for Non-Executive Directors, including the Chairman, 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, as set out in the Company's Articles of Association.

Other items

No element of Non-Executive Director remuneration is performance-related.

The Chairman and the Non-Executive Directors do not participate in any of the Company's incentive schemes, nor are they eligible to join the Company's pension scheme.

The Chairman 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 Remuneration 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.

Letters of appointment

Non-Executive Directors

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

The dates of their original appointment are shown below:

Non-Executive Director	Date of appointment	Expiry of current term
Richard Burrows	14 January 2008	13 January 2019
Sir Crispin Davis	20 July 2017	19 July 2020
John Pettigrew	1 January 2018	31 December 2020
Angela Seymour-Jackson	5 March 2012	4 March 2018[1]
Julie Southern	21 July 2014	20 July 2020
Linda Yueh	1 November 2017	31 October 2020

1. This was renewed to 4 March 2019 at a meeting of the Board of Directors on 22 February 2018.

Chairman

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

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

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 Remuneration Committee's discretion. Outstanding PSP awards 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.

DBP awards shall vest in full. If participants are offered, and consent to, an equivalent award in the new company they will not vest and instead will be exchanged for a new award. Participants have one month from the change of control date to exercise their award; any options that are not exercised at the end of that period will be automatically exercised.

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:

- before the date the Company's first Directors' Remuneration Policy approved by shareholders in accordance with section 439A of the Companies Act 2006 came into effect;
- before the Remuneration Policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed; or
- 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 Directors' Remuneration 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' Annual Remuneration Report – Introduction

The Annual Remuneration Report has been split into three sections for ease of reference. This introductory section provides an overview of the Remuneration Committee and its activities during the year. The second section, from page 89, provides an explanation of how the current Directors' Remuneration Policy was implemented in the year ended 31 December 2017 and shows the alignment between the Company's strategy, remuneration framework and performance as well as the payments made to Directors during this period. The final section, from page 97, provides an overview of how the proposed Directors' Remuneration Policy will be applied in 2018, subject to shareholder approval at the Annual General Meeting in May 2018.

Remuneration Committee responsibilities

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

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

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

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

Terms of reference

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

Membership and attendance

Following Alan Giles' retirement at the AGM in May 2017, Chris Geoghegan was appointed Chairman of the Remuneration Committee until his resignation in September 2017. Richard Burrows was subsequently appointed Chairman of the Remuneration Committee, having been a member of the Remuneration Committee for almost 10 years. Following the resignation of Chris Geoghegan, there was a short period where the Remuneration Committee only had two members and during this time two meetings of the Remuneration Committee were held. Further information on this can be found on page 51. Linda Yueh joined the Remuneration Committee upon her appointment in November 2017 resulting in the Committee once again being comprised of three independent Non-Executive Directors.

The Committee members have a broad and diverse set of skills and knowledge that, when combined, bring the necessary level of experience and know-how to ensure remuneration matters are dealt with in a balanced, independent and informed manner. 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.

It is intended that Richard Burrows will stand down as Chairman of the Remuneration Committee, subject to re-election by shareholders at the AGM in May, at the end of December 2018.

Activities of the Remuneration Committee

The key activities of the Remuneration Committee during 2017 included the following:

- comprehensive Directors' Remuneration Policy review ahead of the binding shareholder vote in 2018, including:
  - overview and discussion as to the necessity for a review;
  - consideration of Executive Director remuneration in relation to Company performance and alignment with peers;
  - the application of holding periods and share deferral; and
  - shareholder feedback from the consultation undertaken;
- approval of the following for Executive Directors and the Executive Leadership Team:
  - base salaries for 2017;
  - bonus outcomes for 2016 and bonus structure for 2017; and
  - proposed 2017 PSP awards and targets;
- approval of the 2016 Directors' Remuneration Report;
- full review of market practice on remuneration and governance issues in conjunction with remuneration advisors;
- consideration of reward arrangements for key executives below Executive Director level;
- approval of the vesting of the 2014 PSP award as a result of performance targets being met;
- rebasing of the EPS target for the 2015 PSP;
- monitoring dilution limits in the Company's share plans;
- annual performance review of the Committee;
- terms of reference review;
- monitoring shareholder corporate governance and voting guidelines; and
- review and recommendation to the Board of the Company's Gender Pay Gap Report for 2017.

Remuneration Committee members and attendance in 2017

Richard Burrows, Chairman
6/6 meetings attended

Alan Giles[1]
2/2 meetings attended

Chris Geoghegan[2]
3/3 meetings attended

Angela Seymour-Jackson
6/6 meetings attended

Linda Yueh[3]
1/1 meeting attended

1. Alan Giles retired from the Remuneration Committee on 10 May 2017. He was Chairman of the Committee until his retirement.
2. Chris Geoghegan resigned from the Remuneration Committee on 18 September 2017. He was Chairman of the Committee from 10 May 2017 until his resignation.
3. Linda Yueh joined the Remuneration Committee on 1 November 2017.

The Remuneration 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 Remuneration Committee reports to shareholders annually in this report and the Committee Chairman attends the AGM to address any questions arising.

The Remuneration 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 Remuneration Committee continued to operate effectively and that individual Directors serving on the Remuneration Committee continued to have access to appropriate advice and information.

Advisors to the Remuneration Committee

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

- Deloitte LLP (Deloitte);
- Tapestry Compliance LLP (Tapestry);
- Vanessa Evans – Group HR Director;
- Daragh Fagan – Group General Counsel & Company Secretary; and
- Debra Hayes – Group Reward, Pension & Benefits Director.

Deloitte is retained by the Remuneration 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 Remuneration Committee were £16,150. Deloitte also provided services to the HR and Company Secretarial teams in their roles supporting the Remuneration 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 Remuneration Committee is satisfied that the Deloitte engagement partner and team, who provide remuneration advice to the Remuneration Committee, do not have connections with the Group that may impair their independence.

During the year separate teams within Deloitte provided the Company with a limited level of advice over non-remuneration matters, such as taxation, although they are one of a number of advisors to the Company in such areas. The Remuneration 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 Remuneration Committee.

Tapestry's involvement with the Remuneration Committee is limited to advice on the operation of the Company's executive share plans in relation to the proposed Directors' Remuneration Policy. Fees charged during the year for this were £3,100.

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

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

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

Voting at the 2017 AGM

At the Company's last AGM on 10 May 2017, the outcome of the advisory vote in respect of the Directors' Remuneration Report was as follows. There was no vote on the Directors' Remuneration Policy at the 2017 AGM as it had been approved by shareholders in 2016.

Approval of the Directors' Remuneration Report

2017 AGM – Remuneration Report voting results	
Votes for	1,281,729,638
Percentage for	91.1%
Votes against	125,210,885
Percentage against	8.9%
Total votes cast	1,406,940,523
Votes withheld (abstentions)	178,573
2016 AGM – Remuneration Policy voting results	
Votes for	1,382,246,241
Percentage for	97.4%
Votes against	36,998,254
Percentage against	2.6%
Total votes cast	1,419,244,495
Votes withheld (abstentions)	1,481,537

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 Remuneration Committee is pleased with the level of shareholder support received at the 2017 AGM. The Company remains committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. In the event of a substantial vote against a resolution in relation to Directors' remuneration, the Company would seek to understand the reasons for any such vote and would set out in the following Annual Report any actions in response to it.

Directors' Annual Remuneration Report – 2017

Single total figure for the remuneration of Executive Directors

The table below has been audited.

		Fixed pay			Variable Pay		
	Year	Base salary £'000	Benefits[1] £'000	Pension[2] £'000	Bonus £'000	PSP[3,4] £'000	Total £'000
Andy Ransom, Chief Executive	**2017**	**735.6**	**22.1**	**183.9**	**618.6**	**2,807.6**	**4,367.8**
	2016	728.3	19.7	182.0	630.9	4,020.4	5,581.3
Jeremy Townsend, Chief Financial Officer	**2017**	**472.9**	**16.5**	**70.9**	**361.5**	**1,462.9**	**2,384.7**
	2016	468.2	16.5	70.3	356.9	1,992.0	2,903.9

1. Executive Directors are provided with life assurance, permanent health insurance, and a company car or a car allowance. In addition, in 2017 a security review, costing £2,400 was conducted for Andy Ransom. The value of the taxable benefits is included under 'Benefits' in the above table. There were no other taxable benefits paid to Executive Directors in 2017.
2. Andy Ransom receives a pension contribution, in the form of a cash supplement, worth 25% of base salary. Jeremy Townsend's aggregate pension contribution from the Company is worth 15% of salary.
3. In compliance with reporting regulations, the 2017 single total figure includes the 2015 PSP which is due to vest in March 2018. The value of the 2015 PSP at vest has been estimated based on the average of the Company's share price over the last financial quarter of 2017, giving a price of 317.64p, and the anticipated performance outcomes detailed on page 93. The actual value of the 2015 PSP will be restated next year once the final performance outcome and the share price at date of vesting are known.
4. The 2016 single total figure included both the 2013 PSP awards which vested in 2016 and the 2014 PSP awards which vested in March 2017, as both awards had performance periods ending in that reporting year. The 2014 PSP element of the 2016 single total figure was estimated. The award vested at 100% and has been restated from last year based on the actual share price at the date of vesting on 31 March 2017 of 246.7p. Andy Ransom received 912,792 shares, which included 51,488 shares in respect of dividend equivalents, and Jeremy Townsend received 460,397 shares, which included 25,970 shares in respect of dividend equivalents.

Annual bonus plan

2017 bonus outcome

The Remuneration Committee reviewed the 2017 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 2017 bonus plan are set out on page 91. The table on page 77 shows the alignment between our strategy and remuneration framework.

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

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

- Gateway condition: The Company must achieve at least 95% of the profit target (£281.6m) which is £267.5m. The outturn was £282.4m.
- Gateway condition: The Company must achieve Free Cash Flow generation of £130.0m. The outturn was £175.8m.

As both gateway conditions were satisfied, Executive Directors' bonuses were determined by Ongoing Operating Profit (before restructuring costs) and Ongoing Revenue performance plus an individual performance modifier. To support the delivery of profitable growth in 2017 and beyond, and to align incentives with the Group's strategy, revenue targets for Executive Directors were weighted to focus on sectors that were critical to the business. To provide this focus, co-efficients were applied to the revenue generated from the quadrants as follows:

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

The quadrants shown above are prior to the joint venture with Haniel and the restructure of the business.

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

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

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

The performance rating for the Chief Executive was 4, resulting in a 110% modifier applying to bonus. The performance rating for the Chief Financial Officer was 3, resulting in a 100% modifier applying to bonus. The assessment of the performance ratings, by the Chairman for the Chief Executive and by the Chief Executive for the Chief Financial Officer, took into account their key achievements during 2017 as detailed below.

Strategic objectives	Strategic alignment	Andy Ransom	Jeremy Townsend
Achieving greater profitability	**Shareholders**	• Ensured that improvements in business performance is sustainable and not negatively impacted by non-operational matters – delivering a fully funded pension scheme and reducing exposure to long-standing litigation and environmental/property commitments. • Turnaround in Europe region – execution of the improvement plan delivering results in line with budget. Tangible operational improvements against the region's Quality agenda.	• Free Cash Flow of £175.8m well ahead of £130m target and an increase of £19.4m on 2016. • Delivery of a fully funded pension scheme. • Driving improvements in business performance including European turnaround, deployment of pricing tools and reduction in restructuring costs. • Central IT and Finance function costs brought in below budget.
Increase earnings and returns	**Shareholders**	• Transparency and communication – c.200 meetings with investors and analysts, articulating our evolved business operating model including new up-weighted financial guidance. • Share price increased by c.45% in 2017.	• Investor Relations strategy successfully executed with c.200 meetings conducted with investors and analysts and refresh of the business operating model. • Share price increased by c.45% in 2017 trading year. • Further increase seen in North America shareholder base.
Value enhancing M&A in Growth & Emerging markets	**Shareholders**	• M&A plans exceeded in all areas – delivered joint venture with Haniel, sale of flat linen business in France, over 35 acquisitions focused on Growth and Emerging markets. PCI joint venture completed, making Rentokil PCI the No.1 pest control company in India. • Continued to build scale in North America and set the public target of reaching c.$1.5bn revenue/ c.18% margin by the end of 2020.	• M&A programme executed and acquisitions performing above required hurdle rates. • Strong financial review and support for joint venture with Haniel, sale of flat linen business in France and PCI joint venture in India. • Strong financial control and governance across all M&A activity.
An Employer of Choice	**Colleagues**	• Delivered world-class safety standards across the Group with long-term absence and working days lost rates well ahead of target. Double-digit improvements achieved in both key metrics. • Increased colleague engagement and colleague enablement levels to reach the world-class 'High Performing' standard for the first time (based on independent Korn Ferry Hay Group analysis), resulting in improved service levels. Record levels of training and development being delivered across the Group. • Step change in perceptions of the Company as a high-quality service provider and employer with 5 star rating on Trustpilot and 4.3 /5 on Glassdoor, and improvements in both customer retention and customer satisfaction. Voted Britain's Most Admired Support Services company in 2017.	• Improved colleague engagement scores for global IT and Finance functions resulting in improved functional bench strength and stability. • Continued investment in IT and Finance training and upskilling particularly at the middle management levels.
Leading the field in innovation	**Customers**	• Created a 20% increase in our innovation pipeline (year on year) and launched new market-leading innovations – Lumnia, RapidPro and AutoGate – to drive organic growth. Opened The Power Centre to drive even greater levels of innovation and training. Delivered Pest Control growth of over 20%. • Digital deployment at pace – overall web contacts growth at c.30% (44% organic), generating over 3.7 million more visitor sessions than last year – increasing sales enquiries and customer engagement. • myRentokil launched in 32 markets, with 93,000 users.	• Strong progress made in key areas of delivery including global deployment of ServiceTrak and roll-out of myRentokil. • Continued successful deployment of digital platforms across the Group. • IT security further enhanced and additional testing and training completed to further reduce cyber risk. • Development of the IT target operating model to allow a more agile approach to product design and delivery globally.

The table on page 77 shows the alignment between our strategy and remuneration framework.

Directors' Remuneration Report – Directors' Annual Remuneration Report – 2017

Bonus outcomes for 2017 and details of the range around target used to assess performance have been disclosed in the table below.

Annual bonus 2017

	Ongoing Operating Profit (50% weighting)	Ongoing Revenue[1] (50% weighting)	Potential outcome for Andy Ransom	Potential outcome for Jeremy Townsend	Total
Range around target from threshold to maximum	95% to 105%	99% to 101%			
2017 threshold (10%)	£267.5m	£2,200.3m	£73,556	£47,286	
2017 target (50%)	£281.6m	£2,222.5m	£367,782	£236,430	
2017 maximum (100%)	£295.7m	£2,244.7m	£735,564	£472,860	
2017 achievement	£282.4m	£2,294.1m			
2017 performance	100.29%	103.22%			
% bonus achieved of salary before modifier	52.90%	100.0%			76.45%
Andy Ransom, Chief Executive					
Bonus (before modifier)	£194,557	£367,782			£562,339
Performance modifier					110%
Bonus outcome for 2017					£618,573
% bonus achieved of salary					84.10%
Jeremy Townsend, Chief Financial Officer					
Bonus (before modifier)	£125,071	£236,430			£361,501
Performance modifier					100%
Bonus outcome for 2017					£361,501
Bonus as % of salary					76.45%

1. After the application of the Ongoing Revenue co-efficient. See segment co-efficients on page 89.

Performance Share Plan (PSP) awards

The Executive Directors and senior management population participate in the PSP. The table on page 77 shows the alignment between our strategy and the remuneration framework.

In 2015, the Executive Directors were granted a target award of shares which was subject to two performance measures: relative TSR performance (for two-thirds of the award) and EPS growth (for one-third of the award) plus an individual performance modifier. If all were met to the maximum level then up to 200% of the target award of shares could vest. Andy Ransom's target award was over 632,324 shares worth 120% of salary and Jeremy Townsend's target award was over 338,743 shares worth 100% of salary.

The EPS performance period for the 2015 awards ended during the 2017 financial year. The TSR performance period for the 2015 award is measured over a three-year period ending during the 2018 financial year. The TSR element of the award is therefore estimated using the average of the Company's share price over the last financial quarter of 2017. Estimated performance against the performance measures and the modifier is summarised below.

2015 PSP award performance outcome

Grant date	Vesting date	Performance condition	Condition definition	Performance period	Threshold[1]	Maximum	Actual/ Estimated outturn[2]	Vesting	Individual performance modifier[3]
31 March 2015	31 March 2018	Relative TSR (two-thirds of the total award)	TSR measured against the FTSE 350 index, excluding financial services, property and primary resources sectors.	31 March 2015-29 March 2018	If median rank is achieved 25% of the award vests.	If upper quartile rank is achieved 100% of the award vests.	159.3% increase in TSR. Ranked 8th out of 200 comparator companies.	100% of the TSR element of the award is on track to vest in March 2018.	An individual performance modifier is applied as detailed in the notes below. This could increase vesting to a maximum of 200% or reduce to zero.
		EPS (one-third of the total award)	Annualised EPS growth.	1 January 2015-31 December 2017	11.9%[4] pa for 25% of the EPS element to vest	18.2%[4] pa for 100% of the EPS element to vest.	16.9 % pa	84.9% of the EPS element of the award to vest.	

1. Vesting is on a straight-line basis between median and upper quartile performance for the TSR element of the award. No awards vest for below median performance. Vesting is on a straight-line basis between threshold and on target and on target and maximum for the EPS element of the award.
2. The estimated outcome of the TSR element of the 2015 PSP has been based on performance in the fourth quarter of 2017. The numbers will be restated in next year's Annual Report to reflect actual performance.
3. For Executive Directors, the effect of the individual performance modifier, as set out in the table below, would be to reduce the level of award that would otherwise vest to zero if an individual failed to reach threshold performance levels under the annual bonus in each of the three years of the performance period. Likewise it can have the effect of increasing vesting to a maximum of 200% if maximum bonus performance was achieved in each of the three years of the performance period and the performance measures were met in full.

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

For the 2015-2018 PSP cycle, the bonus performance across the three years was 70.05% for the Chief Executive and 68.13% for the Chief Financial Officer. The performance modifier had the effect of reducing the maximum opportunity payout from 200% to 140.10% for the Chief Executive and 136.26% for the Chief Financial Officer.

4. The EPS performance target for 2015 was originally threshold 7.0%, and maximum 13.0%. This was revised upwards by the Remuneration Committee to 9.3% and 15.4% on 15 December 2015 and again to 11.9%, and 18.2% on 10 May 2017 to reflect material acquisitions and disposals.

The aggregate number of shares anticipated to vest in March 2018 is summarised in the table below. The table also includes the additional number of shares relating to dividends accrued throughout the performance period estimated to be added to the final awards.

2015 PSP awards vesting

The table below has been audited.

	Date of award	On-target award of shares	Proportion of relative TSR target met	Proportion of the EPS target met	Individual performance modifier	Total number of shares post performance conditions	Dividend equivalent shares at vest	Total shares vesting[1]	Value of shares vesting[2]
Andy Ransom	31 March 2015	632,324	100%	84.9%	140.10%	841,303	42,603	883,096	£2,807,639
Jeremy Townsend	31 March 2015	338,745	100%	84.9%	136.26%	438,354	22,198	460,552	£1,462,897

1. The 2015 PSP award is entitled to dividend equivalent shares between date of grant and date of vest calculated on the close of business share price on the date on which the dividend was paid. These are included in the total shares vested in 2017.
2 The value of the 2015 PSP at vest is estimated based on an average of the Company's share price over the fourth quarter of 2017, giving a price of 317.64p.

Long-term incentives granted during the year

On 31 March 2017, Andy Ransom and Jeremy Townsend were both granted an award of shares under the PSP worth 200% of salary.

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

- Relative TSR performance measure: 25% of this element of the award will vest if Rentokil Initial's performance at the end of the three-year performance period is positioned at median against a comparator group of the constituents of the FTSE 350 Index, excluding financial services, property and primary resources sectors, with full vesting for upper quartile TSR performance. Vesting is on a straight-line basis between these two points.
- EPS performance measure: 25% of this element of the award will vest for EPS growth of 6.5% Compound Annual Growth Rate (CAGR) over the three-year performance period with full vesting for EPS growth of 11.5% CAGR.

In addition, when determining the level of vesting, the Remuneration 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 2017 PSP award are set out in the table below.

Directors' Remuneration Report – Directors' Annual Remuneration Report – 2017

2017 PSP award

The table below has been audited.

Participant	Date of award	Number of shares awarded	Share price used to determine award	Exercise price	Face value of shares	Date of vest	Performance period end
Andy Ransom	31 March 2017	597,048	246.4p	0.0p	£1,471,126 (200% of salary)	31 Mar 2020	30 Mar 2020
Jeremy Townsend	31 March 2017	383,814	246.4p	0.0p	£945,718 (200% of salary)	31 Mar 2020	30 Mar 2020

1. The figures shown for the number of share awards are maximum entitlements and the actual number of shares (if any) which vest will depend on the performance conditions being achieved as set out above. Threshold (minimum) vesting equals 25% vesting. Maximum vesting equals 100% vesting. No PSP shares will vest for below-threshold performance.
2. The face value of the award is based on the closing share price of 246.4p on 30 March 2017.
3. The awards may be exercised after vesting up to ten years from the date of grant.
4. The TSR condition will be measured over three years to 30 March 2020. The EPS condition will be measured over three years to 31 December 2019.
5. The awards granted were in the form of nil-cost options.

Total PSP awards held by Executive Directors

The table below has been audited.

	Date of award	Share price used to determine award	**Scheme interest at 1 January 2017**	**Shares awarded during 2017**	**Shares lapsed during 2017**	**Dividend equivalent shares at vest**	**Shares available for exercise during 2017**	**Dividend equivalent shares at exercise**	**Shares exercised during 2017**	**Outstanding awards at 31 December 2017**	Performance period end
2012 PSP											
Andy Ransom[1]	08/05/12	83.5p	**163,625**	–	–	–	**163,625**	–	–	**163,625**	07/05/15
2013 PSP											
Andy Ransom[1]	30/04/13	96.0p	**513,403**	–	–	–	**513,403**	–	–	**513,403**	29/04/16
Andy Ransom[1]	01/10/13	109.0p	**388,853**	–	–	–	**388,853**	–	–	**388,853**	29/04/16
2014 PSP[2,3]											
Andy Ransom[1]	31/03/14	123.4p	**1,134,520**	–	**273,216**	**51,488**	**912,792**	–	–	**912,792**	30/03/17
Jeremy Townsend	31/03/14	123.4p	**729,333**	–	**294,906**	**25,970**	**460,397**	**4,258**	**464,655**	–	30/03/17
2015 PSP[4]											
Andy Ransom	31/03/15	135.5p	**1,053,874**	–	–	–	–	–	–	**1,053,874**	30/03/18
Jeremy Townsend	31/03/15	135.5p	**677,490**	–	–	–	–	–	–	**677,490**	30/03/18
2016 PSP[4]											
Andy Ransom	12/05/16	159.4p	**913,776**	–	–	–	–	–	–	**913,776**	10/03/19
Jeremy Townsend	12/05/16	159.4p	**587,427**	–	–	–	–	–	–	**587,427**	10/03/19
2017 PSP[4]											
Andy Ransom	31/03/17	246.4p	–	**597,048**	–	–	–	–	–	**597,048**	30/03/20
Jeremy Townsend	31/03/17	246.4p	–	**383,814**	–	–	–	–	–	**383,814**	30/03/20

1. Shares held by Andy Ransom under the 2012, 2013 and 2014 PSP awards are vested but unexercised.
2. The 2014 PSP award is entitled to receive dividend equivalents in the form of shares based on dividend payments between the date of grant and vesting. These are included in the total shares at vest. The awards are also entitled to receive dividend equivalents in the form of shares post vest based on dividend payments between the date of vest and the date one month before exercise. These shares are applied at exercise.
3. The PSP 2014 award partially vested on 31 March 2017. Andy Ransom has not exercised his 2014 PSP award during the year. Jeremy Townsend exercised his award on 3 August 2017 at 290.9529p and sold 219,156 shares to cover tax and national insurance liabilities. He retained the balance of 245,499 shares which are included in the Directors' shareholdings table on page 94.
4. The performance conditions of the 2015 PSP award are contained on page 92. The 2016 and 2017 PSP awards have relative TSR and EPS performance measures which apply to two-thirds and one-third of the total awards respectively. The performance period for the TSR element of the 2016 and 2017 PSP awards will be measured to 10 March 2019 and 30 March 2020 respectively. The EPS performance period is measured to 31 December of the year preceding the vesting date. The vesting dates of the 2016 and 2017 PSP awards are 12 May 2019 and 31 March 2020 respectively.

Payments for loss of office

There were no payments for loss of office to Directors during 2017 and no payments to former Directors.

Single total figure for the remuneration during 2017 of the Chairman and Non-Executive Directors

The table below has been audited.

Chairman and Non-Executive Directors	**Fees 2017 £'000**	Fees 2016 £'000	**Benefits 2017 £'000**	Benefits 2016 £'000	**Total 2017 £'000**	Total 2016 £'000
John McAdam	**350**	350	**20**[1]	20[1]	**370**	370
Richard Burrows	**70**	55	**–**	–	**70**	55
Sir Crispin Davis[2]	**30**	–	**–**	–	**30**	–
Chris Geoghegan[3]	**46**	28	**–**	–	**46**	28
Alan Giles[4]	**27**	75	**–**	–	**27**	75
Angela Seymour-Jackson	**58**	55	**–**	–	**58**	55
Julie Southern	**73**	70	**–**	–	**73**	70
Linda Yueh[5]	**10**	–	**–**	–	**10**	–

1. The benefit relates to the private use by the Chairman of a Company driver and vehicle.
2. Sir Crispin Davis was appointed on 20 July 2017.
3. Chris Geoghegan resigned on 18 September 2017.
4. Alan Giles retired on 10 May 2017.
5. Linda Yueh was appointed on 1 November 2017.

Directors' shareholdings and share interests

The interests of the Directors and their families in the share capital of the Company as at 31 December 2017, or their date of cessation if earlier, and at 31 December 2016, or their date of appointment if later, are set out below. No Director has any beneficial interest in the shares of any of the Company's subsidiaries.

Directors' share interests

The table below has been audited.

	Number of ordinary shares as at 31 Dec 2017	Number of ordinary shares as at 31 Dec 2016
John McAdam	**1,484,824**	1,484,824
Andy Ransom	**1,462,544**	1,462,544
Jeremy Townsend	**734,099**	488,600
Richard Burrows	**25,000**	25,000
Sir Crispin Davis[1]	**–**	–
Chris Geoghegan[2]	**19,830**	–
Alan Giles[3]	**12,000**	12,000
Angela Seymour-Jackson	**10,574**	10,574
Julie Southern	**5,000**	5,000
Linda Yueh[4]	**1,590**	–

1. Sir Crispin Davis was appointed on 20 July 2017.
2. Chris Geoghegan resigned from the Board on 18 September 2017.
3. Alan Giles retired from the Board on 10 May 2017.
4. Linda Yueh was appointed to the Board on 1 November 2017.
5. There has been no change to the Directors' shareholdings between 31 December 2017 and 28 February 2018.

Executive shareholding requirements

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

As outlined elsewhere in this report, these guidelines will, subject to shareholder approval of the proposed Directors' Remuneration Policy, be increased in 2018 to 300% of annual salary for the Chief Executive and 200% of annual salary for the Chief Financial Officer.

Executive shareholding requirements

Executive Directors	Beneficial interests in shares at 31 Dec 2017	Value of shareholding at 31 Dec 2017[3]	Shareholding as a percentage of salary at 31 Dec 2017	Current shareholding guideline	Interest in PSP share awards at 31 Dec 2017[4]
Andy Ransom – Chief Executive	1,462,544[1]	£4,645,625	632% of salary	200% of salary	4,543,371
Jeremy Townsend – Chief Financial Officer	734,099[2]	£2,331,792	493% of salary	150% of salary	1,648,731

1. Andy Ransom has an interest in 1,978,673 vested 2012, 2013 and 2014 PSP share awards which he has not yet exercised. These figures are not included in his beneficial interest in shares figure at 31 December 2017 above but are included in the share award table on page 93.
2. Jeremy Townsend exercised his 2014 PSP award on 3 August 2017. He sold a proportion of those shares to meet the associated personal tax liability on the sale. The total post sale amount of the shares is included in his beneficial interests shown above.
3. The share valuation is based on an average share price of 317.64p calculated over the fourth quarter of 2017.
4. PSP share awards take the form of nil-cost options and are subject to performance conditions.

External appointments

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

Andy Ransom is a director and trustee of the charity Street League and a patron of the charity Malaria No More UK, for which he receives no remuneration.

Jeremy Townsend was a member of the Corporate Accounting Council of the Financial Reporting Council until 30 June 2017. He was paid £5,000 during 2017 for fees for his membership of the Corporate Accounting Council (2016: £10,000). He was appointed as a Non-Executive Director of Galliford Try plc on 1 September 2017. He was paid £14,815 during 2017 for his fees. He is also a Non-Executive Director of parkrun Trading Limited and parkrun Global Limited for which he has received no remuneration since his appointment in July 2016. In addition, 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 nine-year period

	2009	2010	2011	2012	2013	2013	2014	2015	2016	**2017**
Chief Executive	Alan Brown	Alan Brown	Alan Brown[1]	Alan Brown	Alan Brown[2]	Andy Ransom[2]	Andy Ransom	Andy Ransom	Andy Ransom[3]	**Andy Ransom**[4]
Single total figure for remuneration	£1,656,000	£989,000	£3,564,971	£1,115,000	£994,396	£401,006	£1,326,045	£1,655,757	£5,581,304	**£4,367,756**
Annual bonus payout versus maximum opportunity	71.5%	0.0%	0.0%	13.3%	27.0%	28.7%	51.4%	59.1%	72.2%	**70.1%**
% long-term incentive vesting rates versus maximum opportunity	0.0%	0.0%	22.0%	0.0%	0.0%	0.0%	0.0%	15.1%	67.5%	**79.8%**

1. The 2011 single total figure for Alan Brown, the Chief Executive at the time, includes the value of the 2008 Share Incentive Plan of £2,573,971 which was valued on the release date of 20 May 2011. These shares were called for during 2014.
2. Alan Brown was appointed as Chief Executive on 1 April 2008 and stepped down on 30 September 2013; Andy Ransom was appointed from that date. The single total figure has been apportioned to reflect payment during these periods.
3. The 2016 single total figure for the Chief Executive, Andy Ransom, includes the restated value of 912,792 shares under the 2014 PSP award based on the actual share price at the date of vesting on 31 March 2017 of 246.7p.
4. The 2017 single total figure includes the value of 873,096 shares under the 2015 PSP award which is due to vest on 31 March 2018 based on the average share price over the fourth quarter of 2017 of 317.64p.

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

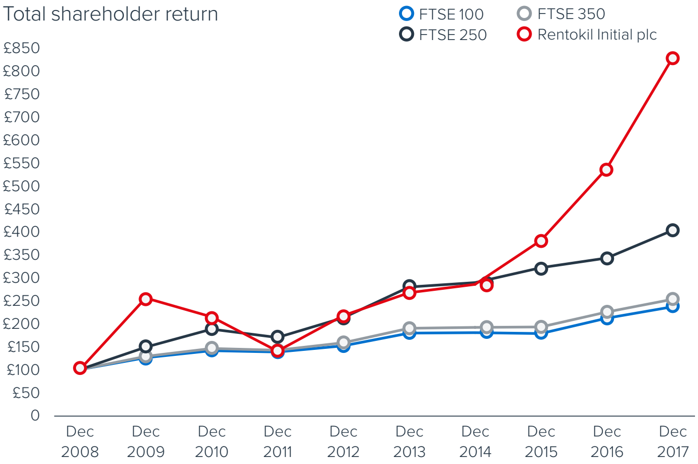
The following graph shows total shareholder return (TSR) over a nine-year period reflecting the holding of the Company's shares, plotted against the FTSE 100 Index, the FTSE 250 Index and the FTSE 350 Index, on a consistent basis with the graph shown last year. The Company has been a constituent of one or more of these indices over the nine-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 2017 and is based on data sourced from Thomson Reuters DataStream and uses spot Return Index data at each year end.

Percentage change in remuneration

The table below sets out a comparison of the change in pay for the Chief Executive for the year ended 2017 compared with 2016 and to all UK employees. The Chief Executive is based in the UK and as such is impacted by the same economic and legislative environments as other UK colleagues.

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

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



	Base salary	Annual bonus	Benefits	Total
Chief Executive	1.0% increase	2.0% decrease	12.1% increase	0.2% decrease
All UK employees	0.6% increase	7.4% increase	3.8% increase	1.6% increase

1. Base salary includes overtime and premium rate pay.
2. Annual bonus includes our Group Management Bonus Scheme (GMBS) and any other bonus commission or cash incentive but excludes any long-term incentives.
3. Benefits include private healthcare, car allowance (including trade down), cars, fully expensed fuel cards and commercial vans (private use).
4. Pension and retirement benefits are not included in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.
5. All UK employees includes Executive Directors (apart from the Chief Executive) but not Non-Executive Directors.

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 2017 and 31 December 2016.

	2017 £m	2016 £m	% change
Remuneration paid to all employees of the Group	**£1,165.9**	£1,054.5	10.6% increase
Distributions to shareholders	**£64.3**	£55.5	15.9% increase

Details of the remuneration paid to all employees can be found in Note A9 to the Financial Statements on page 121. Details of the dividends declared and paid during the periods are contained in Note D1 to the Financial Statements on page 143.

Looking forward 2018

The illustrations below detail the Executive Directors' potential remuneration for 2018 if the proposed Directors' Remuneration Policy is approved by shareholders at the 2018 AGM. A summary of the application of the proposed policy can also be found on page 83.

Executive Director base salaries from 1 January 2018

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

Base salaries reflect the role, individual experience, skills and contribution to overall business performance as well as external market conditions. Following a review of the performance of the business, the economic and market considerations in the UK, where average pay increases in the Company will be in the order of 2%, the Remuneration Committee agreed that the salaries of Executive Directors for 2018 should be as set out below.

Salary from 1 January 2018

Executive Director	Salary	Effective date
Andy Ransom – Chief Executive	£750,276 (2% increase)	1 January 2018
Jeremy Townsend – Chief Financial Officer	£482,316 (2% increase)	1 January 2018

Fixed pay for 2018 will be:

	Base salary from 1 January 2018 £'000	Estimated benefits (for 2018) £'000	Pension based on salary from January 2018 £'000	Total fixed pay £'000
Andy Ransom – Chief Executive	750.3	22.1	187.5	959.9
Jeremy Townsend – Chief Financial Officer	482.3	16.5	72.4	571.2

2018 bonus structure

Executive Directors can earn a maximum opportunity of 150% of their base salary as an annual bonus before the application of the individual performance modifier. 40% of any bonus earned will be deferred into shares for three years. The focus of the bonus is on rewarding profitable growth in order to align Executive Directors' incentives with the Group's strategy. The Remuneration Committee has approved the following proposed structure of bonuses for 2018 for the Executive Directors: 95% of the profit target and a free cash flow gateway of £150m 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 150% 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 categories 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 the businesses categories, as described in the Strategic Report on page 20.

	Co-efficient 2018
Pest Control – emerging	1.5
Pest Control – growth	1.1
Hygiene	0.9
Protect & Enhance	0.5

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

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

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

1. The maximum individual performance modifier that can be applied to the bonus is 125%. However, for the Executive Directors the annual bonus is capped at 180% of salary.

Bonus targets have not been disclosed looking forward for 2018 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 2017 have been disclosed in the table on page 90, and the 2018 targets will be disclosed in next year's Annual Report.

2018 PSP award

The Executive Directors' PSP award for 2018 will be over shares up to a maximum of 250% and 200% of base salary for the Chief Executive and Chief Financial Officer respectively. Shares under the awards will be released no earlier than five years after grant (i.e. following a three year vesting period and a two-year holding period). 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 the 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 Remuneration Committee considers that these items do not reflect the underlying performance of the business.
  - Given the Company's continued focus on improving efficiency and reducing costs around restructuring, restructuring costs are included in the EPS calculation in order to incentivise management to maintain focus in this area. Given the international nature of our business, EPS is measured on an exchange neutral basis to reflect management performance by removing the impact of windfalls and losses as a result of exchange rate movements.

The EPS targets for awards granted in 2018 will be as follows:

	Vesting level	Compound EPS growth per annum
Maximum	100% of maximum	13.0% per annum
On target	50% of maximum	9.6% per annum
Threshold	25% of maximum	8.0% per annum

Vesting shall be calculated on a straight-line basis between threshold and on target, and on target and maximum.

The Remuneration Committee is satisfied that these targets represent a stretching range, in light of all relevant factors, including the current business plan and analysts' forecasts.

In addition, when determining the level of vesting, the Remuneration 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.

2018 Non-Executive Directors' fees

Non-Executive Director fees from 1 January 2018

Position	Fee policy for year beginning 1 January 2018[1]
Chairman	£357,000 per annum
Non-Executive Director	£60,000 per annum
Senior Independent Director	Additional £10,000 per annum
Chairman of Audit Committee	Additional £15,000 per annum
Chairman of Remuneration Committee	Additional £15,000 per annum

1 Non-Executive Director and Senior Independent Director fees were increased on 1 September 2017. The Chairman's fee was increased with effect from 1 January 2018 from £350,000 to £357,000, an increase of 2%. Prior to this the Chairman's fee had remained unchanged since 2008.

Richard Burrows
Chairman of the Remuneration Committee
28 February 2018

Independent Auditor's Report to the members of Rentokil Initial PLC

1. Our opinion is unmodified

We have audited the financial statements of Rentokil Initial plc (the Company) for the year ended 31 December 2017 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, Company Balance Sheet and Company Statement of Changes in Equity, and the related notes, including the accounting policies in the General Accounting Policies.

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 2017 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 (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were appointed as auditor by the shareholders in August 2009. The period of total uninterrupted engagement is for the nine financial years ended 31 December 2017. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: Group financial statements as a whole	£10.0m (2016: £7.5m) 4% (2016: 4%) of Group profit before tax, normalised to exclude this year's net profit on disposal of businesses	
Coverage	87% (2016: 87%) of Group profit before tax	
Risks of material misstatement		vs 2016
Recurring risks	Recognition of UK deferred tax assets on unused tax losses	◀▶
	Provisions for tax contingencies	◀▶
	Impairment assessment and testing of cash-generating units that include goodwill and acquired intangible assets	◀▶
Parent Company specific risk	Recoverability of investments in subsidiary undertakings and inter-company receivables.	◀▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Recognition of UK deferred tax assets on unused tax losses £12.3m (2016: £22.2m) Read more: Audit Committee Report on pages 65 to 70. Accounting policy on page 127. Financial disclosures on page 128	**Forecast based valuation:** The Group has significant recognised deferred tax assets and unrecognised deferred tax assets in respect of unused tax losses within the UK of £136.0m (2016: £135.3m). There is inherent uncertainty involved in estimating both the quantum and probability of relevant future UK taxable profits arising against which unused tax losses can be utilised.	Our procedures included: • **assessing forecasts:** we evaluated the judgements applied by the Directors in determining the likelihood of the utilisation of tax losses and the appropriateness of the assumptions underlying the forecasts used in estimating future UK taxable profits; • **our tax expertise:** use of our own tax specialists to assist us in assessing the recoverability of the tax losses against the forecast future taxable profits, taking into account the Group's tax position, the timing of forecast taxable profits, and our knowledge and experience of the application of relevant tax legislation; and • **assessing transparency:** assessing whether the Group's disclosures about the recognition of deferred tax assets along with the effect of changes in key assumptions reflected the associated inherent risks. **Our results** • As a result of our work we found the level of deferred tax assets recognised to be acceptable.

	The risk	Our response
Provisions for tax risks £59.9m (2016: £62.9m) Read more: Audit Committee Report on pages 65 to 70. Accounting policy on page 127 Financial disclosures on page 127.	**Subjective estimate:** The Group holds a number of provisions for tax risks which arise in the normal course of business. The largest provision relates to a financing structure which has been challenged by the tax authorities. The Group operates in a number of tax jurisdictions causing complexities in transfer pricing and other international tax legislation issues. In addition, tax matters usually take a significant length of time to be agreed with the tax authorities and, as such, the recognition of these tax provisions requires judgements and estimates to be made in respect of the likely outcomes of the tax authority investigations.	Our procedures included: • **our tax expertise:** use of our own tax specialists to assess the Group's tax positions, its correspondence with the relevant tax authorities, and to analyse and challenge the assumptions used to determine tax provisions based on our knowledge and experiences of the application of the international and local legislation by the relevant authorities and courts; and • **assessing transparency:** assessing the adequacy of the Group's disclosures in respect of tax liabilities and uncertain tax positions. **Our results** We found the level of tax provisioning to be acceptable.
Impairment assessment and testing of cash-generating units that include goodwill Goodwill: £972.2m (2016: £736.0m) Read more: Audit Committee Report on pages 65 to 70. Accounting policy on pages 131 and 132. Financial disclosures on pages 131 and 132.	**Forecast based valuation:** The Group has significant carrying amounts of goodwill which is spread across a range of cash-generating units (CGUs) in different countries. This is related to numerous past and present acquisitions, spread across the Group's geography. The acquisitions are largely 'bolt-on' in nature and the majority of the acquired business and goodwill are integrated into the existing CGUs. A value in use model is used for impairment testing for each CGU. The estimation of the value in use of the cash-generating units requires significant judgement due to the inherent uncertainty involved with forecasting and discounting future cash flows particularly in relation to discount rates, long-term growth rates, terminal values, and forecast cash flows. Changes to the assumptions applied to the model, for example a change in the discount rate or to forecast cash flows, have the potential to significantly affect the impairment testing result. Impairment testing over acquired intangible assets (including customer lists and relationships and brands) has been removed from the risk in the current year.	Our procedures included: • **review of impairment models:** evaluating the principles and integrity of the Group's discounted cash flow models and assumptions used, in particular those relating to forecast revenue growth and profit margins; • **historical comparisons:** evaluating historical forecasting accuracy of key inputs including revenue growth and profit margins; • **benchmarking assumptions:** comparing the Group's assumptions to externally derived data in relation to key inputs such as long-term growth rates and discount rate assumptions; • **sensitivity analysis:** performing sensitivity analysis over the key assumptions noted above to identify which assumptions have the most significant effect on the headroom available; • **test of details:** identifying specific balances with possible indicators of impairment based on historical forecast accuracy, sensitivity in headroom in individual CGUs to changes in key assumptions and market conditions where the businesses operate and specifically challenge the Group's valuations for these items; and • **assessing transparency:** considering whether the Group's disclosures of the effect on the impairment assessment of changes in key assumptions reflected the risks inherent in the valuation of goodwill. **Our results** • We found the resulting estimate of the recoverable amount of the cash-generating units which contain goodwill to be acceptable.
Parent Company financial statements Recoverability of investments in subsidiary undertakings and inter-company receivables. Investments £274.2m (2016: £271.1m). Inter-company receivables £2,792.3m (2016: £2,792.0m).	**Low risk, high value:** The carrying amount of the Company's investments in subsidiaries and inter-company receivables represents 85% of the Company's total assets. We do not consider the recoverability of these investments and subsidiary undertakings to be at a high risk of significant misstatement, or to be subject to a high level of judgement. However, due to their materiality in the context of the Company financial statements as a whole, this is considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our Company audit.	Our procedures included: • **test of details:** comparing a sample of the investment carrying values and inter-company receivables to net assets of the relevant subsidiary to identify whether the net assets of the subsidiaries, being an approximation of their minimum recoverable amount, were in excess of the carrying amount. **Our results** • We found the carrying value of investments and the recoverability of intercompany receivables to be acceptable.

We continue to perform procedures over acquisition accounting. However, as there were no individually material acquisitions in the current year, nor were there any material provisional accounting adjustments, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

Independent Auditor's Report

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £10.0m (2016: £7.5m), determined with reference to a benchmark of Group profit before tax, normalised to exclude this year's net profit on disposal, of £264.6m (2016: £208.5m) of which it represents 4% (2016: 4%).

Materiality for the Parent Company financial statements as a whole was set at £7.5m (2016: £5.6m), determined with reference to component materiality set by the Group audit team. This is lower than the materiality we would otherwise have determined by reference to total assets, and represents 0.2% (2016: 0.2%) of total assets.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.3m (2016: £0.25m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

The audit work was performed by 18 (2016: 16) audit teams in 16 different countries covering 99 (2016: 112) reporting units. We subjected 67 (2016: 83) to full scope audits for Group purposes and 32 (2016: 29) to specified risk-focused audit procedures. The components for which we performed work other than audits for Group reporting purposes were not individually significant but were included in the scope of our Group reporting work in order to provide further coverage over the Group's results.

The components within the scope of our work accounted for the percentages illustrated below.

The remaining 25% of total Group revenue, 13% of Group profit before tax and 14% of total Group assets consists of individually insignificant reporting components, none of which individually represented more than 2% of any of total Group revenue, Group profit before tax (absolute) or total Group assets. For these residual 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 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 team approved the component materialities, which ranged from £0.1m to £5.8m (excluding the component materiality for Parent Company, which was set at £7.5m), (2016: £0.1m to £3.6m, excluding the component materiality for the Parent Company which was set at £5.6m), having regard to the mix of size and risk profile of the Group across the components. The work on 57 of the 99 components (2016: 73 of the 112 components) was performed by component auditors and the rest, including the audit of the Parent Company, was performed by the Group team.

Video and telephone conference meetings were held with these component auditors and all others that were not physically visited. At these visits and meetings, the findings reported to the Group team were discussed in more detail. The Group audit team performed audit file reviews of all component auditors and any further work required by the Group team was then performed by the component auditor.

4. We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the Directors' statement in the General accounting policies note to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least 12 months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 165 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

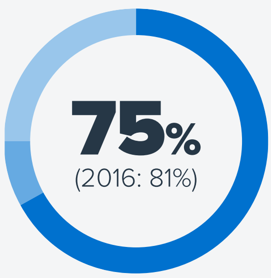
Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

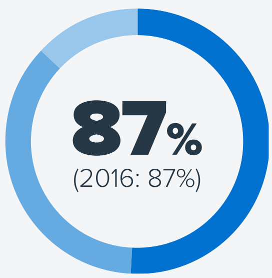
In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Group revenue



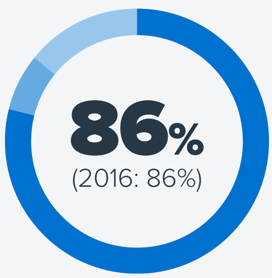
- Full scope for Group audit purposes 2017 — 67%
- Specified risk-focused audit procedures 2017 — 8%
- Residual components — 25%

Group profit before tax (absolute)



- Full scope for Group audit purposes 2017 — 51%
- Specified risk-focused audit procedures 2017 — 36%
- Residual components — 13%

Group total assets



- Full scope for Group audit purposes 2017 — 79%
- Specified risk-focused audit procedures 2017 — 7%
- Residual components — 14%

Disclosures of principal risks and longer-term viability

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

- the Directors' confirmation within the Directors' viability statement on page 42 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Directors' viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Directors' viability statement. We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements 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 section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

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.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 165, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at **frc.org.uk/auditorsresponsibilities**.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence.

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statements items.

In addition, we considered the impact of laws and regulations in the specific areas of health and safety, anti-bribery, environmental law and certain aspects of company legislation recognising the nature of the Group's activities. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the Directors and other management and inspection of regulatory and legal correspondence. We considered the effect of any known or possible non-compliance in these areas as part of our procedures on the related financial statements items.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities), as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Sawdon (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square,
London, E14 5GL

28 February 2018

Financial Statements

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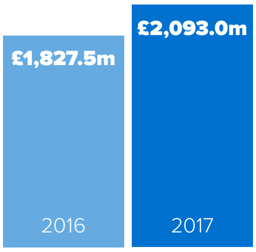
Revenue

Ongoing Revenue, which excludes disposed businesses, increased by 14.5% in 2017, with all regions contributing to growth. Asia performed particularly well, increasing revenues by 37.3% (aided by the PCI joint venture) with North America growing by 21.1%. Revenues in the Pacific and Europe rose by 7.7% and 7.3% respectively while the UK and ROW region delivered growth of 6.8%. Group Organic Revenue growth was 3.8% and growth from acquired businesses was 10.7%. Ongoing Revenue in Pest Control grew strongly at 21.4% during the year, of which 5.8% was Organic Revenue, while Hygiene reported increased revenues of 7.6%. Our Protect & Enhance businesses reported Ongoing Revenue growth of 0.9% during the period with improved performance in our French Workwear business. Total Revenue at actual exchange rates increased by 11.3% reflecting the disposal of businesses during the year offset by the favourable impact of foreign exchange.

Ongoing Revenue at CER

£2,093.0m

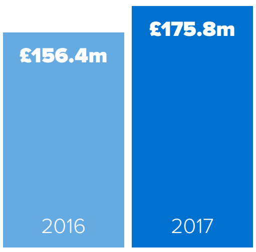


Cash (at AER)

Free Cash Flow from continuing operations at actual exchange rates amounted to £175.8m, driven by the increased profit delivery in 2017 and a year-on-year reduction in interest payments following the bond refinancing in Q1 2016, offset by the disposal of the businesses transferred to the Haniel joint venture and the non-repeat of the £7.3m special dividend from our Japanese associate in 2016. Spend on current and prior-year acquisitions (including the Rentokil PCI joint venture in India) totalled £281.1m, net proceeds received from the completion of the JV with Haniel and disposal of the eight laundries in France to RLD were £451.9m and dividend payments were £64.3m (an £8.8m, 15.9% increase on the prior year). Foreign exchange translation and other items decreased net debt by £29.1m, leaving an overall decrease in net debt of £311.4m and closing net debt of £927.3m.

Free Cash Flow from continuing operations at AER

£175.8m



Profit

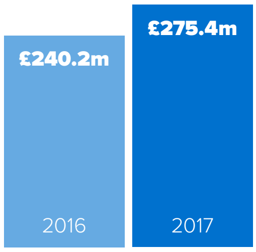
Ongoing Operating Profit, which excludes the results of disposed businesses, increased by 14.8% in 2017, reflecting growth in all regions but offset by lower profits in France. Restructuring costs amounted to £6.9m at CER (2016: £7.9m) consisting mainly of costs in respect of initiatives focused on driving operational efficiency in North America, France and the UK.

Profit before tax at actual exchange rates grew by 242.3% to £713.6m. Profit before tax includes a net profit on disposal of businesses of £449.0m, including the profit on disposal of the businesses transferred into the Haniel joint venture of £481.2m and a loss of £32.2m in relation to the divestment of eight predominantly flat linen laundries in France to RLD. Net one-off costs at actual exchange rates amounted to £6.8m (2016: £8.6m).

Adjusted profit before tax at actual exchange rates of £286.9m, which excludes the net profit from disposal of businesses, was favourably impacted by foreign exchange movements of £19.1m, due mainly to the weakening of sterling against the euro in the year.

Ongoing Operating Profit at CER

£275.4m



North America

In North America Ongoing Revenue grew 21.1% in 2017, of which 16.3% was growth through acquisition and 4.8% was organic. Pest Control grew 23.5% (+5.2% organic), helped by a strong performance in the products business but also impacted by the hurricane in Puerto Rico in September. Our business in Puerto Rico contributed $7m of Ongoing Operating Profit in 2017 and continues to be significantly impacted by the after-effects of the hurricane. Ongoing Operating Profit growth of 21.7% reflects the combined impact from higher revenues and acquisitions. Net Operating Margins at 13.6% were 0.1% points above the prior year with an underlying increase in Pest Control services margins (up 0.7% points to 16.7%) reflecting greater density, offset by an increase in mix from the lower-margin distribution business. Nine Pest Control businesses were acquired in the region during the year with combined annualised revenues of just over £100m in the year prior to purchase.

Europe

Ongoing Revenue for Europe rose by 7.3% (+2.9% Organic Revenue growth), reflecting good growth in Germany (+8.6%) and Southern Europe (+29.1%) and an improved performance across all categories in France, which grew by 1.2%. Latin America, which was managed by the Europe region in 2017, once again performed well, rising by 30.1%. Ongoing Revenue from our European Hygiene operations grew by 15.4%, driven by growth in France and Southern Europe (including the results of the acquisition of CWS Italy), while Ongoing Revenue from our Pest Control businesses grew by 5.7%. Overall Ongoing Operating Profit for the Europe region grew by 0.2%, with good growth in Southern Europe and Germany offset by a budgeted 7.2% decline in France as a result of ongoing market challenges. Net Operating Margins for the region declined by 1.3% points to 19.1%, impacted by France Workwear and the dilutive effect of the acquisition of CWS-boco's Italian hygiene business. Including CWS-boco Italy the region acquired nine new businesses in 2017 in Europe and Latin America, including four in Pest Control and five in Hygiene with combined annualised revenues of £44m in the year prior to purchase.

Financial review

Our transaction to form a joint venture with Haniel to create a leading provider of workwear and hygiene services in Europe, by transferring our Workwear and Hygiene businesses in Benelux and Central and Eastern Europe into CWS-boco (owned by Haniel), completed on 30 June 2017. In Q4 we also sold eight laundries in France to RLD. Our remaining France Workwear operations are making good operational progress and this, together with an improving economic outlook for France, gives us confidence in achieving our stated aim of returning France Workwear to profitable growth by the end of this year.

UK & Rest of World

The UK & Rest of World region delivered a good performance in 2017, with an overall increase in Ongoing Revenue of 6.8%, comprising Organic Revenue growth of 1.4% and growth through acquisition of 5.4%. The region delivered continued growth from UK Pest Control and Hygiene, with Pest Control continuing to benefit from increased jobbing work in particular. However our UK Property Care business experienced challenging market conditions in 2017 which impacted both revenue and margins. The Rest of World operations delivered strong Ongoing Revenue growth of 12.5% across all of its regional clusters in the Nordics, Caribbean, Africa and MENAT. Overall Ongoing Operating Profit for the region grew by 6.1%, reflecting higher revenues. However, Net Operating Margins for the UK & Rest of World region declined by 0.2% points to 20.7%, reflecting lower margins in Property Care. The region acquired 11 new businesses in the year, including nine in Pest Control, one in Hygiene and one in Protect & Enhance, with combined annualised revenues of £24m in the year prior to purchase.

Asia

The Asia region has had another excellent performance with Ongoing Revenue increasing by 37.3% (+7.6% Organic Revenue growth) with both Pest Control and Hygiene performing well. Our operations in the less established markets of India (excluding the Rentokil PCI joint venture), China and Vietnam continue to deliver strong growth of 16.2%. Including PCI, these countries combined delivered revenue growth of 210.0%. Ongoing Operating Profit in the region grew by 39.5% in 2017, reflecting the leverage from higher revenues, density and service productivity. Net Operating Margins increased by 0.2% points to 10.5%, with growth in Hygiene margins being offset by the dilutive effect of the lower-margin PCI Pest Control business. Including PCI we acquired five Pest Control businesses during 2017 in India, Singapore and Malaysia with combined annualised revenues of £49m in the year prior to purchase.

Pacific

In the Pacific region Ongoing Revenue grew well by 7.7%, (+4.2% organic), driven by good performances across our core Pest Control and Hygiene categories. Our Pest Control operations in Australia and New Zealand performed well, growing organically by just under 5% and 10% respectively. Ongoing Operating Profit in the region grew by 9.6% and Net Operating Margins rose by 0.4% points to 21.6%. We acquired six small Pest Control companies in Australia in the year and one Hygiene business, with combined annualised revenues of £7m in the year prior to purchase.

Change in regional reporting structure

From January 2018 our Central America operations (previously managed out of and reported within the North America region) will be managed out of existing Latin American operations, which continue to be reported within our Europe region.

Acquisitions and disposals

Acquisitions are core to our strategy – we have the in-house capability to identify, evaluate and execute acquisitions at pace. Our model for value-creating M&A is structured around disciplined evaluation of targets, detailed integration programmes and careful governance of new businesses under our ownership.

We have significantly accelerated our execution of M&A during the year, particularly within Pest Control Emerging and Growth markets. During the year we acquired 41 businesses for £281.1m (33 in Pest Control, seven in Hygiene and one in Protect & Enhance) with combined annualised revenues of £224.7m in the year prior to purchase. We have been active in M&A, acquiring businesses in 24 countries across all of our regions.

In North America we have continued to reinforce our presence as the No. 3 player in the world's largest pest control market through the acquisition of nine Pest Control companies, five of which are businesses with revenues in excess of $12m. Combined annualised revenues of all businesses acquired in the region in 2017 amounted to just over £100m in the year prior to acquisition, giving annualised revenues from our North America business at the end of December 2017 of over $1.1bn.

In March 2017 we created a joint venture with PCI, India's largest pest control company, which offers a comprehensive range of pest control services and products through its countrywide network. Rentokil, which has management control of the JV and a 57% stake, is integrating its Indian operations into the JV and the combined business (known as Rentokil PCI) will operate from 250 locations employing 6,900 people. Further, on 11 April our JV in the Kingdom of Saudi Arabia (KSA) acquired SAMES, the market leader in the commercial pest control sector in KSA with c. 2,500 customers covering most major cities, making us the No. 1 Pest Control company in KSA and the Gulf Cooperation Council countries. The business generated revenues of £9m in the 12 months prior to acquisition.

We monitor the integration and performance of acquired businesses closely to ensure they meet our financial hurdles and resourcing capabilities. Of the 40 acquisitions that were made between 1 April 2015 and 30 September 2016, all are delivering expected returns at or above their respective target levels.

Going forward, we will continue to execute a differentiated approach to capital investment and M&A, with clear expectations and IRRs by business line. We will continue to seek further acquisition opportunities in 2018 in both Pest Control and Hygiene and the pipeline of prospects remains strong. Our anticipated spend on acquisitions in 2018 is estimated to be in the region of £200m to £250m.

Completion of JV transaction with Haniel and proposed disposal of eight laundries in France

Our transaction to enter into a JV with Haniel to combine our Workwear and Hygiene businesses in Benelux and Central and Eastern Europe completed on 30 June 2017. We anticipate retaining our 17.8% stake in the combined business for three to five years after formation, after which time we have various exit options under the terms of the agreement. We also completed the sale of eight laundries in France to RLD in Q4. The laundries, which predominantly supply flat linen to the highly competitive healthcare sector, delivered revenues of €78m and were break-even for the year ended 31 December 2016.

Acquisition of Cannon Hygiene Services

In early 2018 the Company completed its acquisition of Cannon Hygiene Services. Cannon has businesses in nine countries – Australia, Ireland, India, New Zealand, Portugal, South Africa, Spain, Thailand and the UK – and represents a particularly good fit with our existing Hygiene businesses. The acquisition will allow us to increase our coverage in key markets and gain a good level of synergy from enhanced density and combining infrastructures. The transaction also marks our entry into the attractive Indian hygiene market where Cannon is the market leader. Cannon will add c. £77m of global Hygiene revenues to the Company and replaces a high proportion of the European Hygiene revenues contributed to the joint venture with Haniel. The business generated £5m of adjusted operating profits in the year to March 2017. In the UK we are currently required to hold the Cannon business separate while we respond to queries from the Competition & Markets Authority, but we remain confident that the acquisition does not create any competition concerns and will be cleared in due course.

Central and regional overheads

Central and regional overheads reduced by £1.5m to £66.2m at CER (2016: £67.7m) reflecting the central cost reduction programme following the Haniel JV offset by investments in digital capability.

Restructuring costs

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

Restructuring costs of £6.9m at CER (2016: £7.9m) consisted mainly of costs in respect of initiatives focused on driving operational efficiency in North America, France and the UK.

Disposals (at AER)

A net profit on disposal of businesses has been recognised of £449.0m relating to the profit on disposal of the businesses transferred to the Haniel JV of £481.2m, and a loss of £32.2m in relation to eight French laundries sold to RLD.

The profit on disposal in respect of the Haniel JV includes consideration of £703.9m comprising cash consideration of £449.9m plus the retained 17.8% share in the JV of £254.0m. Net assets of the businesses amounted to £247.3m which together with transaction costs of £18.2m and foreign exchange gains transferred from reserves of £42.8m resulted in a profit on disposal of £481.2m.

One-off items – operating (at CER)

Net one-off costs of £6.6m (2016: £8.6m) primarily relate to the acquisition and integration costs in North America.

Interest (at AER)

Net interest payable (excluding the net interest credit from pensions) at actual exchange rates was £42.9m compared to £38.5m in the prior year, a net increase of £4.4m primarily due to the impact of foreign exchange as a result of the weakening of sterling against the euro and a change in the net debt currency mix. The average cost of net debt for the Group was 4.0% in 2017.

Tax

The income tax expense for the year at actual exchange rates was £30.6m on the reported profit before tax of £713.6m. The tax charge for the year includes a one-off deferred tax credit of £6.4m as a result of the US tax reforms enacted at the end of 2017. The tax reforms are not expected to have any material impact on the Company's tax rate for 2018 but are expected to result in an increase in cash tax payments of about £4m in 2018.

After adjusting the reported profit before tax for the profits and losses on disposal of businesses, the amortisation and impairment of intangible assets (excluding computer software), one-off items, the net interest credit from pensions and the one-off deferred tax credit arising from the US tax reforms, the Effective Tax Rate (ETR) for 2017 at AER was 22.0% (2016: 22.3%). This compares with a blended rate of tax for the countries in which the Group operates of 24% (2016: 25%). The lower ETR compared to the blended tax rate is principally due to the benefit derived from financing overseas operations and the release of a net prior year over-provision for tax.

Tax governance

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

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

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

A full copy of the Company's tax strategy can be found on the Company's website at **rentokil-initial.com**.

Net debt and cash flow

Operating cash inflow (£258.4m at AER for continuing operations) was £11m higher than in 2016 largely due to the increase in Ongoing Operating Profit of £54.4m offset by the impact of the Haniel JV and the non-repeat of the £7.3m special dividend from our Japanese associate in 2016.

Capital expenditure from continuing operations of £212.1m was £9.7m lower than 2016 with an underlying growth in capital expenditure in the ongoing business in line with revenue growth and the adverse impact of exchange rate movements being offset by a reduction in capex following the disposal of the workwear and hygiene assets to Haniel and RLD.

Interest payments (including finance lease interest) were £13.2m lower than last year due to phasing following the maturity of the £300m bond in Q1 2016. This resulted in Free Cash Flow from continuing operations of £175.8m, an increase of £19.4m on the prior year.

Cash spent on acquisitions totalled £281.1m. Net proceeds received during the year from the completion of the JV transaction with Haniel and the divestment of the French laundries are £451.9m. The Company made dividend payments of £64.3m in 2017 (an £8.8m, 15.9% increase on the prior year) which together with foreign exchange translation and other items of £29.1m resulted in an overall decrease in net debt of £311.4m and closing net debt of £927.3m.

Financial review

Pensions

At 31 December 2017 the Company's UK defined benefit pension scheme, which is closed to new members, was valued at a funding surplus of £325.4m on the Company's balance sheet. Following the most recent triennial actuarial valuation as at 31 December 2015 the Trustee and the Company agreed that the Scheme is now fully funded on a technical provisions basis. The Trustees have therefore agreed annual payments will not be required going forward. Because the Scheme is fully funded on a technical provisions basis, £9.0m of payments previously held in escrow was released to the Company in February 2017. The funding position will be reviewed at the next actuarial valuation, which is scheduled for 31 December 2018.

Funding

At 31 December 2017, and following the receipt of the proceeds in respect of the Haniel JV, the Group had net debt of £927.3m representing a reduction of £98.2m from the net debt as at 30 June 2017. At the year end the Group had £613m of centrally held funds and available undrawn committed facilities. In November 2017 the Group's term loans were refinanced with a €400m bond maturing in November 2024 at a euro coupon of 0.95%. The majority of funds were swapped into US dollars in line with our hedging policy. Other than a €50m bond that is maturing in March 2018, the Group has no debt maturities until September 2019 when the €500m bond matures.

The ratio of net debt to EBITDA at 31 December 2017 was c. 1.9x and the Company's credit rating remains at BBB with a Stable outlook. We are committed to maintaining a BBB rating and, based on our expectations for the coming year and our strong cash flow projections for 2018, we are confident in doing so.

Going concern

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

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

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

Dividend growth is set to run ahead of profit growth in the short term (at CER), and consequently the level of dividend cover will reduce over time. Dividend cover is currently at 3.1x (2016: 3.2x) using adjusted measures. Free Cash Flow cover is currently at 2.7x (2016: 2.8x). This policy should ensure we can deliver stable, secure dividend growth for many years to come.

Following an encouraging performance in 2017, and in anticipation of further progress in 2018, the Board is recommending a final dividend in respect of 2017 of 2.74p per share, payable to shareholders on the register at the close of business on 13 April 2018, to be paid on 16 May 2018. This equates to a full year dividend of 3.88p per share, an increase of 15.1% compared to 2016.

Geopolitical events

We are a global business with c. 90% of revenues derived from outside the UK and with minimal cross-border trading. The global economic environment continues to be uncertain with high levels of volatility in exchange and commodity markets and with international trading arrangements potentially subject to significant change. We continue to monitor the potential implications of geopolitical change on our trading and financing environment. We remain of the view that the defensive nature of our core categories, combined with the geographic location and spread of our operations, place us in a relatively strong position to mitigate such risks going forward and to take advantage of any potential opportunities that the changes may bring.

Summary of 2017 performance

We are pleased with our performance in 2017 and the continued growth momentum in the business. Pest Control has performed well across the regions and we remain encouraged by the progress we are delivering in Hygiene, which is a strong complementary business to our Pest Control operations. 2017 has also been a particularly good year for M&A and we have acquired 33 Pest Control companies and seven high-quality Hygiene businesses across 24 countries, strengthening our already leading positions in key growth territories.

Overall, we have had a very good year and we are delighted that we have again exceeded our financial targets for revenue, profit and cash. We are confident of delivering further progress against these in 2018.

Jeremy Townsend
Chief Financial Officer and Chief Information Officer
28 February 2018

Read our Tax Strategy at
rentokil-initial.com/responsible-delivery/policies

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

	Notes	2017 £m	2016 £m
Revenue	A1	**2,412.3**	2,168.1
Operating profit	A1	**292.4**	232.4
Net profit on disposal of businesses	B2	**449.0**	–
Profit before interest and income tax		**741.4**	232.4
Finance income	C9	**12.3**	19.3
Finance cost	C8	**(48.4)**	(49.4)
Share of profit from associates, net of tax of £4.4m (2016: £3.4m)	B6	**8.3**	6.2
Profit before income tax		**713.6**	208.5
Income tax expense[1]	A13	**(30.6)**	(40.7)
Profit for the year attributable to the Company's equity holders (including non-controlling interests of £0.2m (2016: £0.3m))		**683.0**	167.8
Other comprehensive income:			
Items that are not reclassified subsequently to the income statement:			
Re-measurement of net defined benefit asset	A10	**47.0**	21.3
Tax related to items taken to other comprehensive income	A15	**(5.6)**	4.1
Items that may be reclassified subsequently to the income statement:			
Net exchange adjustments offset in reserves		**(36.0)**	11.4
Cumulative exchange recycled to income statement on disposal of foreign operations		**(46.5)**	–
Other items		**(2.6)**	(6.1)
Total comprehensive income for the year (including non-controlling interests of £0.2m (2016: £0.3m))		**639.3**	198.5
Earnings per share attributable to the Company's equity holders:			
Basic	A2	**37.21p**	9.19p
Diluted	A2	**36.90p**	9.11p

All profit is from continuing operations.

Non-GAAP measures			
Operating profit		**292.4**	232.4
Adjusted for:			
Amortisation and impairment of intangible assets (excluding computer software)	A1	**53.8**	43.4
One-off items – operating	A1	**6.8**	8.6
Reversal of depreciation – assets held-for-sale		**(38.5)**	–
Adjusted operating profit		**314.5**	284.4
Finance income	C9	**12.3**	19.3
Add back: Net interest credit from pensions	C9	**(6.8)**	(8.4)
Finance cost	C8	**(48.4)**	(49.4)
Share of profit from associates, net of tax of £4.4m (2016: £3.4m)	B6	**8.3**	6.2
Add back: One-off items – associates		**7.0**	–
Adjusted profit before income tax		**286.9**	252.1
Basic adjusted earnings per share attributable to the Company's equity holders	A2	**12.19p**	10.73p
Diluted adjusted earnings per share attributable to the Company's equity holders	A2	**12.08p**	10.63p

1. Taxation includes £14.9m (2016: £32.8m) in respect of overseas taxation.

Consolidated Balance Sheet At 31 December

	Notes	2017 £m	2016 £m
Assets			
Non-current assets			
Intangible assets	B3	**1,220.2**	999.6
Property, plant and equipment	B4	**390.2**	416.3
Investments in associated undertakings	B6	**278.7**	17.8
Other investments	C4	**0.2**	0.2
Deferred tax assets	A15	**3.4**	2.0
Retirement benefit assets	A10	**326.2**	272.7
Other receivables	A3	**11.0**	10.8
Derivative financial instruments	C5	**13.7**	–
		2,243.6	1,719.4
Current assets			
Other investments	C4	**0.5**	9.6
Inventories	A4	**84.3**	80.0
Trade and other receivables	A3	**449.8**	383.3
Current tax assets		**13.1**	11.0
Disposal group held-for-sale	B2	**–**	177.7
Derivative financial instruments	C5	**6.3**	1.6
Cash and cash equivalents	C3	**310.1**	160.2
		864.1	823.4
Liabilities			
Current liabilities			
Trade and other payables	A5	**(535.7)**	(458.5)
Current tax liabilities		**(79.5)**	(71.6)
Provisions for other liabilities and charges	A6	**(25.3)**	(15.3)
Bank and other short-term borrowings	C7	**(68.0)**	(77.4)
Derivative financial instruments	C5	**(5.3)**	(56.8)
		(713.8)	(679.6)
Net current assets		**150.3**	143.8
Non-current liabilities			
Other payables	A5	**(76.0)**	(21.4)
Bank and other long-term borrowings	C7	**(1,166.9)**	(1,260.4)
Deferred tax liabilities	A15	**(109.3)**	(112.8)
Retirement benefit obligations	A10	**(26.1)**	(30.9)
Provisions for other liabilities and charges	A6	**(55.0)**	(55.2)
Derivative financial instruments	C5	**(26.6)**	(21.8)
		(1,459.9)	(1,502.5)
Net assets		**934.0**	360.7
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	D2	**18.4**	18.3
Share premium		**6.8**	6.8
Other reserves		**(1,848.6)**	(1,763.5)
Retained earnings		**2,757.1**	2,099.0
		933.7	360.6
Non-controlling interests		**0.3**	0.1
Total equity		**934.0**	360.7

The financial statements on pages 108 to 155 were approved by the Board of Directors on 28 February 2018 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					
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
At 1 January 2016	18.2	6.8	(1,768.8)	1,956.1	(0.2)	212.1
Profit for the year	–	–	–	167.5	0.3	167.8
Other comprehensive income:						
Net exchange adjustments offset in reserves	–	–	11.4	–	–	11.4
Remeasurement of net defined benefit asset/liability	–	–	–	21.3	–	21.3
Effective portion of changes in fair value of cash flow hedge	–	–	(6.1)	–	–	(6.1)
Tax related to items taken directly to other comprehensive income	–	–	–	4.1	–	4.1
Total comprehensive income for the year	–	–	5.3	192.9	0.3	198.5
Transactions with owners:						
Dividends paid to equity shareholders	–	–	–	(55.5)	–	(55.5)
Shares issued in the year	0.1	–	–	–	–	0.1
Cost of share options and long-term incentive plans	–	–	–	5.5	–	5.5
At 31 December 2016	**18.3**	**6.8**	**(1,763.5)**	**2,099.0**	**0.1**	**360.7**
Profit for the year	**–**	**–**	**–**	**682.8**	**0.2**	**683.0**
Other comprehensive income:						
Net exchange adjustments offset in reserves	**–**	**–**	**(36.0)**	**–**	**–**	**(36.0)**
Remeasurement of net defined benefit asset/liability	**–**	**–**	**–**	**47.0**	**–**	**47.0**
Effective portion of changes in fair value of cash flow hedge	**–**	**–**	**(2.6)**	**–**	**–**	**(2.6)**
Cumulative exchange recycled to income statement on disposal of foreign operations	**–**	**–**	**(46.5)**	**–**	**–**	**(46.5)**
Tax related to items taken directly to other comprehensive income	**–**	**–**	**–**	**(5.6)**	**–**	**(5.6)**
Total comprehensive income for the year	**–**	**–**	**(85.1)**	**724.2**	**0.2**	**639.3**
Transactions with owners:						
Dividends paid to equity shareholders	**–**	**–**	**–**	**(64.3)**	**–**	**(64.3)**
Shares issued in the year	**0.1**	**–**	**–**	**–**	**–**	**0.1**
Cost of share options and long-term incentive plans	**–**	**–**	**–**	**4.4**	**–**	**4.4**
Movement in the carrying value of put options	**–**	**–**	**–**	**(6.2)**	**–**	**(6.2)**
At 31 December 2017	**18.4**	**6.8**	**(1,848.6)**	**2,757.1**	**0.3**	**934.0**

Shares of £0.1m (2016: £0.1m) have been netted against retained earnings. This represents 6.7m (2016: 4.8m) shares held by the Rentokil Initial Employee Share Trust. The market value of these shares at 31 December 2017 was £21.2m (2016: £10.7m). 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 2016	(1,722.7)	10.4	0.2	(56.7)	(1,768.8)
Net exchange adjustments offset in reserves	–	–	–	11.4	11.4
Effective portion of changes in fair value of cash flow hedge	–	–	(6.1)	–	(6.1)
Total comprehensive income for the year	–	–	(6.1)	11.4	5.3
At 31 December 2016	**(1,722.7)**	**10.4**	**(5.9)**	**(45.3)**	**(1,763.5)**
Net exchange adjustments offset in reserves	**–**	**–**	**–**	**(36.0)**	**(36.0)**
Effective portion of changes in fair value of cash flow hedge	**–**	**–**	**(2.6)**	**–**	**(2.6)**
Cumulative exchange recycled to income statement on disposal of foreign operations	**–**	**–**	**–**	**(46.5)**	**(46.5)**
Total comprehensive income for the year	**–**	**–**	**(2.6)**	**(82.5)**	**(85.1)**
At 31 December 2017	**(1,722.7)**	**10.4**	**(8.5)**	**(127.8)**	**(1,848.6)**

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

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

Consolidated Cash Flow Statement For the year ended 31 December

	Notes	2017 £m	2016 £m
Cash flows from operating activities			
Cash generated from operating activities	C10	**461.3**	451.6
Interest received		**5.1**	12.7
Interest paid[1]		**(46.5)**	(67.3)
Income tax paid		**(40.1)**	(35.8)
Net cash flows from operating activities		**379.8**	361.2
Cash flows from investing activities			
Purchase of property, plant and equipment		**(174.3)**	(186.2)
Purchase of intangible fixed assets		**(19.1)**	(21.0)
Proceeds from sale of property, plant and equipment		**4.9**	6.3
Acquisition of companies and businesses, net of cash acquired	B1	**(281.1)**	(109.2)
Disposal of companies and businesses		**451.9**	0.3
Dividends received from associates	B6	**3.2**	10.3
Net cash flows from investing activities		**(14.5)**	(299.5)
Cash flows from financing activities			
Dividends paid to equity shareholders	D1	**(64.3)**	(55.5)
Capital element of finance lease payments		**(15.9)**	(13.7)
Cash outflow on settlement of debt related foreign exchange forward contracts		**(32.5)**	(30.8)
Net change to cash flow from investment in term deposits		**9.1**	89.7
Proceeds from new debt		**386.7**	242.4
Debt repayments		**(447.7)**	(299.0)
Net cash flows from financing activities		**(164.6)**	(66.9)
Net increase/(decrease) in cash and cash equivalents		**200.7**	(5.2)
Cash and cash equivalents at beginning of year		**105.9**	100.5
Exchange (losses)/gains on cash and cash equivalents		**(2.5)**	10.6
Cash and cash equivalents at end of the financial year		**304.1**	105.9

1. Interest paid includes interest on finance lease payments of £1.4m (2016: £1.3m).

General accounting policies

Basis of preparation

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee interpretations as adopted by the European Union as at 31 December 2017. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments).

The Group uses a number of non-GAAP measures to present the financial performance of the business that are not defined under IFRS. An explanation of these Alternative Performance Measures (APMs), along with a reconciliation to the nearest equivalent IFRS measure, can be found in Section E of these notes on page 145.

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 twelve 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 163).

Consolidation

(a) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when (i) it has power over the entity; (ii) is exposed or has rights to variable returns from its involvement with the entity; and (iii) has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of these three elements of control.

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

Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in the income statement. Any interest retained in the former subsidiary is measured at fair value when control is lost. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Please refer to Note B2 for details of disposals in the year.

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

(b) Associates

Associates are those entities in which the Group has significant influence over the financial and operating policies, but not control. Significant influence is usually presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Associates are accounted for using the equity method and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in sterling, which is the Group's functional and presentation currency.

(b) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
(ii) income and expenses for each income statement are translated at average exchange rates; and
(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments or deemed to be quasi-equity, are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at period end exchange rates.

(c) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, or from the translation of monetary assets and liabilities denominated in foreign currencies at reporting period end exchange rates, are recognised under the appropriate heading in the income statement; except when deferred in equity as qualifying net investment hedges or where certain intra-group loans are determined to be quasi-equity (normally not expected to be repaid).

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the relevant instrument, and derecognised when it ceases to be a party to such provisions. Section C of these notes discusses accounting for financial instruments.

Financial assets

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

(a) Financial assets at fair value through the income statement

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables include trade and other receivables, and cash and cash equivalents. Loans and receivables are measured at amortised cost using the effective interest rate method, subject to impairment.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Available-for-sale assets are measured at fair value and changes to market values are recognised in other comprehensive income. On subsequent disposal or impairment, the accumulated gains and losses previously recognised in other comprehensive income are recognised in the income statement. At each balance sheet date the Group assesses whether there is objective evidence that a financial asset or a group of financial assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(d) Held-to-maturity investments

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

Financial liabilities

All financial liabilities are stated at amortised cost using the effective interest rate method except for derivatives, which are classified as held for trading (except where they qualify for hedge accounting) and are held at fair value.

Financial liabilities held at amortised cost include trade payables, vacant property provisions, deferred consideration and borrowings.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the related actual results. Sensitivities to the estimates and assumptions are provided, where relevant, in the relevant Notes to the Financial Statements. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are listed below (please refer to the notes for further detail).

- Estimated impairment of goodwill (Note B3)
- Valuation of acquired intangible assets (Note B1)
- Income taxes and deferred tax asset (Notes A13 and A15)
- 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 2017:

- Income taxes – amendments to IAS 12
- Statement of cash flows – amendments to IAS 7

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 2016.

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

The Group will adopt IFRS 15 Revenue from Contracts with Customers from 1 January 2018. Substantially all of the Group's revenue will be in the scope of IFRS 15, but no material changes to the timing of revenue recognition are required. The majority of revenue across the Group is currently recognised evenly over the course of the contract because this reflects the timing of the provision of the service, and therefore revenue is recognised as performance obligations are satisfied.

Incremental costs of obtaining contracts (mainly sales commissions) will be recognised as an asset and amortised over the lives of the contracts to which they relate. It is estimated that the value of this adjustment will be in the range of £35-45m. The impact on the income statement from this change in treatment is expected to be a reduction in costs in 2018 due to historic year-on-year increases in sales commissions. Any impact is not expected to be material. The assessment of the impact of IFRS 15 is preliminary as not all transition work requirements have been finalised and therefore may be subject to adjustment.

The Group will adopt IFRS 9 from 1 January 2018. The Group has minimal financial assets (other than trade debtors) and the new standard does not have a material impact on the recognition and measurement of the Group's financial assets. The standard will, however, result in changes in presentation in some disclosures of the Group's financial assets.

As a result of the changes within the forthcoming standard IFRS 16 Leases which is to be adopted from 1 January 2019, the majority of our existing operating leases will be accounted for as right of use assets, which will be largely offset by corresponding lease liabilities. The lease liability will increase net debt. It is anticipated that operating expenses will decrease and financing costs will increase as the operating lease expense is replaced by depreciation and interest. Depreciation will be straight-line over the life of the lease but the financing charge will decrease over the lease term. The overall impact on net profit is not expected to be material.

Notes to the Financial Statements

A. Operating

A1. Segment information

Revenue recognition

Revenue represents the fair value of consideration received, or receivable, from customers for the provision of services and goods, net of rebates and discounts, value-added tax (VAT) and other similar sales-based taxes. Non-contract service revenue and contract service revenue represents the sales value of work carried out for customers during the period. Contract income is recognised in accounting periods on a straight-line basis over the life of the contract in accordance with IAS 11 Revenue.

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 Group's Executive Leadership Team responsible for the review of Group performance. The operating businesses within each segment report to the Regional Managing Directors.

Given the international nature of the Group foreign exchange movements can have a significant impact on regional performance. As a result the segmental analysis is presented at constant exchange rates. Restructuring costs and central and regional costs are presented at a Group level as they are not targeted or managed at reportable segment level. The basis of presentation is consistent with the information reviewed by internal management. Revenue and profit are from Ongoing operations which is defined and reconciled to the nearest equivalent GAAP measure in Section E on page 145.

Revenue and profit from continuing operations

	Revenue 2017 £m	Revenue 2016 £m	**Operating profit 2017 £m**	Operating profit 2016 £m
France	**274.6**	271.5	**41.1**	44.3
Benelux	**79.9**	79.7	**23.5**	23.4
Germany	**78.0**	71.6	**23.6**	22.4
Southern Europe	**90.3**	69.9	**13.7**	12.0
Latin America	**33.8**	26.0	**4.2**	3.9
Europe	**556.6**	518.7	**106.1**	106.0
UK & Ireland	**245.6**	235.8	**47.6**	45.7
Rest of World	**124.8**	110.9	**29.2**	26.7
UK & Rest of World	**370.4**	346.7	**76.8**	72.4
Asia	**179.1**	130.4	**18.7**	13.4
North America	**824.0**	680.4	**111.7**	91.8
Pacific	**162.9**	151.3	**35.2**	32.1
Central and regional costs	**–**	–	**(66.2)**	(67.6)
Restructuring costs	**–**	–	**(6.9)**	(7.9)
Ongoing operations at constant exchange rates	**2,093.0**	1,827.5	**275.4**	240.2
Disposed businesses[1,2]	**195.0**	340.6	**55.0**	44.2
Continuing operations at constant exchange rates	**2,288.0**	2,168.1	**330.4**	284.4
Foreign exchange	**124.3**	–	**22.6**	–
Continuing operations at actual exchange rates	**2,412.3**	2,168.1	**353.0**	284.4
One-off items – operating			**(6.8)**	(8.6)
Amortisation and impairment of intangible assets[3]			**(53.8)**	(43.4)
Operating profit			**292.4**	232.4

1. Disposed business for 2016 is restated for businesses disposed in 2017.
2. Includes revenue of £8.8m (2016: £nil) from product sales by the Group to CWS-boco International GmbH. Prior to 30 June 2017, this revenue was classified as intergroup revenue and eliminated on consolidation.
3. Excluding computer software.

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

Revenue at actual exchange rates (AER) from external customers attributed to the UK amounted to £225.0m (2016: £216.7m), with overseas countries accounting for the balance of £2,187.3m (2016: £1,951.4m). The only countries accounting for more than 10% of revenue from external customers are France, totalling £348.7m (2016: £340.1m), and USA, totalling £804.6m (2016: £642.2m). No customer accounts for more than 10% of total revenue.

One-off items – operating relates mainly to acquisition and integration costs in North America of £8.7m, various legacy issues in Europe relating to the continuing business and acquisition related costs in Asia and Pacific regions, partially offset by credits related to acquisition accounting.

Analysis of Ongoing Revenue and Ongoing Operating Profit by business category

	Ongoing Revenue 2017 £m	Ongoing Revenue 2016 £m	**Ongoing Operating Profit 2017 £m**	Ongoing Operating Profit 2016 £m
Pest Control	**1,328.4**	1,094.5	**239.8**	203.1
Hygiene	**402.5**	374.0	**71.4**	65.2
Protect & Enhance	**362.1**	359.0	**37.3**	47.4
Central and regional overheads	**–**	–	**(66.2)**	(67.6)
Restructuring costs	**–**	–	**(6.9)**	(7.9)
Ongoing operations at constant exchange rates	**2,093.0**	1,827.5	**275.4**	240.2

Analysis of Ongoing Revenue by type

	2017 £m	2016 £m
Contract service revenue[1]	**1,495.6**	1,347.3
Non-contract service revenue[1]	**357.2**	319.6
Sales of goods	**240.2**	160.6
Ongoing operations at constant exchange rates	**2,093.0**	1,827.5

1. Both contract service revenue and non-contract service revenue are in the scope of the forthcoming standard IFRS 15 Revenue from Contracts with Customers.

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

	Amortisation and impairment of intangibles[1] 2017 £m	Amortisation and impairment of intangibles[1] 2016 £m
Europe	**6.2**	6.2
UK & Rest of World	**7.2**	5.2
Asia	**5.2**	2.7
North America	**26.6**	24.4
Pacific	**2.5**	1.8
Central and regional	**4.0**	3.1
Total at constant exchange rates	**51.7**	43.4
Foreign exchange	**2.1**	–
Total at actual exchange rates	**53.8**	43.4
Tax effect	**(16.6)**	(14.2)
Total after tax effect	**37.2**	29.2

1. Excluding computer software.

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 one-off items (including the net gain on disposal of businesses), amortisation and impairment of intangibles[1], and net interest credit from pensions. Adjusted profit and earnings per share measures are explained further in Section E on page 145.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to include all potential dilutive ordinary shares. The Group's potentially dilutive ordinary shares relate to the contingent issuable shares under the Group's long-term incentive share plans (LTIPs) to the extent the performance conditions have been met at the end of the period. These share options are issued for nil consideration to employees if performance conditions are met.

Details of the adjusted earnings per share are set out below:

	2017 £m	2016 £m
Profit from continuing operations attributable to equity holders of the Company	**682.8**	167.8
One-off items – operating	**6.8**	8.6
One-off items – associates	**7.0**	–
Net gain on disposal of businesses	**(449.0)**	–
Reversal of depreciation – assets held-for-sale	**(38.5)**	–
Amortisation and impairment of intangibles[1]	**53.8**	43.5
Net interest credit from pensions	**(6.8)**	(8.4)
Tax on above items[2]	**(26.1)**	(15.6)
US tax reform – net deferred tax credit	**(6.4)**	–
Adjusted profit from continuing operations attributable to equity holders of the Company	**223.6**	195.9

Weighted average number of ordinary shares in issue	**1,834.8**	1,826.0
Adjustment for potentially dilutive shares	**15.7**	16.9
Weighted average number of ordinary shares for diluted earnings per share	**1,850.5**	1,842.9

Basic earnings per share	**37.21p**	9.19p
Diluted earnings per share	**36.90p**	9.11p
Basic adjusted earnings per share	**12.19p**	10.73p
Diluted adjusted earnings per share	**12.08p**	10.63p

1. Excluding computer software.
2. One-off items – operating £5.1m (2016: £3.1m), one-off items – associates £nil (2016: nil), net gain on disposal of businesses £5.7m (2016: nil), amortisation and impairment of intangibles £16.6m (2016: £14.1m), net interest credit from pensions £(1.3)m (2016: £(1.6)m).

A3. Trade and other receivables

The Group's trade receivables are recognised at the transaction price less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognised in the income statement. Movements on provisions for impaired trade receivables are recognised within operating expenses in the income statement. Amounts charged to the provision for impairment of trade receivables are generally written off when there is no expectation of recovering additional cash.

There is limited concentration of credit risk with respect to trade receivables due to the Group's customer base being large and diverse. The maximum amount of credit risk with respect to customers is represented by the carrying amount on the balance sheet. The Group policy is that credit facilities for new customers are approved by designated managers at regional level. Credit limits are set with reference to trading history and reports from credit rating agencies where they are available. Where this is not feasible the Group may request payment in advance of work being carried out, or settlement by credit card on completion of the work. 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 2017 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.

	2017 £m	2016 £m
Trade receivables	**388.5**	334.3
Less: provision for impairment of trade receivables	**(24.7)**	(18.2)
Trade receivables – net	**363.8**	316.1
Other receivables	**46.2**	45.7
Prepayments	**50.8**	32.3
Total	**460.8**	394.1
Less non-current portion:		
Other receivables	**11.0**	10.8
Current portion	**449.8**	383.3

Analysis of the Group's provision for impairment of trade receivables is as follows:

	2017 £m	2016 £m
At 1 January	**18.2**	15.2
Exchange differences	**2.3**	2.9
Acquisition of companies and businesses	**5.9**	0.9
Disposal of companies and businesses	**(2.4)**	(0.1)
Additional provision	**8.7**	8.3
Receivables written off as uncollectable	**(5.7)**	(5.3)
Unused amounts reversed	**(2.3)**	(1.4)
Transferred to disposal group held-for-sale	**–**	(2.3)
At 31 December	**24.7**	18.2

The ageing of trade receivables is as follows:

	2017 £m	2016 £m
Not due	**149.4**	158.7
Overdue by less than 1 month	**98.6**	81.6
Overdue by between 1 and 3 months	**73.1**	40.5
Overdue by between 3 and 6 months	**27.4**	23.1
Overdue by between 6 and 12 months	**20.1**	15.4
Overdue by more than 12 months	**19.9**	15.0
Provision for impairment of trade receivables	**(24.7)**	(18.2)
	363.8	316.1

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2017 £m	2016 £m
Pounds sterling	**40.9**	38.1
Euro	**136.7**	121.0
US dollar	**106.7**	94.6
Other currencies	**104.2**	80.6
	388.5	334.3

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.

	2017 £m	2016 £m
Raw materials	7.6	8.0
Work in progress	3.7	1.7
Finished goods	73.0	70.3
	84.3	80.0

There were no material inventory impairment charges in 2017 and 2016.

A5. Trade and other payables

	2017 £m	2016 £m
Trade payables	152.3	119.8
Social security and other taxes	58.2	55.9
Other payables	62.0	40.8
Accruals and deferred income	241.3	233.4
Deferred and contingent consideration (including put option liability of £47.7m (2016: £nil))	97.9	30.0
Total	611.7	479.9
Less non-current portion:		
Other payables	14.8	13.7
Deferred and contingent consideration (including put option liability of £47.7m (2016: £nil))	61.2	7.7
Total non-current portion	76.0	21.4
Current portion	535.7	458.5

A6. Provisions for other liabilities and charges

The Group has vacant property, environmental, self-insurance and other provisions. Provisions are recognised when the Group has a present 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.

Future cash flows relating to these obligations are discounted when the effect is material. The discount rates used are based on government bond rates in the country of the cash flows, and were between 0.3% and 0.5% (2016: between 0.3% and 0.5%) for the UK, and between 0.8% and 2.3% (2016: 2.3%) for the US.

Judgement is required in determining the worldwide provision for environmental restoration. These provisions tend to be long term in nature and the use of an appropriate market discount rate and forecast future utilisation based upon management's best estimate determines the level of provision required at the balance sheet date. The phasing and actual cash spend may be different from the forecast on which the provision is based.

	Vacant properties £m	Environmental £m	Self-insurance £m	Other £m	2017 Total £m	2016 Total £m
At 1 January	20.4	15.4	24.9	9.8	70.5	81.4
Exchange differences	–	0.1	(1.7)	0.2	(1.4)	7.8
Additional provisions	1.1	6.9	8.4	21.0	37.4	29.8
Used during the year	(4.4)	(2.1)	(6.8)	(12.0)	(25.3)	(37.3)
Unused amounts reversed	(2.3)	–	(1.6)	(1.0)	(4.9)	(8.1)
Acquisition of companies and businesses	–	–	–	3.8	3.8	–
Unwinding of discount on provisions	–	0.1	0.1	–	0.2	0.3
Transferred to disposal group held-for-sale	–	–	–	–	–	(3.4)
At 31 December	14.8	20.4	23.3	21.8	80.3	70.5
Analysed as follows:						
Non-current					55.0	55.2
Current					25.3	15.3

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 2017 is £1.2m (2016: £1.1m).

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 seven years.

Self-insurance

The Group purchases external insurance from a portfolio of international insurers for its key insurable risks, but prior to 2008 the Group self-insured its risks. Provision is still held for self-insured past cover, primarily in relation to third party motor vehicle and employee liability. For the continuing self-insured programmes, individual claims are met in full by the Group up to agreed self-insured limits in order to limit volatility in claims. The calculated cost of self-insurance claims is based on an actuarial assessment of claims incurred at the balance sheet date and is accumulated as claims provisions. These provisions are expected to be substantially utilised within the next 10 years.

Other

Other provisions principally comprise amounts required to cover obligations arising, costs relating to disposed businesses and restructuring costs. Existing provisions are expected to be substantially utilised within the next five years.

A7. Operating expenses by nature

Operating expenses from continuing operations include the following items:

		2017 £m	2016 £m
Employee costs	A9	**1,165.9**	1,054.5
Direct materials and services		**473.6**	375.2
Vehicle costs		**109.2**	94.9
Property costs		**62.6**	57.5
Depreciation and impairment of property, plant and equipment	B4	**133.9**	188.3
Amortisation and impairment of intangible assets	B3	**67.0**	55.9
Restructuring costs		**7.3**	7.9
One-off items – operating	A1	**6.8**	8.6
Other operating expenses		**93.6**	92.9
Total operating expenses		**2,119.9**	1,935.7

A8. Audit and non-audit services

	2017 £m	2016 £m
Fees payable to the Company's auditor for the audit of the Parent Company and Group accounts	**0.6**	0.6
Audit of accounts of subsidiaries of the Group	**1.9**	1.9
Audit-related assurance services	**0.6**	0.2
Total audit and audit-related assurance services	**3.1**	2.7
Tax compliance services	**–**	0.1
Taxation advisory services	**–**	0.2
All other non-audit services	**0.1**	0.4
Total non-audit services	**0.1**	0.7
Total audit and non-audit services	**3.2**	3.4

A9. Employee benefit expense

Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on calculations of achievements of financial performance targets and based on the best estimate of the obligation to employees related to personal performance criteria being achieved. A provision is recognised where a contractual obligation exists or where past practice indicates that there is a constructive obligation to make such payments in the future.

Holiday pay

Paid holidays are regarded as an employee benefit and as such are charged to the income statement as the benefits are earned. An accrual is made at the balance sheet date to reflect the fair value of holidays earned but not yet taken.

Termination benefits

Termination benefits are payable when an employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value where the effect of discounting is material.

	2017 £m	2016 £m
Wages and salaries	**991.8**	892.0
Social security costs	**136.6**	129.0
Share-based payments	**4.4**	5.5
Pension costs:		
– defined contribution plans	**29.7**	25.3
– defined benefit plans	**3.4**	2.7
	1,165.9	1,054.5

Average number of people employed by the Group during the year:

	2017 Number	2016 Number
Processing and service delivery	**26,341**	23,991
Sales and marketing	**4,473**	3,769
Administration and overheads	**5,222**	4,390
	36,036	32,150

Emoluments of the Directors of Rentokil Initial plc are detailed below. Further details are also given in the Directors' Remuneration Report on pages 75 to 98.

	Highest paid Director 2017 £000	**Other Directors 2017 £000**	Highest paid Director 2016 £000	Other Directors 2016 £000
Aggregate emoluments excluding share options	**1,376.3**	**850.9**	1,254.0	781.2
Aggregate gains made by Directors on exercise of share options	**–**	**1,351.9**	–	856.2
Aggregate amount receivable under long-term incentive schemes	**1,471.1**	**945.7**	1,456.6	936.4
Aggregate value of Company contributions to defined contribution pension schemes	**183.9**	**70.9**	182.0	70.2
	3,031.3	**3,219.4**	2,892.6	2,644.0

	2017 Number	2016 Number
Number of Directors accruing retirement benefits		
– defined contribution schemes	**2**	2
– defined benefit schemes	**–**	–
Number of Directors exercising share options	**1**	1
Number of Directors receiving shares as part of long-term incentive schemes	**2**	2

A10. Retirement benefit obligations

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

The principal pension scheme in the Group is the Rentokil Initial 2015 Pension Scheme (RIPS) in the UK which has a defined contribution section, and a number of defined benefit sections which are now closed to new entrants and future accrual of benefits. The defined benefit scheme is funded through payments to a trustee-administered fund, as 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 benefit asset. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have a credit rating of at least AA, are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. The Group will recognise a pension surplus as an asset where there is an unconditional right to a refund or where the Group has a right to reduce future pension contributions, taking into account the adverse effect of any minimum funding requirements.

Current and past service costs, to the extent they have vested, and curtailments are recognised as charges or credits against operating profit in the income statement. Interest costs on the net defined benefit are recognised in finance costs. Remeasurement gains and losses arising from experience adjustments, return on plan assets and changes in actuarial assumptions are charged or credited to the consolidated statement of comprehensive income.

Defined contribution pension plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

The Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Rentokil Initial 2015 Pension Scheme (RIPS)

The assets of the RIPS are legally separated from the Group. The Trustee of the pension fund is Rentokil Initial Pension Trustee Limited. The board comprises six company-nominated directors and three member-nominated directors. The Trustee is required by law to act in the best interests of the plan participants and is responsible for setting certain policies (e.g. investment, contribution and indexation policies) of the RIPS. The Group has recognised an asset in relation to the RIPS surplus as the Group has an unconditional right to reduce future pension contributions, taking into account the adverse effect of any minimum funding requirements.

At 31 December 2017 RIPS was valued at an accounting surplus of £325.4m (2016: £272.0m) on the Group's balance sheet. The trustees of the RIPS value the scheme on a different basis (every three years). In their valuation at 31 December 2015 the scheme is fully funded and no contributions are currently required from the Company. The funding position will be formally reviewed at the next actuarial valuation, which is expected to be carried out at 31 December 2018.

The Group has put in place a guarantee in favour of the Trustee of the RIPS which provides that the Group will make payments to the RIPS up to a maximum amount equal to the lowest non-negative amount which, when added to the assets of the RIPS, would result in the RIPS being at least 105% funded on the date on which any liability arises, calculated on the basis set out in section 179 of the Pensions Act 2004. This amount will vary and is in any event capped at £219m, the amount assessed at 31 March 2009. The provision of the guarantee is reviewed on an annual basis.

A contingent liability exists in relation to the equalisation of Guaranteed Minimum Pension (GMP). The UK Government intends to implement legislation which could result in an increase in the value of GMP for some categories of member. This would increase the defined benefit obligation of the Scheme, but at this stage, it is not possible to quantify the impact of this change.

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.

	2017	2016
Weighted average %		
Discount rate	**2.5%**	2.6%
Future salary increases	**n/a**	n/a
Future pension increases	**3.4%**	3.4%
RPI inflation	**3.5%**	3.5%
CPI inflation	**2.4%**	2.4%

The defined benefit obligation includes benefits for current employees, former employees and current pensioners. Approximately 40% of the liabilities are attributable to current and former employees and 60% to current pensioners. There have been no significant changes to the membership of the scheme over the year. The scheme duration is an indicator of the weighted-average time until benefit payments are made. For the RIPS as a whole, the duration is around 16 years.

Where available, the bid value of assets has been used. In other cases the market value as provided by the investment managers has been used.

The RIPS's liability hedge is made up of interest rate and inflation swaps, corporate bonds, fixed gilts and LPI swaps. The overall objective of the hedge is to match 85% of the interest rate and inflation sensitivity of the RIPS's liabilities (c.100% of assets).

The current portfolio's return-seeking assets are diversified growth funds (7.9%). 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.

The remainder of assets are matching assets and consist of 83% gilts and swaps, 9% corporate bonds and a small amount of cash. The actual holdings in return seeking assets are currently lower than the target portfolio. This is monitored on a regular basis, and there are no plans to rebalance at present.

Risks

The scheme exposes the Company to a number of risks, the most significant of which are:

Asset volatility – The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The RIPS holds a small proportion of growth assets (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 RIPS's long-term objectives.

Changes in bond yields – A decrease in corporate bond yields will increase the value placed on the RIPS's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the RIPS's bond holdings.

Inflation risk – A significant proportion of the RIPS'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). A significant proportion of the assets are correlated with inflation, meaning the sensitivity of the funding level to changes in inflation is reduced.

Life expectancy – The majority of the scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

Mortality assumptions

The mortality assumptions are based on the recent actual mortality experience of scheme members, and allow for expected future improvements in mortality rates. The mortality tables used are:

- 98% of the SAPS S2 All base tables for male pensioners;
- 107% of the SAPS S2 All base tables for female pensioners;
- 108% of the SAPS S2 All base tables for male and female non-pensioners; and
- 96% of the SAPS S2 All base tables for male and female dependent pensioners.

Future improvements are made in line with CMI_2016 Core Projections with a long-term rate of future improvement of 1.75% p.a.

Sensitivity of significant assumptions

		Impact on retirement benefit obligations[1]	
	Sensitivity	Increase £m	Decrease £m
Discount rate	1%	190.7	(239.3)
Inflation	1%	(124.6)	140.4
Mortality	1 year	(63.1)	63.0

1. A positive figure indicates an increase in assets or a decrease in liabilities.

Pension benefits

The movement in the net defined benefit obligation for all pension schemes over the accounting period is as follows:

	Present value of obligation 2017 £m	**Fair value of plan assets 2017 £m**	**Total 2017 £m**	Present value of obligation 2016 £m	Fair value of plan assets 2016 £m	Total 2016 £m
At 1 January	**(1,486.2)**	**1,728.0**	**241.8**	(1,232.0)	1,444.9	212.9
Current service costs[1]	**(0.5)**	**–**	**(0.5)**	(0.5)	–	(0.5)
Past service costs[1]	**(0.3)**	**–**	**(0.3)**	(0.1)	–	(0.1)
Administration expenses[1]	**(1.2)**	**–**	**(1.2)**	(1.3)	–	(1.3)
Interest on net defined benefit asset[1]	**(36.8)**	**43.6**	**6.8**	(45.1)	53.5	8.4
Exchange difference	**(1.0)**	**0.3**	**(0.7)**	(8.2)	4.1	(4.1)
Total pension income	**(39.8)**	**43.9**	**4.1**	(55.2)	57.6	2.4
Remeasurements:						
– Remeasurement gain on scheme assets	**–**	**20.1**	**20.1**	–	285.9	285.9
– Remeasurement gain/(loss) on obligation[2]	**26.9**	**–**	**26.9**	(264.6)	–	(264.6)
Transfers:						
– Transferred on disposal of business	**1.3**	**–**	**1.3**	–	–	–
– Transferred on acquisition of business	**(0.9)**	**–**	**(0.9)**			
– Transfers to held for sale asset	**–**	**–**	**–**	4.6	(3.2)	1.4
Contributions:						
– Employers	**(0.6)**	**1.8**	**1.2**	(0.5)	1.5	1.0
– Participants	**(0.1)**	**0.1**	**–**	–	0.1	0.1
– Benefit payments	**82.9**	**(78.5)**	**4.4**	60.2	(58.8)	1.4
– Administration costs	**1.2**	**–**	**1.2**	1.3	–	1.3
At 31 December	**(1,415.3)**	**1,715.4**	**300.1**	(1,486.2)	1,728.0	241.8
Retirement benefit obligation schemes[3]	**(50.1)**	**24.0**	**(26.1)**	(52.9)	22.0	(30.9)
Retirement benefit asset schemes[4]	**(1,365.2)**	**1,691.4**	**326.2**	(1,433.3)	1,706.0	272.7

1 Service costs, settlement and administration expenses are charged to operating expenses, and interest cost and return on plan assets to net interest credit from pensions.

2 The actuarial movement on the UK RIPS scheme comprises remeasurement gain arising from changes in demographic assumptions of £55.2 (2016: loss £18.5m), remeasurement loss arising from changes in financial assumptions of £22.2m (2016: £238.1m) and remeasurement losses arising from experience of £4.4m (2016: £2.2m loss).

3 Benefit plans in an obligation position include plans situated in Ireland, the UK, Martinique, Trinidad, Norway, South Africa, Germany, France, Italy, Korea, Philippines, and Hong Kong.

4 Benefit plans in an asset position include plans situated in the UK, Australia and Barbados.

Included in the table above is a defined benefit obligation of £1,360.7m (2016: £1,431.0m) and plan assets of £1,686.1m (2016: £1,703.0m) in relation to the UK RIPS scheme. Of the £1,415.3m (2016: £1,486.2m) of obligations, £16.8m (2016: £18.6m) is unfunded.

Total contributions payable to defined benefit pension schemes in 2018 are expected to be between £1m and £2m.

The fair value of plan assets at the balance sheet date is analysed as follows:

	2017 £m	2016 £m
Equity instruments	**136.4**	234.7
Debt instruments – quoted	**1,548.2**	1,466.4
Debt instruments – unquoted	**13.0**	11.4
Property	**0.6**	0.3
Other	**17.2**	15.2
Total plan assets	**1,715.4**	1,728.0

Where available the fair values of assets are quoted prices (e.g. listed equity, sovereign debt and corporate bonds). In other cases the market value as provided by the fund managers has been used in accordance with IFRS 13 Fair Value Measurement:

– Unquoted debt instruments (Level 2)
– Interest and inflation rate hedging instruments (Level 2).

Other significant assets are valued based on observable market inputs. Other assets primarily consist of cash.

Notes to the Financial Statements

The history for the current and prior periods for the RIPS and other schemes combined is as follows:

	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
Present value of defined benefit plan liabilities	**(1,415.3)**	(1,486.2)	(1,232.0)	(1,366.2)	(1,230.3)
Fair value of plan assets	**1,715.4**	1,728.0	1,444.9	1,532.6	1,277.3
Net surplus	**300.1**	241.8	212.9	166.4	47.0
Experience adjustments on plan liabilities	**4.4**	2.2	(18.1)	(10.4)	(8.0)
Experience adjustments on plan assets	**(20.1)**	(285.9)	45.2	(252.9)	35.5

The cumulative actuarial gain recognised in the Consolidated Statement of Comprehensive Income was £20.7m (2016: cumulative loss £26.9m). A remeasurement gain of £47.0m (2016: £21.3m 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 estimate is reflected in the income statement with a corresponding adjustment to equity immediately to the extent it relates to past service, and the remainder over the rest of the vesting period.

Performance Share Plan

The Company introduced a share-based performance plan in 2006 for senior executives worldwide. The main features of the scheme are as follows:

- For awards made in 2008, the performance conditions are share price performance and an individual performance modifier.
- For awards made in 2012 and 2013, the performance conditions are total shareholder return (TSR) performance and an individual performance modifier. No shares will vest or options become exercisable if the share price does not reach median TSR performance at the end of the three year performance period relative to the constituents of a comparator group, made up of FTSE 350 companies excluding financial services, primary resource and property sector companies. If TSR performance is above the upper quartile and all participants attain their maximum bonus target over the performance period, the full award will vest or become exercisable.
- For awards made between 2014 and 2017, 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.
- 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 £4.4m (2016: £5.5m).

A summary of the number of shares in active share option plans is shown below:

		Share options outstanding					Share options exercisable				
Year of grant	Vesting year	Scheme interest at 1 January 2017	Shares awarded during 2017	Shares lapsed during 2017	Shares vested during 2017	Outstanding at 31 December 2017	Shares exercisable at 1 January 2017	Shares vested during 2017	Shares exercised during 2017	Shares lapsed during 2017	Shares exercisable at 31 December 2017
2008	2011	–	–	–	–	–	46,689	–	(3,151)	–	43,538
2012	2015	–	–	–	–	–	593,551	–	(211,791)	–	381,760
2013	2016	–	31,952	–	(31,952)	–	3,475,701	31,952	(1,259,782)	–	2,247,871
2014	2017	7,257,452	434,819	(697,116)	(6,995,155)	–	–	6,995,155	(4,193,475)	–	2,801,680
2015	2018	7,524,252	–	(143,636)	–	7,380,616	–	–	–	–	–
2016	2019	7,683,656	–	(373,615)	–	7,310,041	–	–	–	–	–
2017	2020	–	5,625,934	(103,579)	–	5,522,355	–	–	–	–	–

The fair value of the 2017 awards made under the 2006 Performance Share Plan is charged to the income statement over the vesting period based on values derived from a model developed by Deloitte LLP. This is a closed-form solution (similar to a Monte Carlo simulation) which takes account of the correlation between share price performance and the likelihood of a TSR performance condition being met. For the shares awarded in March 2017, the significant inputs into the model were a share price of 246.4p (2016: 159.4p), an expected share price volatility of 18.1% (2016: 19%), a median share price correlation between the companies in the comparator group of 31.2% (2016: 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 2017 was £9.8m (2016: £9.4m).

A12. Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases properties, vehicles, and plant and equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. Lease expenditure charged to the income statement during the year is £74.7m (2016: £68.7m). The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2017 £m	2016 £m
Not later than one year	**50.3**	50.8
Later than one year and not later than five years	**89.1**	99.0
Later than five years	**10.3**	9.6
	149.7	159.4

A13. Income tax expense

Income tax expense for the period includes both current and deferred tax. Current tax expense represents the amount payable on this year's taxable profits and any adjustment relating to prior years. Deferred tax is an accounting adjustment to provide for tax that is expected to arise in the future due to differences between accounting and tax bases. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income. In this case the tax is also recognised in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date, in the countries where the Company's subsidiaries and associates operate and generate taxable income.

Analysis of charge in the year:

	2017 £m	2016 £m
UK corporation tax at 19.25% (2016: 20%)	**6.4**	2.9
Overseas taxation	**35.2**	30.2
Adjustment in respect of previous periods	**2.4**	7.8
Total current tax	**44.0**	40.9
Deferred tax (credit)/charge	**(7.0)**	1.3
Deferred tax adjustment in respect of previous periods	**(6.4)**	(1.5)
Total deferred tax	**(13.4)**	(0.2)
Total income tax expense	**30.6**	40.7

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2017 £m	2016 £m
Profit before income tax	**713.6**	208.5
Tax calculated at domestic tax rates applicable to profits in the respective countries	**140.8**	46.9
Adjustment in respect of previous periods	**(4.0)**	6.3
Deferred tax recognised on losses	**0.4**	2.3
Expenses not deductible for tax purposes – restructuring costs and one-off items	**(1.8)**	–
Expenses not deductible for tax purposes – interest payable	**1.0**	1.1
Expenses not deductible for tax purposes – other	**2.9**	3.0
Goodwill deduction	**0.4**	–
Income not subject to tax	**(1.8)**	(2.0)
Overseas financing deductions	**(5.0)**	(4.2)
Utilisation of previously unrecognised tax losses	**(0.7)**	(12.2)
Losses not relieved	**3.6**	0.8
Deferred tax impact of change in tax rates	**0.2**	(4.3)
Provisions utilised for which no deferred tax assets were recognised	**(2.1)**	(0.6)
Overseas withholding tax suffered	**0.2**	0.3
Deferred tax on unremitted earnings	**(1.6)**	–
Tax on overseas dividends	**0.3**	1.0
Local business taxes	**2.2**	2.3
Disposal gain not subject to tax	**(98.0)**	–
US tax reform impact	**(6.4)**	–
Total tax expense	**30.6**	40.7

The Group's Effective Tax Rate (ETR) before the one-off impact of the US tax reforms, amortisation and impairment of intangible assets (excluding computer software), disposals and one-off items, and the net interest credit from pensions for 2017 was 22.0% (2016: 22.3%). This compares with a blended rate of tax for the countries in which the Group operates of 24% (2016: 25%). The lower ETR compared to the blended tax rate is principally due to the benefit derived from financing overseas operations and a net prior year over-provision for tax. The Group's ETR is expected to remain above the UK tax rate due to the proportion of overseas profits which are taxed at a higher rate than UK profits. We expect our ETR for 2018 to be similar to 2017. We are not currently expecting any material change over the medium term.

The Group's tax charge and ETR will be influenced by the global mix and level of profits, changes in future tax rates and other tax legislation, the utilisation of brought forward tax losses on which no deferred tax asset has been recognised, the resolution of open issues with various tax authorities, the ability to benefit from existing financing arrangements, acquisitions, and disposals.

In the longer term the Group's ETR is likely to be similar to the blended tax rate once there is no further benefit from tax losses on which no deferred tax asset is currently recognised as their recoverability is not considered probable, but may become probable in the future. The blended tax rate is expected to reduce to 23% in 2018 as a result of the US and other tax rate reductions.

The US tax reforms enacted at the end of 2017 are not expected to have any material impact on the Group's ETR over the medium term which is expected to be maintained at about the current rate. The US tax cuts did, however, result in a net reduction of the Group's deferred tax liability of £6.4m, which is considered a one-off benefit.

A14. Current tax liabilities

The Group is subject to income taxes in numerous jurisdictions. The Group is subject to various uncertainties relating to the determination of its tax liabilities where the ultimate tax liability cannot be known until a resolution has been reached with the relevant tax authority, or the issue becomes time barred. Issues can take many years to resolve and therefore assumptions on the likely outcome have to be made by management.

Where considered appropriate, management establishes provisions for uncertain tax positions on the basis of amounts expected to be paid to the tax authorities. The Group's current tax liabilities reflect management's best estimate of the future amounts of corporation tax that will be settled. Total tax provisions and accruals amounted to £59.9m as at 31 December 2017 (2016: £62.9m). The decrease in the tax provision is mainly due to the settlement of certain tax liabilities during the year. Tax accruals can be built up over a number of years but in the year of resolution there could be adjustments to these accruals which could have a material positive or negative impact on the tax charge for a particular year. The settlement of a significant issue could also have a material impact on the amount of cash tax payable in any one year. Significant judgement is required in determining the worldwide provision for income taxes particularly in relation to the pricing of intra-group goods and services as well as debt financing.

The majority of the tax provisions relate to transfer pricing exposures where the Group faces a number of risks in jurisdictions around the world, and is subject to audits by tax authorities in the territories in which it operates.

Apart from transfer pricing issues the largest single provision relates to a financing structure where the amount provided is now £17.2m. This is a legacy issue going back to the years 2002 to 2005. The Group is fully provided for the potential tax and interest payable so there is not expected to be an adverse impact on the income statement. It is unclear when this issue will be resolved.

In October 2017 the EU announced that it was beginning a state aid investigation into the group finance exemption in the UK's controlled foreign company rules. There is a risk that the exemption may be declared unlawful state aid. The Group has relied upon the finance company exemption and therefore there is a risk that the benefits may be clawed back, together with interest. At this stage the outcome of the investigation is considered sufficiently uncertain that no provision for any liability has been made.

A15. Deferred income tax

Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities in transactions other than a business combination that at the time of the transactions affect neither the accounting nor taxable profit or loss; and, differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred income tax is determined using tax rates (and laws) that have been enacted (or substantively enacted) at the balance sheet date, and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 17% (effective from 1 April 2020) are enacted in UK law at the balance sheet date. The UK deferred tax liability at 31 December 2017 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 over the next three years.

Notes to the Financial Statements

The movement on the deferred income tax account is as follows:

	2017 £m	2016 £m
At 1 January	**(110.8)**	(110.8)
Exchange differences	**1.5**	(16.6)
Acquisition of companies and businesses	**(5.1)**	(6.5)
Net impact of disposals	**0.7**	–
Credited to the income statement	**13.4**	0.2
(Charged)/credited to equity	**(5.6)**	4.1
Disposal group held for sale	**–**	18.8
At 31 December	**(105.9)**	(110.8)
Deferred taxation has been presented on the balance sheet as follows:		
Deferred tax asset within non-current assets	**3.4**	2.0
Deferred tax liability within non-current liabilities	**(109.3)**	(112.8)
	(105.9)	(110.8)

The major components of deferred tax assets and liabilities at the year end (without taking into consideration the offsetting of balances within the same tax jurisdiction) are as follows:

	Customer lists/ intangibles £m	Accelerated tax depreciation £m	Retirement benefits £m	Unremitted earnings from subsidiaries £m	Tax losses £m	Share-based payments £m	Other £m	Total £m
At 1 January 2017	**62.9**	**51.5**	**39.3**	**5.0**	**(28.1)**	**(2.3)**	**(17.5)**	**110.8**
Exchange differences	**(4.1)**	**0.4**	**0.2**	**–**	**0.6**	**–**	**1.4**	**(1.5)**
Recognised in income statement	**(4.7)**	**(9.6)**	**0.2**	**(1.6)**	**(3.5)**	**(0.8)**	**6.6**	**(13.4)**
Recognised in other comprehensive income	**–**	**–**	**8.3**	**–**	**–**	**(0.3)**	**(2.4)**	**5.6**
Acquired in business combinations	**6.7**	**0.2**	**–**	**–**	**–**	**–**	**(1.8)**	**5.1**
Impact of disposals	**–**	**–**	**–**	**–**	**–**	**–**	**(0.7)**	**(0.7)**
At 31 December 2017	**60.8**	**42.5**	**48.0**	**3.4**	**(31.0)**	**(3.4)**	**(14.4)**	**105.9**

A deferred tax asset of £12.3m (2016: £22.2m) has been recognised in respect of UK losses carried forward at 31 December 2017. 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 £136.0m have not been recognised as at 31 December 2017. The reduction in the deferred tax asset recognised on the UK tax losses is due to the fact that from 1 April 2017 only 50% of current year profits in excess of £5.0m may be offset by brought forward tax losses.

At the balance sheet date the Group has tax losses of £206.0m (2016: £229.6m) on which no deferred tax asset is recognised. Of the losses £23.2m (2016: £36.1m) will expire at various dates between 2018 and 2037. In addition, there are capital losses carried forward of £276.9m (2016: £277.1m) on which no deferred tax asset is recognised. Other deferred tax assets relating to gross temporary timing differences of £6.7m (2016: £9.0m) have not been recognised due to the uncertainty regarding their utilisation.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Notes to the Financial Statements

B: Investing

B1. Business combinations

All business combinations are accounted for using the purchase method (acquisition accounting) in accordance with IFRS 3 Business Combinations. The cost of a business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer. The cost of a business combination is allocated at the acquisition date by recognising the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

An intangible asset is recognised if it meets the definition of an intangible asset under IAS 38 Intangible Assets. The intangible assets arising on acquisition are goodwill, customer lists and relationships, and brands. Goodwill represents the synergies, workforce and other benefits expected as a result of combining the respective businesses. Customer lists and relationships and brands are recognised at their fair value at the date of acquisition using an income-based approach, which involves the use of assumptions including customer termination, profit margins and discount rates. The use of these assumptions requires estimation in the valuation approach.

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 income statement.

Costs directly attributable to business combinations are charged to the income statement as incurred and presented as one-off items.

During the year the Group purchased 100% of the share capital or trade and assets of 40 companies and businesses, and 57% of the share capital of Rentokil PCI. The total consideration in respect of these acquisitions was £356.5m and the cash outflow from current and past period acquisitions, net of cash acquired, was £281.1m. An overview of the acquisitions in the year can be found in the Financial Review on page 104.

The acquisition of Rentokil PCI includes put options whereby the non-controlling interest can require the Group to purchase the remaining 43% of shares in stages over a fixed term (between five and ten years from the date of acquisition). The Group also holds a call option to acquire the shares from the non-controlling interest at the end of this fixed term which has not been recognised as it has a fair value of £nil. The Group has elected not to recognise a non-controlling interest on the acquisition of Rentokil PCI. Under this accounting policy, put and call options are accounted for as an anticipated acquisition of the underlying non-controlling interest. The Group refers to this treatment as the Anticipated Acquisition Method. The Group recognised a put option liability of £42.4m for the anticipated acquisition of the shares. The Group has also made an accounting policy choice to recognise movements in the carrying value of the options through equity.

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

	2017 £m	2016 £m
Purchase consideration:		
– Cash paid	**269.9**	82.9
– Deferred and contingent consideration	**86.6**	24.2
Total purchase consideration	**356.5**	107.1
Fair value of net assets acquired	**(68.2)**	(60.0)
Goodwill from current year acquisitions	**288.3**	47.1

Deferred consideration of £15.6m and contingent consideration of £71.0m (£42.4m relates to Rentokil PCI put options) is payable in respect of the above acquisitions. Contingent consideration is payable based on a variety of conditions including revenue and profit targets being met. Both deferred and contingent consideration are payable over the next four years. The Group incurred acquisition-related costs of £5.7m. The Group has recognised the contingent and deferred consideration based on the fair value of the consideration at the acquisition date.

The provisional fair values[1] of assets and liabilities arising from acquisitions in the year are as follows:

	2017 £m	2016 £m
Non-current assets		
– Intangible assets[2]	**46.2**	46.2
– Property, plant and equipment	**18.5**	4.0
Current assets[3]	**51.6**	39.7
Current liabilities	**(38.1)**	(23.3)
Non-current liabilities[4]	**(10.0)**	(6.6)
Net assets acquired	**68.2**	60.0

1 The provisional fair values will be finalised in the 2018 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 £39.1m (2016: £38.3m) of customer lists and relationships and £7.1m (2016: £7.9m) of other intangibles.

3 Includes trade and other receivables of £36.4m (2016: £24.1m) which represents the gross and fair value of the assets acquired.

4 Includes (£5.1m) of deferred tax relating to acquired intangibles (2016: £6.4m).

The cash outflow from current and past acquisitions is as follows:

	2017 £m	2016 £m
Total purchase consideration	**356.5**	107.1
Consideration payable in future periods	**(86.6)**	(24.2)
Purchase consideration paid in cash	**269.9**	82.9
Cash and cash equivalents in acquired companies and businesses	**(8.1)**	(2.2)
Cash outflow on current period acquisitions	**261.8**	80.7
Deferred consideration paid	**19.3**	28.5
Cash outflow on current and past acquisitions	**281.1**	109.2

From the dates of acquisition to 31 December 2017, these acquisitions contributed £135.6m to revenue and £19.1m to operating profit.

If the acquisitions had occurred on 1 January 2017 the revenue and operating profit of the Group would have amounted to £2,493.9m and £298.5m respectively.

B2. Business disposals

On 30 June 2017 the Group sold its Workwear and Hygiene operations in 10 countries, principally in the Benelux region and Central and Eastern Europe, to a joint venture with the CWS-boco businesses of Franz Haniel & Cie. GmbH (Haniel). The disposal group was recognised as held for sale at 31 December 2016. In addition to cash consideration, the Group received a 17.8% share in the combined business: CWS-boco International GmbH. This is recognised as an investment in associate at 31 December 2017. The value of the investment in associate is based on the valuation of the combined businesses. The Group anticipates maintaining its stake in the joint venture for a minimum period of three years, after which the Company has various exit options under the agreement to optimise further value for shareholders. In relation to its investment in the combined business, the Group will receive an annual dividend of €19m for five years.

The Group has made an accounting policy choice to recognise a full disposal of the businesses to Haniel under IFRS 10, rather than accounting for this as a partial disposal under IAS 28. Under this approach the full gain is recognised on the loss of control of the subsidiaries, and an element of the continuing interest in the assets and liabilities has not been eliminated in calculating the gain on disposal. The fair value of the retained investment in CWS-boco International GmbH is the deemed cost for the purposes of subsequent accounting.

On 30 September 2017 the Group sold eight textile laundries in France to Régie Linge Développement (RLD) for a cash consideration of €32.4m.

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

	Europe Workwear and Hygiene 2017 £m	France textile laundries 2017 £m	Total 2017 £m
Non-current assets			
– Intangible assets	**39.4**	**–**	**39.4**
– Property, plant and equipment	**201.2**	**63.5**	**264.7**
Current assets			
– Inventories	**2.0**	**1.4**	**3.4**
– Trade and other receivables	**52.6**	**2.2**	**54.8**
– Cash	**17.4**	**–**	**17.4**
Current liabilities			
– Trade and other payables	**(43.1)**	**(2.7)**	**(45.8)**
Non-current liabilities			
– Other long-term liabilities	**(6.0)**	**(5.0)**	**(11.0)**
– Deferred and current tax	**(16.2)**	**(1.2)**	**(17.4)**
Net assets and liabilities disposed	**247.3**	**58.2**	**305.5**
Consideration	**(449.9)**	**(28.4)**	**(478.3)**
Share of investment in associate	**(254.0)**	**–**	**(254.0)**
Total consideration	**(703.9)**	**(28.4)**	**(732.3)**
Cumulative exchange recycled from translation reserve	**(42.8)**	**(3.7)**	**(46.5)**
Costs related to disposal	**18.2**	**6.1**	**24.3**
Net (gain)/loss on disposal	**(481.2)**	**32.2**	**(449.0)**

B3. Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, where applicable.

A breakdown of intangible assets is as shown below:

	Goodwill £m	Customer lists and relationships £m	Brands £m	Product development £m	Computer software £m	2017 Total £m	2016 Total £m
Cost							
At 1 January	**766.3**	**591.2**	**60.1**	**18.2**	**91.0**	**1,526.8**	1,306.8
Exchange differences	**(58.1)**	**(23.9)**	**(4.1)**	**–**	**(0.6)**	**(86.7)**	239.8
Additions	**–**	**–**	**–**	**4.7**	**14.4**	**19.1**	21.0
Disposals/retirements	**–**	**–**	**–**	**–**	**(4.1)**	**(4.1)**	(7.8)
Acquisition of companies and businesses	**297.4**	**39.9**	**7.0**	**–**	**0.1**	**344.4**	97.6
Disposal of companies and businesses	**(0.8)**	**(3.0)**	**–**	**–**	**(4.2)**	**(8.0)**	–
Transferred to disposal group held-for-sale	**–**	**–**	**–**	**–**	**–**	**–**	(130.6)
At 31 December	**1,004.8**	**604.2**	**63.0**	**22.9**	**96.6**	**1,791.5**	1,526.8
Accumulated amortisation and impairment							
At 1 January	**(30.3)**	**(403.4)**	**(31.2)**	**(6.0)**	**(56.3)**	**(527.2)**	(488.5)
Exchange differences	**(0.3)**	**12.8**	**1.8**	**–**	**–**	**14.3**	(83.2)
Disposals/retirements	**–**	**–**	**–**	**–**	**3.4**	**3.4**	6.4
Disposal of companies and businesses	**–**	**2.9**	**–**	**–**	**2.3**	**5.2**	0.1
Impairment charge	**(2.0)**	**–**	**–**	**–**	**(0.2)**	**(2.2)**	–
Amortisation charge	**–**	**(43.5)**	**(4.6)**	**(3.7)**	**(13.0)**	**(64.8)**	(55.9)
Transferred to disposal group held-for-sale	**–**	**–**	**–**	**–**	**–**	**–**	93.9
At 31 December	**(32.6)**	**(431.2)**	**(34.0)**	**(9.7)**	**(63.8)**	**(571.3)**	(527.2)
Net book value							
At 1 January	736.0	187.8	28.9	12.2	34.7	999.6	818.3
At 31 December	**972.2**	**173.0**	**29.0**	**13.2**	**32.8**	**1,220.2**	999.6

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:	3 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:

(a) Customer lists and relationships

Customer lists and relationships are acquired as part of business combinations. No value is attributed to internally generated customer lists or relationships.

(b) Brands

Brands are acquired as part of business combinations. No value is attributed to internally generated brands as expenditure incurred to develop, maintain and renew brands internally is recognised as an expense in the period incurred.

(c) Product development

Costs incurred in the design and testing of new or improved products are recognised as intangible assets only if the cost can be measured reliably, and it is probable that the project will be a success considering its commercial and technological feasibility. Capitalised product development expenditure is measured at cost less accumulated amortisation.

Other development expenditure and all research expenditure is recognised as an expense as incurred.

Development costs recognised as an expense are never reclassified as an asset in a subsequent period. Development costs that have been capitalised are amortised from the date the product is made available.

(d) Computer software

Costs that are directly associated with the production of identifiable and unique software products that are controlled by the Group (including employee costs and external software development costs) are recognised as intangible assets if they are expected to generate economic benefits beyond one year, in excess of their cost. Purchased computer software is initially recognised based on the costs incurred to acquire and bring it into use.

Costs associated with maintaining computer software are recognised as an expense in the period in which they are incurred.

Intangible assets – indefinite useful lives

Goodwill

	2017 £m	2016 £m
France	**9.5**	9.0
Benelux	**4.5**	4.3
Germany	**7.0**	6.3
Southern Europe	**22.6**	21.0
Latin America	**17.9**	17.8
Europe	**61.5**	58.4
UK & Ireland	**28.9**	17.8
Rest of World	**20.0**	17.0
UK & Rest of World	**48.9**	34.8
Asia	**122.4**	36.2
North America[1]	**676.2**	549.4
Pacific	**63.2**	57.2
Total	**972.2**	736.0

1. Includes £590.1m (2016: £514.0m) relating to the US Pest Control CGU.

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 business at the date of acquisition. It is recognised as an intangible asset. Goodwill arising on the acquisition of an associate is included in investments in associates.

Impairment tests for goodwill

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash-generating units (CGUs) identified according to country of operation and reportable business unit. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The recoverable amount of a CGU is determined based on the higher of value-in-use calculations using cash flow projections and fair value less costs to sell if appropriate. The cash flow projections are based on financial budgets approved by management, which are prepared as part of the Group's normal planning process. Cash flows for years two to five use management's expectation of sales growth, operating costs and margin, based on past experience and expectations regarding future performance and profitability for each CGU. Cash flows beyond the five-year period are extrapolated using estimated long-term growth rates. It can be demonstrated that there is material headroom in the recoverable amount of the CGU goodwill balances based on the assumptions made, and there is not considered to be any reasonably possible scenario under which material impairment could be expected to occur based on the testing performed.

The key assumptions used by individual CGUs for value-in-use calculations were:

	2017 long-term growth rate	2017 post-tax discount rate[3]	2016 long-term growth rate	2016 post-tax discount rate[3]
France	**1.9%**	**7.0%**	1.9%	8.0%
Benelux	**1.6%**	**7.5 - 8.0%**	2.1%	8.0 – 9.0%
Germany	**1.2%**	**7.5 - 9.0%**	1.2%	8.0%
Southern Europe	**0.9 - 1.7%**	**7.5 - 9.0%**	0.9 – 2.1%	8.0 – 13.0%
Latin America	**1.8 - 2.5%**	**9.0 - 11.0%**	2.0%	9.0%
UK & Ireland	**2.0%**	**7.5%**	2.0%	8.0%
Rest of World	**2.0 - 2.2%**	**7.5 - 15.0%**	1.0 – 2.1%	8.0 – 9.0%
Asia	**2.0 - 4.7%**	**7.5 - 8.5%**	2.8 – 5.0%	8.5 – 9.0%
North America[1, 2]	**(0.6) - 2.7%**	**8.0%**	(0.5) – 3.0%	8.0 – 13.0%
Pacific	**2.5 - 2.7%**	**7.5 - 8.0%**	2.4 – 2.8%	9.0%

1. Key assumptions used by the US Pest Control CGU were a long-term growth rate of 2% (2016: 2%) and a post-tax discount rate of 8% (2016: 13%).
2. The negative growth rate in the North America region is due to the Puerto Rico business.
3. The equivalent pre-tax discount rates range from 8.4% to 19.7% across the Group (2016: 10.2% to 15.9%).

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.

B4. Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation with the exception of freehold land and assets under construction which are not depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

A breakdown of property, plant and equipment is shown below:

	Land and buildings £m	Service contract equipment £m	Other plant and equipment £m	Vehicles and office equipment £m	2017 Total £m	2016 Total £m
Cost						
At 1 January	**96.4**	**423.9**	**193.2**	**225.7**	**939.2**	1,203.8
Exchange differences	**3.1**	**13.0**	**6.4**	**(9.8)**	**12.7**	222.4
Additions	**3.8**	**135.8**	**17.0**	**36.1**	**192.7**	201.8
Disposals	**(2.6)**	**(78.5)**	**(7.2)**	**(30.7)**	**(119.0)**	(171.0)
Acquisition of companies and businesses	**2.3**	**4.6**	**2.5**	**8.8**	**18.2**	12.6
Disposal of companies and businesses	**(24.0)**	**(79.1)**	**(54.9)**	**(5.2)**	**(163.2)**	–
Transferred to disposal group held-for-sale	**–**	**–**	**–**	**–**	**–**	(530.4)
At 31 December	**79.0**	**419.7**	**157.0**	**224.9**	**880.6**	939.2
Accumulated depreciation and impairment						
At 1 January	**(26.8)**	**(219.4)**	**(141.9)**	**(134.8)**	**(522.9)**	(726.7)
Exchange differences	**(1.0)**	**(7.5)**	**(4.9)**	**5.0**	**(8.4)**	(140.7)
Disposals	**1.4**	**76.4**	**6.9**	**28.6**	**113.3**	165.4
Disposal of companies and businesses	**5.8**	**15.0**	**38.4**	**2.3**	**61.5**	–
Depreciation charge	**(3.3)**	**(86.9)**	**(11.9)**	**(31.8)**	**(133.9)**	(188.3)
Transferred to disposal group held-for-sale	**–**	**–**	**–**	**–**	**–**	367.4
At 31 December	**(23.9)**	**(222.4)**	**(113.4)**	**(130.7)**	**(490.4)**	(522.9)
Net book value						
At 1 January	69.6	204.5	51.3	90.9	416.3	477.1
At 31 December	**55.1**	**197.3**	**43.6**	**94.2**	**390.2**	416.3

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

Residual values and useful lives of assets 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. There were no impairments in the year.

When assets are sold, the gain or loss 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 are depreciated over the shorter of the useful life of the asset or the lease term.

The net carrying amounts of assets held under finance leases are as follows:

	2017 £m	2016 £m
Vehicles and office equipment	**36.0**	38.3
Other plant and equipment	**–**	0.4
Total	**36.0**	38.7

B5. Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2017 £m	2016 £m
Property, plant and equipment	**10.7**	17.0
Intangible assets	**0.6**	0.8
	11.3	17.8

B6. Investments in associated undertakings

	2017 £m	2016 £m
Interest in CWS-boco International GmbH	**258.5**	–
Interest in Nippon Calmic Ltd	**20.2**	17.8
At 31 December	**278.7**	17.8

CWS-boco International GmbH

CWS-boco International GmbH is an associated undertaking in which the Group has a 17.8% ownership interest. The classification as an associated undertaking has been determined based on quantitative and qualitative factors which indicate that significant influence is held by the Group. This includes board representation, participation in policy making, interchange of managerial personnel and the provision of technical information. CWS-boco became a part of the Group on 30 June 2017 as a result of the sale of the Group's Workwear and Hygiene operations in 10 European countries to form a joint arrangement with Haniel (see Note B2). The associated undertaking is unlisted and the investment value is shown below:

	2017 £m	2016 £m
At 1 January	**–**	–
Acquisition	**254.0**	–
Exchange differences	**3.2**	–
Share of profit[1]	**1.3**	–
Dividends received	**–**	–
At 31 December	**258.5**	–

1. Share of profit is net of tax of £0.6m

	Assets 2017 £m	Liabilities 2017 £m	Revenue 2017 £m	Profit 2017 £m	Assets 2016 £m	Liabilities 2016 £m	Revenue 2016 £m	Profit 2016 £m
CWS-boco International GmbH (17.8%)	**277.9**	**(166.9)**	**88.7**	**1.3**	–	–	–	–

Nippon Calmic Ltd

Nippon Calmic Ltd (Japan) is an associated undertaking in which the Group has a 49% interest. The associate is unlisted and the investment value is shown below.

	2017 £m	2016 £m
At 1 January	**17.8**	17.7
Exchange differences	**(1.5)**	4.2
Share of profit[1]	**7.0**	6.2
Dividends received	**(3.1)**	(10.3)
At 31 December	**20.2**	17.8

1. Share of profit is net of tax of £3.8m (2016: £3.4m).

	Assets 2017 £m	Liabilities 2017 £m	Revenue 2017 £m	Profit 2017 £m	Assets 2016 £m	Liabilities 2016 £m	Revenue 2016 £m	Profit 2016 £m
Nippon Calmic Ltd (Japan)	**33.6**	**(12.4)**	**46.6**	**7.0**	31.4	(12.8)	43.5	6.2

Notes to the Financial Statements

C. Financing

C1. Financial risk management

The Group operates a central treasury function which manages cash, borrows on behalf of the Group, and provides finance to Group companies in their local currencies. Treasury activity is governed by a Treasury Committee, which is chaired by the Chief Financial Officer.

The main financial risks faced by the Group are set out below.

(a) Liquidity risk

The Group is committed to ensuring it has sufficient liquidity to meet its business needs, and appropriate reserves to cover operational underperformance or dislocation in the financial markets. The Group's policy is to have headroom of unrestricted cash and available committed facilities of at least £150m, and the Treasury Committee manages financing requirements and associated headroom at least 12 months forward.

The Group has a revolving credit facility (RCF) with 12 relationship banks and a number of bilateral committed credit facilities (see Note C6 for details). All of these facilities contain covenants that require EBITDA: Net Interest to be at least 4.0:1.0 and that Net Debt: Adjusted EBITDA should be no greater than 3.5:1.0. Compliance with financial and other covenants is reviewed regularly and financial covenants are reported to the lenders semi-annually in line with the requirements under the facilities. The Group remains compliant with its covenants.

The Group targets a Standard & Poor's (S&P) investment grade credit rating for debt issuance of BBB over the medium term. In line with S&P liquidity ratio requirements, debt maturities are financed at least 12 months in advance using available cash or committed facilities, or by issuance of new debt. Management maintains an active dialogue with S&P, as well as the Group's relationship banks, to ensure that any changes to the Group's financing and acquisition strategies are understood.

At 31 December 2017 the Group's earliest maturity was the €50m bond due in March 2018. The Group has no other maturities falling due in 2018 following the refinancing of the Term Loan (which had a final maturity date of 31 December 2018) in November 2017, with a new €400m bond. The Group had unrestricted cash of £267.3m and £378.0m of available commitments under its credit facilities, giving combined headroom of £645.3m to meet this obligation (2016: £275.9m of combined headroom).

All of the Group's bonds issued under its Euro Medium-Term Note (EMTN) Programme, contain a coupon step-up which increases the coupon payable by 1.25% in the event that the Group is downgraded to BB+ or below (sub-investment grade). The Group's EMTNs may be recalled by their investors at par in the event of a change of control of the Group. They may also be recalled within 120 days if the Group's debt is downgraded below investment grade, or if the rating is withdrawn and the rating agency confirms in writing, either publicly or to the Group or the Trustee, that the rating action occurred either wholly or in part due to a change of control.

(b) Credit risk

The Group has no significant concentration of credit risk. Sales are typically low-value, high-volume, spreading the risk across a large number of customers and geographies. Policies are in place to ensure that credit sales are only made to customers with an appropriate credit history. The Group operates in some territories where there is increased exposure to trade credit risks and in those territories the Group puts in place appropriate measures to manage its credit risk exposure.

In order to protect the liquid assets and funding relationships of the Group, management aims to maintain banking relationships with counterparties that carry a long-term credit rating of at least A-. In countries where no banks are rated A- or above, balances are monitored monthly and kept to a minimum. In addition, funds held with all counterparties are subject to limits. All exposures are monitored daily and reported to the Treasury Committee each month. The Group also monitors the credit worthiness of its lenders to ensure available commitments under its facilities are available as needed.

At 31 December 2017 the Group had a total of £12.5m of cash held on bank accounts with banks rated below A- by S&P. The highest concentration with any single bank rated BBB+ or below, was £1.8m.

(c) Market risk

Foreign exchange risk

The Group's worldwide operations generate profits and cash flows in foreign currencies. Sales and purchases are typically denominated in the currency of the country in which they are transacted, and the Group's cross-border procurement is considered insignificant. Sterling procurement and central costs mean that foreign currencies constitute more than 100% of Group adjusted operating profit at approximately 110%.

The Group's primary exposure to foreign exchange risk is in relation to the translation of assets and liabilities, and the Group aims to hold debt in currencies in proportion to its forecast foreign currency profits and investments. FX derivatives are used to manage foreign currency exposures in excess of £0.5m that are not covered by debt or assets in the same (or another highly correlated) currency. The Treasury Committee monitors foreign exchange exposures on a monthly basis. Dealing in foreign exchange products is controlled by dealing mandates approved by the Treasury Committee and all FX transactions are covered by ISDA documentation.

The most significant foreign currency groups are euros and US dollars, which make up 48.5% and 30.7% of Group adjusted operating profit respectively.

At 31 December 2017 the Group's net debt was approximately 66% euro (2016: 57%), reflecting that it is the Group's principal cash flow exposure; and 54% US dollars (2016: 48%), reflecting the size of the US market and the Group's strong growth and investment in this region. This is offset by 20% of cash held in other currencies. The translation of the interest element of euro and US dollar debt provides a partial income statement offset to the translation of earnings.

The Group calculates the impact on the income statement and other comprehensive income of a 10% movement in foreign exchange rates. The Group's principal foreign currency exposure is the euro. A 10% movement in £/€ would result in a £13.9m increase/decrease (2016: £14.0m) in adjusted operating profit, offset by a £2.1m decrease/increase (2016: £2.1m) in interest payable. For US dollars, a 10% movement in £/$ would result in a £8.8m increase/decrease (2016: £7.2m) in adjusted operating profit, offset by a £1.8m decrease/increase (2016: £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.

Interest rate risk

The Group seeks to manage interest rate risk to ensure reasonable certainty of its interest charge while allowing an element of risk exposure consistent with the variability of its cash flows. Interest rate risk is managed by the use of fixed interest debt and interest rate derivatives, which are approved in advance by the Treasury Committee. The Group policy is to fix a minimum of 50% of its estimated future interest rate exposures (excluding pensions) for a minimum period of 12 months forward. The Treasury Committee reviews this exposure monthly.

A hypothetical 1.0% increase in euro interest rates would reduce the market value of the Group's bond liabilities by £53.2m at 31 December 2017 (2016: £36.2m). The income statement impact is £nil as changes in interest rates do not change the expected cash flows on the bonds.

The Group had outstanding bond debt issues at 31 December 2017 with a market value of £1,206.8m (2016: £845.1m). This exceeds the book value of £1,143.2m (2016: £763.0m) as a result of reductions in interest rates in Europe. There are no circumstances where the Group would be obliged to pay the fair market value. The Group could however decide to redeem some or all of its bonds early and the fair market value is indicative of the price that would be required to do so.

(d) Capital risk

The Group is committed to maintaining a debt/equity structure that allows continued access to a broad range of financing sources and sufficient flexibility to pursue commercial opportunities as they present themselves, without onerous financing terms and conditions. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to support the Group's strategy. Capital consists of ordinary shares, retained earnings and non-controlling interests in the Group. Management monitor the return on capital as well as the level of dividends to ordinary shareholders.

(e) Treasury risk

The Group's treasury activities are governed by a treasury policy, which is reviewed and approved by the Board on an annual basis. The treasury policy covers all activities associated with managing the above risks. The policy requires that financial instruments are only utilised to manage known financial exposures and speculative derivative contracts are not entered into. The treasury policy requires that treasury must approve opening and closing of all bank accounts, and that funds transfers and other payments are only made in accordance with bank mandates. To ensure an appropriate control environment exists in the treasury function, duties are segregated between front and back office teams. In addition, a number of controls are in place to protect against potential cyber security risks.

C2. Net debt

Closing net debt comprises:

	Notes	2017 £m	2016 £m
Cash and cash equivalents[1]	C3	**310.1**	160.2
Other investments – loans and receivables	C4	**0.7**	9.6
Fair value of debt-related derivatives		**(3.4)**	(70.7)
Bank and other short-term borrowings		**(58.2)**	(60.7)
Bank and other long-term borrowings		**(1,139.2)**	(1,237.7)
Finance leases		**(37.3)**	(39.4)
Total net debt		**(927.3)**	(1,238.7)

1. Excluding bank overdrafts.

The currency of debt is as follows:

	2017 %	2016 %
Euro debt (principally bonds)	**66%**	57%
USD debt (principally cross-currency swaps)	**54%**	48%
Other cash	**(20%)**	(5%)
Total net debt	**100%**	100%

The proportion of the Group's debt denominated in euro increased during the year due to the new €400m bond.

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Reconciliation of net change in cash and cash equivalents to net debt:

	Opening 2017 £m	Cash flows £m	Non-cash (fair value changes) £m	Non-cash (foreign exchange and other) £m	Closing 2017 £m
Cash and cash equivalents[1]	**160.2**	**152.3**	**–**	**(2.4)**	**310.1**
Other investments – loans and receivables	**9.6**	**(9.1)**	**–**	**0.2**	**0.7**
Fair value of debt-related derivatives	**(70.7)**	**32.5**	**(9.9)**	**44.7**	**(3.4)**
Bank and other short-term borrowings	**(60.7)**	**48.3**	**(0.4)**	**(45.4)**	**(58.2)**
Bank and other long-term borrowings	**(1,237.7)**	**61.0**	**14.2**	**23.3**	**(1,139.2)**
Finance leases	**(39.4)**	**15.9**	**(15.1)**	**1.3**	**(37.3)**
	(1,238.7)	**300.9**	**(11.2)**	**21.7**	**(927.3)**

1. Excluding bank overdrafts.

Foreign exchange gain on debt amounted to £24.2m (2016: loss of £203.4m) for 2017. The gain primarily resulted from a weakening of US dollar by 10 cents offset by a strengthening of the euro by 4 cents. Included within net increase in cash and cash equivalents is £32.5m paid in cash settlement on debt-related foreign exchange forward contracts (2016: £2.5m).

C3. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less (and subject to insignificant changes in value). In the cash flow statement cash and cash equivalents are shown net of bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Cash at bank and in hand includes £1.9m (2016: £25.2m) 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 2017			
Cash at bank and in hand	**997.8**	**(697.5)**	300.3
Short-term bank deposits	**9.8**	**–**	9.8
Cash and cash equivalents	**1,007.6**	**(697.5)**	310.1
Bank overdraft	**(703.5)**	**697.5**	(6.0)
	304.1	**–**	304.1
At 31 December 2016			
Cash at bank and in hand	767.9	(609.7)	158.2
Short-term bank deposits	2.0	–	2.0
Cash and cash equivalents	769.9	(609.7)	160.2
Bank overdraft	(664.0)	609.7	(54.3)
	105.9	–	105.9

Credit interest rates on bank balances range between 0.0% and 0.025% and debit interest rates range between 0.0% and 6.5%. As far as it is practical to do so, cash balances are held centrally and are used first to repay borrowings, if any, under the Group's RCF before being placed on deposit.

C4. Other investments

Other investments held at year end mainly comprised term deposits maturing in more than three months from the date that the deposit was placed. The weighted average effective interest rate earned is 0.0% (2016: 1.0%) and the weighted average rate was fixed for one year (2016: one year).

Financial assets are denominated in the following currencies:

	2017 £m	2016 £m
Pounds sterling	–	6.0
Other[1]	0.7	3.8
	0.7	9.8

1. Includes an investment of £0.2m (2016: £0.2m) in development funds by an entity in South Africa. The investment is classified as available for sale.

None of the financial assets are either past due or impaired in 2017 or 2016.

C5. Derivative financial instruments

Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. At the inception of the transaction the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values of hedged items.

Certain financial instruments are not designated or do not qualify for hedge accounting. Typically the Group will not designate financial instruments for hedge accounting where a perfect or near perfect offset is expected between the change in value of assets and liabilities. Changes in the fair value of any derivative instruments in this category are immediately recognised in the income statement.

Where financial instruments are designated for hedge accounting they are designated as either fair value hedge, net investment hedge or cash flow hedge.

(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.

Cash flow hedge accounting has been applied to derivatives (marked as 'cash flow hedge' in the table opposite) 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, hedging the changes in cash flow due to volatility in the GBP/EUR exchange rate. A new bond was issued on 22 November 2017 for €400m maturing on 22 November 2024. €340m of the bond issue was swapped to dollars and a cash flow hedge has been applied to the volatility in GBP/EUR exchange rate. Cash flow hedge has also been applied to the floating interest of the €50m bond maturing in 2018 that has been swapped to a fixed rate, and to the $50m term loan maturing in 2020.

At the end of the year, the amount in comprehensive income related to cash flow hedge accounting was a loss of £8.6m (2016: £6.1m loss).

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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
Interest rate/currency swaps	1	Market swap rates at the balance sheet date
Forward foreign exchange contracts	1	Forward exchange market rates at the balance sheet date
Borrowings not traded in active markets	2	Cash flows discounted at current market rates
Financial instruments not traded in active markets	2 or 3	Valuation assumptions based on market conditions at the balance sheet date
Trade payables and receivables	3	Nominal value less estimated credit adjustments
Deferred and contingent consideration	3	Fair value based on the future forecasts of the acquired businesses
Other financial instruments	3	Variety of techniques including discounted cash flows

	Fair value assets 2017 £m	**Fair value liabilities 2017 £m**	Fair value assets 2016 £m	Fair value liabilities 2016 £m
Interest rate swaps:				
– non-hedge	**–**	**(4.6)**	–	(6.0)
– cash flow hedge	**4.9**	**(12.2)**	1.3	(0.2)
– net investment hedge	**14.1**	**(9.9)**	–	(65.9)
– fair value hedge	**–**	**(5.0)**	–	–
Foreign exchange swaps:				
– non-hedge	**0.1**	**(0.2)**	0.3	(0.5)
– net investment hedge	**0.6**	**–**	–	–
Foreign exchange forwards:				
– cash flow hedge	**–**	**–**	–	(6.0)
– non-hedge	**0.3**	**–**	–	–
	20.0	**(31.9)**	1.6	(78.6)
Analysed as follows:				
Current portion	**6.3**	**(5.3)**	1.6	(56.8)
Non-current portion	**13.7**	**(26.6)**	–	(21.8)
	20.0	**(31.9)**	1.6	(78.6)

The effective nominal value of foreign exchange swaps is £12.1m (2016: £13.6m) and foreign exchange forwards is £48.2m (2016: £2.1m).

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 2017					
Cross-currency swaps:					
– outflow	**(192.2)**	**(21.1)**	**(22.9)**	**(311.9)**	**(548.1)**
– inflow	**196.0**	**16.2**	**8.6**	**307.6**	**528.4**
Foreign exchange swaps:					
– outflow	**(28.0)**	**(13.5)**	**–**	**–**	**(41.5)**
– inflow	**27.9**	**13.3**	**–**	**–**	**41.2**
Foreign exchange forwards:					
– outflow	**(105.9)**	**–**	**–**	**–**	**(105.9)**
– inflow	**106.3**	**–**	**–**	**–**	**106.3**
Net outflow	**4.1**	**(5.1)**	**(14.3)**	**(4.3)**	**(19.6)**
At 31 December 2016					
Cross-currency swaps:					
– outflow	(257.7)	(4.9)	(110.7)	–	(373.3)
– inflow	204.8	3.7	95.1	–	303.6
Foreign exchange swaps:					
– outflow	(204.4)	–	–	–	(204.4)
– inflow	204.1	–	–	–	204.1
Foreign exchange forwards:					
– outflow	(7.8)	–	–	–	(7.8)
– inflow	7.9	–	–	–	7.9
Deal contingent forward:					
– outflow	(383.8)	–	–	–	(383.8)
– inflow	375.2	–	–	–	375.2
Net outflow	(61.7)	(1.2)	(15.6)	–	(78.5)

C6. Analysis of bank and bond debt

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are classified as current liabilities unless the Group has a continuing right to defer settlement of the liability for at least 12 months after the balance sheet date.

The Group's bank debt comprises:

	Facility amount £m	Drawn at year end £m	Headroom £m	Interest rate at year end %
Non-current				
$25m RCF due December 2019	18.5	–	18.5	–
£420m RCF due January 2022 (£60m reserved for guarantees)	360.0	–	360.0	–
$50m term loan due June 2020	37.0	37.0	–	2.17
Average cost of bank debt at year end rates	415.5	37.0	378.5	2.17

The Group has a revolving credit facility (RCF) of £360m available for cash drawings, and £60m for guarantees and letters of credit. The maturity date of the RCF is January 2022. At the year end, £nil was drawn under the part of the facility available for cash drawings, and £34m under the part available for guarantees. The Group also has a $25m revolving credit facility that matures in December 2019, on terms in line with the main RCF.

On 19 June 2017 the Group entered into a $50m term loan for three years on terms in line with its other bank facilities.

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Medium-term notes and bond debt comprises:

	Bond interest coupon	Effective hedged interest rate
Current		
€50m bond due March 2018	Euribor +0.48%	Fixed 0.84%
Non-current		
€500m bond due September 2019	Fixed 3.375%	Fixed 3.65%
€350m bond due October 2021	Fixed 3.25%	Fixed 4.31%
€400m bond due November 2024	Fixed 0.95%	Fixed 2.77%
£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		3.45%

The effective interest rate reflects the interest rate after the impact of interest from currency swaps. The Group hedging strategy is to hold debt in proportion to the Group foreign currency profit and cash flows which are mainly euro and US dollar. As a result the Group has swapped a proportion of the euro bond issue into US dollar debt which has increased the effective interest rate.

On 22 November 2017 the Group issued a new €400m bond at a coupon of 0.95% under its EMTN Programme. Part of the proceeds were swapped into US dollar and used to refinance the £200m and $157m term loans. The rate on the US dollar swaps is floating for the first year at three month LIBOR +1.08% and fixed at 3.38% from November 2018 until maturity.

On 30 June 2017, €141m of the €350m bond due in 2021 was swapped for US dollar at a fixed rate of 5.49%.

The Group considers the fair value of other current liabilities to be equal to the carrying value.

C7. Analysis of financial liabilities

The table below analyses financial liabilities into currencies and ageing:

	Borrowings 2017 £m	**Finance leases 2017 £m**	**Trade payables and other[1] 2017 £m**	**Total 2017 £m**	Borrowings 2016 £m	Finance leases 2016 £m	Trade payables and other[1] 2016 £m	Total 2016 £m
Pounds sterling	**0.3**	**–**	**69.9**	**70.2**	202.0	–	69.8	271.8
Euro	**1,152.8**	**2.6**	**115.5**	**1,270.9**	820.3	4.7	91.1	916.1
US dollar	**37.0**	**32.7**	**134.2**	**203.9**	273.4	32.7	118.3	424.4
Other currencies	**7.5**	**2.0**	**134.0**	**143.5**	2.7	2.0	68.0	72.7
Carrying value	**1,197.6**	**37.3**	**453.6**	**1,688.5**	1,298.4	39.4	347.2	1,685.0
Undiscounted cash flows as follows:								
Less than 1 year	**79.5**	**13.0**	**367.6**	**460.1**	224.6	14.9	310.1	549.6
Between 1 and 5 years	**815.6**	**24.2**	**38.3**	**878.1**	1,162.6	25.8	37.1	1,225.5
Over 5 years	**361.9**	**0.2**	**150.5**	**512.6**	–	0.1	–	0.1
Future minimum payments	**1,257.0**	**37.4**	**556.4**	**1,850.8**	1,387.2	40.8	347.2	1,775.2

1. Other includes £14.8m (2016: £20.5m) in respect of provisions related to onerous lease contracts and £97.9m (2016: £30.0m) in respect of deferred consideration.

C8. Interest payable and similar charges

	2017 £m	2016 £m
Hedged interest payable on medium-term notes issued[1]	**24.7**	28.4
Interest payable on bank loans and overdrafts[1]	**1.2**	0.9
Interest payable on revolving credit facility[1]	**7.5**	7.9
Interest payable on foreign exchange swaps	**12.5**	10.0
Interest payable on finance leases	**1.4**	1.3
Amortisation of discount on provisions	**0.3**	0.3
Fair value loss on other derivatives[2,3]	**0.3**	0.6
Foreign exchange loss on translation of foreign denominated assets and liabilities[4]	**0.5**	–
Total interest payable and similar charges	**48.4**	49.4

1. Interest expense on financial liabilities held at amortised cost.
2. Loss on financial assets/liabilities at fair value through the income statement.
3. The fair value loss on other derivatives includes fair value losses relating to interest rate swaps.
4. Comprises translation gain on financing instruments of £133.8m, offset by losses of £134.3m (2016 gains of £761.0m offset by losses of £760.2m).

C9. Interest receivable

	Notes	2017 £m	2016 £m
Bank interest		**1.0**	1.1
Interest receivable on foreign exchange swaps		**4.5**	8.5
Fair value gain on other derivatives[1,2]		**–**	0.5
Foreign exchange gain on translation of foreign denominated assets and liabilities		**–**	0.8
Interest on net defined benefit asset	A10	**6.8**	8.4
Total interest receivable		**12.3**	19.3

1 Gain on financial assets/liabilities at fair value through the income statement.

2 The fair value gain on other derivatives includes fair value gains relating to interest rate swaps.

C10. Operating cash and free cash flow

	2017 £m	2016 £m
Operating profit	**741.4**	232.4
Adjustments for:		
– Depreciation of property, plant and equipment	**133.9**	188.3
– Amortisation and impairment of intangible assets (excluding computer software)	**53.8**	43.4
– Amortisation and impairment of computer software	**13.2**	12.4
– Other non-cash items	**(4.7)**	2.3
– Profit on sale of businesses	**(449.0)**	–
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation):		
– Inventories	**(1.8)**	(3.6)
– Trade and other receivables	**(46.1)**	(34.6)
– Trade and other payables and provisions	**21.7**	12.0
Cash generated from operating activities before special pension contributions	**462.4**	452.6
Special pension contributions	**(1.1)**	(1.0)
Cash generated from operating activities	**461.3**	451.6
Add back: special pension contributions	**1.1**	1.0
	462.4	452.6
Purchase of property, plant and equipment	**(174.3)**	(186.2)
Purchase of intangible fixed assets	**(19.1)**	(21.0)
Leased property, plant and equipment	**(18.7)**	(14.6)
Proceeds from sale of property, plant and equipment	**4.9**	6.3
Dividends received from associates	**3.2**	10.3
Operating cash flow[1]	**258.4**	247.4
Interest received	**5.1**	12.7
Interest paid	**(46.5)**	(67.3)
Income tax paid	**(40.1)**	(35.8)
Special pension contributions	**(1.1)**	(1.0)
Free cash flow	**175.8**	156.0
Add back: free cash flow – discontinued operations	**–**	0.4
Free cash flow from continuing operations	**175.8**	156.4

1. Operating cash flow includes non-ongoing operations of £nil (2016: £(0.4)m).

Notes to the Financial Statements

D. Other

D1. Dividends

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

	2017 £m	2016 £m
2015 final dividend paid – 2.06p per share	–	37.5
2016 interim dividend paid – 0.99p per share	–	18.0
2016 final dividend paid – 2.38p per share	43.5	–
2017 interim dividend paid – 1.14p per share	20.8	–
	64.3	55.5

An interim dividend of 1.14p per share was paid on 13 September 2017 amounting to £20.8m. A final dividend in respect of 2017 of 2.74p (2016: 2.38p) per share, amounting to £50.3m (2016: £43.5m), is to be proposed at the Annual General Meeting on 9 May 2018. These financial statements do not reflect this recommended dividend.

D2. Share capital

The Company's share capital is made up of the shares that have been issued to its members, whether on, or subsequent to, its incorporation. At the year end the Company's issued share capital consisted of ordinary shares of one pence each, with one voting right per share, as detailed below.

During the year eight million new shares were issued in relation to employee share schemes. The Company does not hold any shares in treasury.

	2017 £m	2016 £m
Issued and fully paid		
At 31 December – 1,837,332,965 shares (2016: 1,829,332,965)	18.4	18.3

D3. Contingent liabilities

The Group has contingent liabilities relating to guarantees in respect of leasehold properties, pensions, third parties, environmental issues, tax and litigation. The possibility of any significant loss in respect of these items is considered to be remote.

D4. Related party transactions

Subsidiaries

Related party transactions and outstanding balances between subsidiaries within the Group are eliminated in the preparation of the consolidated financial statements and accordingly are not disclosed in this note.

Key management personnel

The Group's strategy and policy are managed by the Executive Board (Executive Directors and senior management as shown on pages 52 to 54). Their compensation and the compensation payable to the Non-Executive Directors are shown below:

	2017 £m	2016 £m
Salaries and other short-term employee benefits	6.8	5.8
Post-employment benefits	0.4	0.5
Share-based payments	1.4	1.6
	8.6	7.9

Joint ventures and associate entities

The Group operates in a number of joint ventures and associate entities as indicated on pages 150 to 154 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. Joint venture and associate entity balances are disclosed in Note B6.

CWS-boco became a part of the Group as a joint venture on 30 June 2017. The value of transactions and outstanding balances are shown below. There are no significant transactions between associates and other Group companies.

	Transaction values for the year ended 31 December		Balance outstanding as at 31 December	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Sales of goods and services	**10.2**	–	**2.0**	–
Purchase of goods and services	**0.5**	–	**0.1**	–

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 2017 was £1.1m (2016: £1.9m) of which £0.2m (2016: £0.2m) was recharged to the scheme.

D5. Post balance sheet events

There were no significant post balance sheet events affecting the Group since 31 December 2017.

Notes to the Financial Statements

E. Alternative Performance Measures

Definitions and reconciliation of non-GAAP measures to GAAP measures

The Group uses a number of measures to present the financial performance of the business which are not GAAP measures as defined under IFRS. Management believes these measures provide valuable additional information for users of the financial statements in order to understand the underlying trading performance. The Group's internal strategic planning process is also based on these measures and they are used for incentive purposes. They should be viewed as complements to, and not replacements for, the comparable GAAP measures.

Constant exchange rates (CER)

Given the international nature of the Group's operations, foreign exchange movements can have a significant impact on the reported results of the Group when they are translated into sterling (the functional reporting currency of the Group). In order to help understand the underlying trading performance of the business, unless otherwise stated, percentage movements for revenue and profit measures are presented at constant exchange rates (CER). Constant exchange rates are calculated by retranslating current year reported numbers at the full year average exchange rates for the prior year, in order to give management and other users of the accounts better visibility of underlying trading performance against the prior period. The major exchange rates used are £/$ FY 2017 1.2968 (FY 2016 1.3556) and £/€ FY 2017 1.1461 (FY 2016 1.2299). Comparisons are to the year ended 31 December 2016 (2016) unless otherwise stated.

Ongoing Revenue and Ongoing Operating Profit

Ongoing Revenue and Ongoing Operating Profit represent the performance of the continuing operations of the Group (including acquisitions) after removing the effect of disposed or closed businesses. Ongoing Operating Profit is an adjusted measure and is presented before amortisation and impairment of intangible assets (excluding computer software), one-off items (see below), gain or loss on disposal of businesses, and add-back of depreciation on held-for-sale assets.

Ongoing measures enable the users of the accounts to focus on the performance of the businesses retained by the Group and that will therefore contribute to future performance. Ongoing Revenue and Ongoing Operating Profit are presented at CER unless otherwise stated. A reconciliation of Ongoing Revenue and Ongoing Operating Profit measures to the equivalent GAAP measure is provided in the table below and in the segmental analysis in Note A1.

Adjusted profit and earnings per share measures

Adjusted profit measures are used to give management and other users of the accounts a clear understanding of the underlying profitability of the business over time. Adjusted profit measures are calculated by adding the following items back to the equivalent GAAP profit measure:

- Amortisation and impairment of intangible assets (excluding computer software)
- One-off items (operating and associates)
- Net profit on disposal of businesses
- Depreciation on held-for-sale assets
- Net interest credit from pensions

Intangible assets (excluding computer software) are recognised on the acquisition of businesses which, by their nature, can vary by size and amount each year. As a result, amortisation of intangibles is added back to assist with the understanding of the underlying trading performance of the business and to allow comparability across regions and categories.

One-off items are significant expenses or income which will have a distortive impact on the underlying profitability of the Group. Typical examples are costs related to the acquisition of businesses (including aborted acquisitions), material gains or losses on disposal of fixed assets, adjustments to legacy property-related provisions (vacant property and environmental liabilities), and payments or receipts as a result of legal disputes. Similar adjustments where appropriate are also made to the share of profits from associates.

The net profit on disposal of businesses of £449.0m has been separately presented on the face of the profit and loss below operating profit.

In addition, following the announcement of the joint venture with Haniel in December 2016 the assets of the businesses being contributed into the JV were reported as 'held for sale'. In accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, the assets were not depreciated from that point which has increased the profitability of the disposed businesses by £38.5m in the year. In order to avoid this distorting the underlying performance of the business the non-depreciation benefit has been added back in arriving at our adjusted profit measures.

Prior to 2016 restructuring costs were an adjustment in arriving at adjusted profit measures. Although they are no longer adjusted for, they are presented in the segmental analysis in order to provide comparability.

Adjusted earnings per share is calculated by dividing adjusted profit from continuing operations attributable to equity holders of the Company by the weighted average number of ordinary shares in issue. Note A2 shows the adjustments made in arriving at adjusted profit from continuing operations attributable to equity holders of the Company.

Notes to the Financial Statements

A reconciliation of non-GAAP measures to the comparable GAAP equivalents is provided below at both AER and CER:

	2017 AER £m	2017 CER £m	2016 £m	% change AER	% change CER
Ongoing Revenue	**2,203.8**	**2,093.0**	1,827.5	20.6%	14.5%
Revenue – disposed and closed businesses[1]	**208.5**	**195.0**	340.6	(38.8%)	(42.7%)
Revenue	**2,412.3**	**2,288.0**	2,168.1	11.3%	5.5%
Ongoing Operating Profit	**294.6**	**275.4**	240.2	22.8%	14.8%
Operating Profit – disposed and closed businesses[1]	**58.4**	**55.0**	44.2	32.1%	24.4%
Operating Profit – continuing operations	**353.0**	**330.4**	284.4	24.2%	16.3%
Depreciation – held-for-sale assets	**(38.5)**	**(36.4)**	–	–	–
Adjusted Operating Profit	**314.5**	**294.0**	284.4	10.7%	3.5%
One-off items – operating	**(6.8)**	**(6.6)**	(8.6)	19.5%	23.2%
Depreciation – held-for-sale assets	**38.5**	**36.4**	–	–	–
Amortisation and impairment of intangible assets	**(53.8)**	**(51.5)**	(43.4)	(24.5%)	(19.2%)
Operating Profit	**292.4**	**272.3**	232.4	25.8%	17.2%
Profit on disposal of businesses	**449.0**	**465.7**	–	–	–
Share of profit from associates (net of tax)	**8.3**	**8.0**	6.2	34.2%	29.8%
Net interest payable (excluding pensions)	**(42.9)**	**(40.7)**	(38.5)	(11.4%)	(5.7%)
Net interest credit from pensions	**6.8**	**6.8**	8.4	(19.0%)	(19.0%)
Profit before tax	**713.6**	**712.1**	208.5	242.3%	241.5%
Net interest credit from pensions	**(6.8)**	**(6.8)**	(8.4)	(19.0%)	(19.0%)
One-off items – operating	**6.8**	**6.6**	8.6	19.5%	23.2%
One-off items – associates[2]	**7.0**	**6.5**	–	–	–
Profit on disposal of businesses	**(449.0)**	**(465.7)**	–	–	–
Depreciation – held for sale assets	**(38.5)**	**(36.4)**	–	–	–
Amortisation and impairment of intangible assets	**53.8**	**51.5**	43.4	(24.5%)	(19.2%)
Adjusted profit before tax	**286.9**	**267.8**	252.1	13.8%	6.2%
Basic earnings per share	**37.21p**	**37.23p**	9.19p	304.9%	305.1%
Basic adjusted earnings per share	**12.19p**	**11.29p**	10.73p	13.6%	5.2%

1. Includes revenue of £8.8m (2016: £nil) from product sales by the Group to CWS-boco International GmbH. Prior to 30 June 2017, this revenue was classified as intergroup revenue and eliminated on consolidation.
2. Rentokil Initial Group's post tax share of one-off items and amortisation of intangibles of the CWS-boco International GmbH associated undertaking.

Organic Revenue measures

Acquisitions are a core part of the Group's growth strategy. Organic Revenue growth measures are used to help understand the underlying performance of the Group. Organic Revenue growth represents the growth in Ongoing Revenue excluding the effect of businesses acquired during the year. Acquired businesses are included in organic measures in the year following acquisition, and the comparative period is adjusted to include an estimated full year performance for growth calculations (pro forma revenue).

	Europe		UK and ROW		Asia		North America		Pacific		Total	
	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%
2016 Ongoing Revenue (as reported)	518.7	–	346.7	–	130.4	–	680.4	–	151.3	–	1,827.5	–
Pro forma revenue from 2016 and 2017 acquisitions	22.8	4.4	18.8	5.4	38.8	29.7	110.8	16.3	5.2	3.5	196.4	10.7
Organic growth	15.1	2.9	4.9	1.4	9.9	7.6	32.8	4.8	6.4	4.2	69.1	3.8
2017 Ongoing Revenue (as reported)	**556.6**	**7.3**	**370.4**	**6.8**	**179.1**	**37.3**	**824.0**	**21.1**	**162.9**	**7.7**	**2,093.0**	**14.5**

	Pest Control		Hygiene		Protect & Enhance		Total	
	£m	%	£m	%	£m	%	£m	%
2016 Ongoing Revenue (as reported)	1,094.5	–	374.0	–	359.0	–	1,827.5	–
Pro forma revenue from 2016 and 2017 acquisitions	170.2	15.6	20.8	5.5	5.4	1.6	196.4	10.7
Organic growth	63.7	5.8	7.7	2.1	(2.3)	(0.7)	69.1	3.8
2017 Ongoing Revenue (as reported)	**1,328.4**	**21.4**	**402.5**	**7.6**	**362.1**	**0.9**	**2,093.0**	**14.5**

Notes to the Financial Statements

Segmental analysis

Segmental information has been presented in accordance with IFRS 8 Operating Segments (Note A1). The 'Geographic' reporting segments reflect the internal management organisation and reporting structure of the Group. The 'Category' reporting segment has been revised in 2017 and now combines with the quadrant analysis to give new operational categories of Pest Control, Hygiene and Protect & Enhance (made up of the businesses of workwear, plants and property care).

Segmental analysis is presented at CER unless otherwise stated.

Regional analysis

	Ongoing Revenue 2017		Change from FY 2016		Ongoing Operating Profit 2017		Change from FY 2016	
	AER £m	CER £m	AER %	CER %	AER £m	CER £m	AER %	CER %
France	**294.7**	**274.6**	8.6	1.2	**44.1**	**41.1**	(0.5)	(7.2)
Benelux	**85.8**	**79.9**	7.7	0.4	**25.2**	**23.5**	7.9	0.6
Germany	**83.2**	**78.0**	16.1	8.6	**25.2**	**23.6**	12.7	5.5
Southern Europe	**96.9**	**90.3**	38.6	29.1	**14.8**	**13.7**	23.3	14.9
Latin America	**37.4**	**33.8**	43.8	30.1	**4.6**	**4.2**	16.6	6.7
Total Europe	**598.0**	**556.6**	15.3	7.3	**113.9**	**106.1**	7.5	0.2
UK & Ireland	**247.1**	**245.6**	4.8	4.2	**48.9**	**47.6**	7.0	4.0
Rest of World	**133.5**	**124.8**	20.3	12.5	**31.2**	**29.2**	17.1	9.7
UK & Rest of World	**380.6**	**370.4**	9.8	6.8	**80.1**	**76.8**	10.7	6.1
Asia	**187.8**	**179.1**	44.0	37.3	**19.4**	**18.7**	44.2	39.5
North America	**862.1**	**824.0**	26.7	21.1	**116.9**	**111.7**	27.4	21.7
Pacific	**175.3**	**162.9**	15.8	7.7	**37.8**	**35.2**	17.8	9.6
Central and regional overheads	**–**	**–**	–	–	**(66.2)**	**(66.2)**	2.1	2.2
Restructuring costs	**–**	**–**	–	–	**(7.3)**	**(6.9)**	9.4	13.2
Ongoing operations	**2,203.8**	**2,093.0**	20.6	14.5	**294.6**	**275.4**	22.8	14.8
Disposed businesses	**208.5**	**195.0**	(38.8)	(42.7)	**58.4**	**55.0**	32.1	24.4
Continuing operations	**2,412.3**	**2,288.0**	11.3	5.5	**353.0**	**330.4**	24.2	16.3
Depreciation – held-for-sale assets	**–**	**–**	–	–	**(38.5)**	**(36.4)**	–	–
Adjusted – continuing operations	**2,412.3**	**2,288.0**	11.3	5.5	**314.5**	**294.0**	10.7	3.5

Category analysis[1]

	Ongoing Revenue 2017		Change from FY 2016		Ongoing Operating Profit 2017		Change from FY 2016	
	AER £m	CER £m	AER %	CER %	AER £m	CER £m	AER %	CER %
Pest Control	**1,396.6**	**1,328.4**	27.6	21.4	**252.0**	**239.8**	24.1	18.1
– Growth	**1,194.3**	**1,137.0**	22.8	16.9	**221.1**	**210.3**	19.5	13.7
– Emerging	**202.3**	**191.4**	66.1	57.1	**30.9**	**29.5**	70.5	62.8
Hygiene	**424.3**	**402.5**	13.4	7.6	**75.3**	**71.4**	15.6	9.7
Protect & Enhance	**382.9**	**362.1**	6.6	0.9	**40.8**	**37.3**	(13.9)	(21.2)
Central and regional overheads	**–**	**–**	–	–	**(66.2)**	**(66.2)**	2.1	2.2
Restructuring costs	**–**	**–**	–	–	**(7.3)**	**(6.9)**	9.4	13.2
Ongoing operations	**2,203.8**	**2,093.0**	20.6	14.5	**294.6**	**275.4**	22.8	14.8
Disposed businesses	**208.5**	**195.0**	(38.8)	(42.7)	**58.4**	**55.0**	32.1	24.4
Continuing operations	**2,412.3**	**2,288.0**	11.3	5.5	**353.0**	**330.4**	24.2	16.3
Depreciation – held for sale	**–**	**–**	–	–	**(38.5)**	**(36.4)**	–	–
Adjusted – Continuing operations	**2,412.3**	**2,288.0**	11.3	5.5	**314.5**	**294.0**	10.7	3.5

1. The 'Category' reporting segment has been revised in 2017; this table is restated.

Operating Margin

Operating Margin is calculated by dividing Ongoing Operating Profit by Ongoing Revenue, expressed as a percentage. Net operating margin by region and category is shown in the tables below (on a trailing 12-month basis):

	2017 %	2016 %	Variance % points
France	**15.0**	16.3	(1.3)
Benelux	**29.4**	29.3	0.1
Germany	**30.4**	31.3	(0.9)
Southern Europe	**15.2**	17.1	(1.9)
Latin America	**12.4**	15.1	(2.7)
Total Europe	**19.1**	20.4	(1.3)
UK & Ireland	**19.4**	19.4	–
Rest of World	**23.4**	24.0	(0.6)
UK & Rest of World	**20.7**	20.9	(0.2)
Asia	**10.5**	10.3	0.2
North America	**13.6**	13.5	0.1
Pacific	**21.6**	21.2	0.4
Ongoing operations[1]	**13.2**	13.1	0.1
Disposed businesses	**9.5**	13.0	(3.5)
Continuing operations[1]	**12.9**	13.1	(0.2)

	2017 %	2016 %	Variance % points
Pest Control	**18.1**	18.6	(0.5)
– Growth	**18.5**	19.0	(0.5)
– Emerging	**15.4**	14.9	0.5
Hygiene	**17.7**	17.4	0.3
Protect & Enhance	**10.3**	13.2	(2.9)
Ongoing operations[1]	**13.2**	13.1	0.1
Disposed businesses	**9.5**	13.0	(3.5)
Continuing operations[1]	**12.9**	13.1	(0.2)

1. Operating Margin for ongoing operations and continuing operations is calculated after central and regional overheads and restructuring costs

Free Cash Flow

The Group aims to generate sustainable cash flow (Free Cash Flow) in order to support its acquisition programme and to fund dividend payments to shareholders. Free Cash Flow is measured as net cash from operating activities, adjusted for cash flows related to the purchase and sale of property, plant, equipment and intangible fixed assets, and dividends received from associates. These items are considered by management to be non-discretionary, as continued investment in these assets is required to support the day-to-day operations of the business. A reconciliation of Free Cash Flow from Net Cash from Operating Activities is provided in the table below:

	2017 AER £m	2016 AER £m
Net cash from operating activities	**379.8**	361.2
Purchase of property, plant, equipment and intangible fixed assets	**(193.4)**	(207.2)
Leased property, plant and equipment	**(18.7)**	(14.6)
Proceeds from sale of property, plant, equipment and software	**4.9**	6.3
Dividends received from associates	**3.2**	10.3
Free Cash Flow	**175.8**	156.0
Free Cash Flow – continuing operations	**175.8**	156.4
Free Cash Flow – discontinued operations	**–**	(0.4)

Notes to the Financial Statements

Adjusted Free Cash Flow Conversion

Adjusted Free Cash Flow Conversion is calculated by dividing Adjusted Profit from continuing operations attributable to equity holders of the Company (further adjusted for any post tax profits and one-offs from the CWS-boco International GmbH associate) by Adjusted Free Cash Flow, expressed as a percentage. Adjusted Free Cash Flow is measured as Free Cash Flow adjusted for one-off items – operating and product development additions.

	2017 AER £m	2016 AER £m
Adjusted profit after tax from continuing operations attributable to equity holders of the Company	**223.6**	195.9
Share of profit of CWS-boco International GmbH associate (net of tax)	**(1.3)**	–
One-off items – associates	**(7.0)**	–
	215.3	195.9
Free Cash Flow	**175.8**	156.0
One-off items – operating	**6.8**	8.6
Product development additions	**4.7**	6.0
	187.3	170.6
Adjusted Free Cash Flow conversion	**87.0%**	87.1%

Effective Tax Rate

Effective Tax Rate is calculated by dividing adjusted income tax expense by adjusted profit before income tax, expressed as a percentage. The measure is used by management to assess the rate of tax applied to the Group's adjusted profit before tax from continuing operations.

		2017 AER £m	2017 CER £m	2016 £m
Income tax expense	A13	**30.6**	29.2	40.7
Tax adjustments on:				
Amortisation and impairment of intangible assets (excluding computer software)		**16.6**	15.8	14.1
One-off items – operating		**5.1**	4.7	3.1
Disposal of businesses		**5.7**	5.4	–
Net interest credit from pensions		**(1.3)**	(1.3)	(1.6)
US tax reforms – net impact		**6.4**	6.5	–
Adjusted income tax expense (a)		**63.1**	60.3	56.3
Adjusted profit before income tax (b)		**286.9**	267.8	252.1
Effective Tax Rate (a/b)		**22.0%**	22.5%	22.3%

Related undertakings

Subsidiaries and other associated undertakings At 31 December 2017

Company name	Share class	% held by Group companies
Subsidiaries:		
Australia		
Unit A1, Lidcombe Business Park, 3-29 Birnie Avenue 2141 Australia		
Ant-Eater Environmental Services Pty Limited	Ordinary	100%
Copes Pest Control Pty Limited	Ordinary	100%
Green Fingers Plant Hire Pty Limited	Ordinary	100%
Knock Out National Pty Limited	Ordinary	100%
Knock Out Pest Control Pty Limited	Ordinary	100%
Pest Away Australia Pty Limited	Ordinary	100%
Rentokil Australia Pty Limited	Ordinary	100%
Rentokil Initial Asia Pacific Pty Limited	Ordinary	100%
Rentokil Initial Pty Limited	Ordinary	100%
Rentokil Pest Control (QLD) Pty Limited	Ordinary	100%
Rentokil Pest Holdings Pty Limited	Ordinary	100%
Rentokil Pest Services Pty Limited	Ordinary	100%
	Ordinary-C	100%
	Ordinary-D	100%
Rentokil Pty Limited	Ordinary	100%
	Preference	100%
Samson Hygiene Services Pty Limited	Ordinary	100%
Austria		
Brown-Boveri-Straße 8/2/8, 2351, Wiener Neudorf, Austria		
Rentokil Initial GmbH	Ordinary	100%
Bahamas		
Corporate Services International, 308 East Bay Street, Nassau, PO BOX N-7527, Bahamas		
Rentokil Initial (Bahamas) Limited	Ordinary	100%
5th Terrace Centreville, P.O. Box N-1388 Nassau, New Providence, Bahamas		
Tropical Exterminators (Holdings) Limited	Common	100%
Tropical Exterminators Limited	Common	100%
Barbados		
One Welches, Welches St. Thomas, Barbados		
Rentokil Initial (Barbados) Limited	Ordinary	100%
Belgium		
Ingberthoeveweg, 17, Aartselaar 2630, Belgium		
Ambius N.V.	Ordinary	100%
Rentokil N.V.	Ordinary	100%
Brazil		
Estrado de Gabinal, 957, Bairro da Freguesia Rio de Janeiro, CEP 22760-151, Brazil		
Asa Rio Saneamento Ambiental Limitada	Ordinary	100%
Avenida Ceci 348 Predio Anexo, Tamboré, São Paulo, Brazil		
Asseio Saneamento Ambiental Limitada	Ordinary	100%
Rua Margues Amorim, 99, Boa Vista, Pernambuco, Recife, CEP 50070-355, Brazil		
F Genes & Cia Limitada	Ordinary	100%
Rua CP 23, Quadra CP 21, Lote 08 Setor Celina Park, Goiania, CEP 74373-220, Brazil		
MP Centro Oeste Saneamento Ambiental Limitada	Ordinary	100%
SHC/Norte, Comercio Local, Quadra 115, Bloco A, Loja 45 S Subsolo 49 S, Asa Norte, Brasilia, CEP 70772-510, Brazil		
MP Saneamento Ambiental Limitada	Ordinary	100%

Company name	Share class	% held by Group companies
Brunei		
Unit D1 & D1-1 Block D, Bangunan Hj Lajim & Anak-anak, Kg Kiarong Bandar Seri Begawan Brunei Darussalam, BE1318, Brunei Darussalam		
Rentokil Initial (B) Sdn Bhd	Ordinary	90%
Canada		
3325 North Service Road, Burlington ON L7N 3G2, Canada		
Direct Line Sales Limited	Class A	100%
8699 Escarpment Way, Milton, ON L9T 0J5, Canada		
Rentokil Canada Corporation	Class A	100%
	Class B	100%
Residex Canada Inc.	Common	100%
Chile		
Antillanca Sur 596, Pudahuel, Santiago de Chile, Chile		
Comercial e Industrial Premasec Limitada	Social Rights	100%
Monseñor Escriba de Balaguer 13105 Oficina 405, Lo Barnechea, RM Santiago, Chile		
Fox Sanidad Ambiental y Compania Limitada	Share Rights	100%
Av. El Salto 4001, 91-92 Huechuraba, Región Metropolitana, Chile		
Rentokil Initial Chile SpA	Ordinary	100%
Lote Numero 1, Cancha de Rescoldo, Sagrada Familia, Curico, Chile		
Fumigaciones del Maule Limitada	Social Rights	100%
Colombia		
Calle 169 # 19 A 26, Bogota, Colombia		
Rentokil Initial Colombia SAS	Common	100%
Calle 135 #47-71, Bogota, 1019, Colombia		
Vida Fresh Limitada	Ordinary	100%
Czech Republic		
Praha 2, Vyšehradská 1349/2, Prague, PSČ 12800, Czech Republic		
Services PCM, s.r.o.	Ordinary	100%
Denmark		
Paul Bergsøes Vej 22, 2600 Glostrup, Denmark		
Rentokil Initial A/S	Ordinary	100%
Regnersvej 95, 3650, Ølstykke, Denmark		
Danica Skadedyrssikring ApS	Ordinary	100%
Dominican Republic		
1125 Berkshire Blvd, Suite 150, Reading PA 19610, United States		
Oliver Exterminating Dominicana Corp.	Common	100%
Estonia		
Turi Str. 3/1, 11313, Tallinn, Estonia		
Rentokil Oü	Ordinary	100%
El Salvador		
Avenida Calzada Guarda Barranco Urbanizacion, Lomas de Altamira, #14 Pasaje Clarineros, Central America, El Salvador		
Sagrip SA de CV	Ordinary	100%
Fiji		
Lot 15, Kaua Road, Laucala Beach Estate, Suva, Fiji Islands, Fiji		
Rentokil Initial Limited	Ordinary	100%

Related undertakings

Company name	Share class	% held by Group companies
Finland		
Valuraudankuja 3, 00700 Helsinki, Finland		
Rentokil Initial Oy	Ordinary	100%
France		
6 Rue Livio, 67100 Strasbourg, France		
CAFI SAS	Ordinary	100%
CAWE FTB Group SAS	Ordinary	100%
34, rue du Général Malleret, 94400, Joinville, Vitry-sur-Seine, France		
Medicline SAS	Ordinary	100%
13-27 avenue Jean Moulin, 93240, Stains, France		
Ambius SAS	Ordinary	100%
Rentokil Initial Environmental Services SAS	Ordinary	100%
Rentokil Initial SAS	Ordinary	100%
145, rue de Billancourt, 92100 Boulogne Billancourt, France		
Initial SAS	Ordinary	100%
Rentokil Initial Holdings (France) SA	Ordinary	100%
SCI Gravigny	Ordinary	100%
SCI Vargan	Ordinary	100%
Z.A. des Quatre Chemins, BP 21, 95540 Mery-sur-Oise, France		
Technivap SAS	Ordinary	100%
French Guyana		
PAE de Degrad des cannes, Remire-Montjoly, 97354, French Guiana		
Rentokil Initial Guyane Sarl	Ordinary	100%
Germany		
Bergedorfer Straße 74, 21033, Hamburg, Germany		
Mc Clean Küchenabluftservice GmbH	Ordinary	100%
Georg-Glock-Str. 4, 40474, Düsseldorf, Germany		
Rentokil Holdings GmbH	Ordinary	100%
Herzforder Str. 9, 49808 Lingen (Ems), Germany		
Rentokil Initial GmbH & Co. KG	Ordinary	100%
Heuesch 1, 49808 Lingen (Ems), Germany		
Rentokil Initial Beteiligungs GmbH	Ordinary	100%
Piderits Bleiche 11, 33689 Bielefeld, Germany		
Medentex GmbH	Ordinary	100%
Rentokil Dental GmbH	Ordinary	100%
Greece		
7 Aristotelous Street, Tavros, Athens 177 78, Greece		
Rentokil Initial Hellas EPE	Ordinary	100%
Guadeloupe		
7 Allée des Papillon, Dothemare, 97139 Abymes, Guadeloupe		
Rentokil Initial Guadeloupe Sarl	Ordinary	100%
Guernsey		
PO Box 34, St Martin's House, St Peter Port, GY1 4AU, Guernsey		
Felcourt Insurance Company Limited	Ordinary	100%
Guyana		
Lot 8, Charles and Drysdale Streets, Charlestown, Georgetown, Guyana		
Rentokil Initial Guyana Limited	Ordinary	100%
Guatemala		
9 Av. 39-97, Zona 8, Ciudad Guatemala, Guatemala		
Servicios Agricolas Profesionales S.A.	Ordinary	100%

Company name	Share class	% held by Group companies
Honduras		
Departamento de Cortes, San Pedro Sula, Honduras		
Sagrip Honduras S.A.	Nominative	100%
Hong Kong		
23/F Westin Centre, 26 Hung To Rd, Kwun Tong, Hong Kong		
Rentokil Hong Kong Investment Limited	Ordinary	100%
Rentokil Initial Hong Kong Limited	Ordinary	100%
India		
2nd floor, Narayani, Ambabai Temple Compound, Aarey Road, Goregaon (West), Mumbai 400062, India		
Rentokil Initial Hygiene India Private Limited	Ordinary	100%
No. 105, 4th Floor, Sreela Terrace, Ist Main Road, Gandhi Nagar, Adyar, Chennai, 600 020, India		
Rentokil India Private Limited	Ordinary	57%
Villa No.3, Crescent Village, Candolim, Goa, 403515, India		
PCI Pest Control Private Limited	Ordinary	57%
Indonesia		
South Quarter Tower B, Lantai 21, Unit E,F,G,H. Jl. R.A., Kartini Kav. 8, RT. 010/RW. 004 Kel. Cilandak Barat, Kec Cilandak, Jakarta Selatan, Indonesia		
PT Calmic Indonesia	Common	100%
PT Rentokil Indonesia	Common	100%
Gedung JDC Lt.6, Jl. Gatot Subroto Kav. 53 Petamburan, Tanah Abang, Jakarta, Pusat, Indonesia		
PT Wesen Indonesia	Ordinary	100%
Italy		
Via Laurentina, km. 26,500 157 a/c 00071, Pomezia, Italy		
Rentokil Initial Italia SpA	Ordinary	100%
Via della Levata, 24, 20084, Lacchiarella, Milan, Italy		
Ecotoinet Srl	Ordinary	85%
Eurolind Srl	Ordinary	100%
Initial Italia SpA	Ordinary	100%
Jamaica		
8 Terrence Avenue, Kingston 10, Jamaica		
Rentokil Initial (Jamaica) Limited	Ordinary	100%
Kenya		
Unit 5, Sameer Industrial Park, Road C, Off Enterprise Road Industrial Area, Nairobi, Kenya		
Rentokil Initial Kenya Limited	Ordinary	100%
Lesotho		
No 7 Arrival Centre, Kofi Annan Road, Maseru, Lesotho		
Rentokil Initial Lesotho (Pty) Limited	Ordinary	100%
Libya		
Janzour, Tripoli, Libya		
Rentokil Delta Libya for Environmental Protection JSCO	Ordinary	65%
Lithuania		
A. Smetonos al. 67B, Kaunas 45309, Lithuania		
UAB Dezinfa	Ordinary	100%

Related undertakings

Company name	Share class	% held by Group companies
Luxembourg		
Rue de la Chapelle 47, 4967 Clemency, Luxembourg		
R-Control Désinfections SA	Ordinary	100%
Rentokil Luxembourg Sàrl	Ordinary	100%
Malawi		
Plot No. LE 377, Patridge Avenue, Limbe, PO BOX 5135, Malawi		
Antipest (2009) Limited	Ordinary	100%
Malaysia		
Level 8 Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, Petaling Jaya, 47301 Selangor Darul, Selangor, Malaysia		
Rentokil Initial (M) Sdn Bhd	Ordinary	100%
UFTC Sdn Bhd	Ordinary	100%
Martinique		
Soudon, Le Lamentin 97232, Martinique		
Rentokil Initial Martinique Sarl	Ordinary	100%
Mexico		
Juan Álvarez 482, Centro, 64000 Monterrey, N.L., Mexico		
Balance Urbano Control de Plagas SA de CV	Ordinary	100%
Mozambique		
Avenida da Namaacha, kilometro 6, Residencial Mutateia, Cidade da Matola, Mozambique		
Rentokil Initial Mozambique Limitada	Ordinary	100%
Netherlands		
Impact 6, 6921 RZ Duiven, Netherlands		
Ambius BV	Ordinary	100%
Oude Middenweg 75, 2491 AC Den Haag 1191 BN Ouderkerk, Den Haag, Netherlands		
BET Finance BV	Ordinary	100%
BET (Holdings) V BV	Ordinary	100%
BET (Properties) BV	Ordinary	100%
Rentokil Initial International BV	Ordinary	100%
Riverbank, Meadows Business Park, Blackwater, Camberley, Surrey, GU17 9AB, England		
BV Rentokil Funding	Ordinary	100%
Rentokil Initial Overseas (Holdings) BV	Ordinary	100%
Ravenswade 54-s, 3439, Nieuwengein, LD, Netherlands		
Rentokil Initial BV	Ordinary	100%
Frontstraat 1a, 5405 AK, Uden, Netherlands		
Holland Reconditionering BV	Ordinary	100%
New Zealand		
Level 1, 89 Carbine Road Mount Wellington, Auckland 1060, New Zealand		
Rentokil Initial Limited	Ordinary	100%
Norway		
Frysjaveien 40, Postboks 24 Okern, Oslo 0508, Norway		
Rentokil Initial Norge AS	Ordinary	100%
People's Republic of China		
Room 623-624, No. 27 Middle of the Northern Sanhuan Street, Xi Cheng District, Beijing, China		
Rentokil Initial China Limited	Ordinary	100%
Philippines		
No. 73 Elisco Road, Bo, Kalawaan, Pasig City 1600, Philippines		
Rentokil Initial (Philippines) Inc	Ordinary	100%

Company name	Share class	% held by Group companies
Poland		
Ul. Jana Pawla Woronicza, Nr 31, Lok. 78, 02-640 Warszawa, Poland		
Rentokil Polska Sp. z o.o.	Ordinary	100%
Portugal		
Complexo Industrial de Vialonga, Fraccao C-1 e C-21, Granja Alpriate 2626-501, Vialonga, Portugal		
Rentokil Initial Portugal – Serviços de Protecção Ambiental Limitada	Ordinary	100%
Puerto Rico		
1125 Berkshire Blvd, Suite 150, Reading PA 19610, United States		
Oliver Exterminating Services Corporation	Common	100%
Republic of Ireland		
Hazel House, Millennium Park, Naas, County Kildare W91 PXP3, Ireland		
Initial Medical Services (Ireland) Limited	Ordinary	100%
Rentokil Initial Holdings (Ireland) Limited	Ordinary	100%
Rentokil Initial Limited	Ordinary	100%
RTO Investments (Ireland) Limited	Ordinary	100%
Saudi Arabia		
PO Box 30164, Office No. 401, 4th Floor, Al Tamimi Building, Al Khobar, North Al Khobar 31952, Saudi Arabia		
Rentokil Saudi Arabia Limited	Ordinary	60%
Singapore		
No. 16 & 18 Jalan Mesin, 368815, Singapore		
Pesterminator Pte Limited	Ordinary	100%
Rentokil Initial Asia Pacific Management Pte Limited	Ordinary	100%
Rentokil Initial Singapore Private Limited	Ordinary	100%
Slovakia		
Kopcianska 10, 851 01 Bratislava, Slovakia		
Services PCM s.r.o.	Registered Capital	100%
South Africa		
2 Stignant Road, Claremont 7708, South Africa		
Newshelf 1232 Pty Limited	Preference	100%
Rentokil Initial (Dikapi) JV Pty Limited	Ordinary	59%
Rentokil Initial (Proprietary) Limited	Ordinary	100%
South Korea		
2nd Floor, Korea Disaster Relief Association, 371-19 Sinsu-Dong, Mapo-Gu, Seoul 121-856, Republic of Korea		
Rentokil Initial Korea Limited	Common	100%
Spain		
Calle Mar Mediiterráneo 1, 28830 San Fernando de Henares (Madrid), Spain		
Initial Gaviota SAU	Ordinary	100%
Profinal S.A.	Ordinary	100%
Rentokil Initial España S.A.	Ordinary A	100%
	Ordinary B	100%
	Ordinary C	100%
Swaziland		
Umkhiwa House, Lot 195, Kal Grant Street, Mbabane, Swaziland		
Rentokil Initial Swaziland (Pty) Limited	Ordinary	100%
Sweden		
Avestagatan 61, 163 53 Spånga, Sweden		
Ambius AB	Ordinary	100%
Rent a Plant Interessenter AB	Ordinary	100%
Rentokil AB	Ordinary	100%
Sweden Recycling AB	Ordinary	100%

Related undertakings

Company name	Share class	% held by Group companies
Switzerland		
Gutstrasse 2, CH-8055 Zürich, Switzerland		
AntInsekt AG	Ordinary	100%
Hauptstrasse 181, 4625 Oberbuchsiten, Switzerland		
Hostettler Schädlingsbekämpfungs GmbH	Ordinary	100%
Rentokil Schweiz AG	Ordinary	100%
Bertschenackerstrasse 15, 4104 Oberwil, Switzerland		
Medentex GmbH	Ordinary	100%
Taiwan		
7F No.56 Lane 258, Rueiguang Rd, Neihu District, Taipei, 114 Taiwan, Province of China		
Initial Hygiene Co Limited	Ordinary	100%
Rentokil Ding Sharn Co Limited	Ordinary	100%
Thailand		
160 Vibhavadi Rangsit Road, Khwaeng Dindaeng, Khet Dindaeng, Bangkok 10400, Thailand		
Rentokil Initial (Thailand) Limited	Ordinary	100%
Trinidad and Tobago		
Field no. 82, KK-LL Aranguez South, Trinidad and Tobago		
Rentokil Initial (Trinidad) Limited	Ordinary	100%
Tunisia		
Zone Industrielle route de Moknine, 5080 Teboulba, Tunisia		
CAP Tunis	Ordinary	100%
Turkey		
1201, 1 Sokak No:2 K:3 D:301-302 Su Plaza Yenişehir, Konak, İzmir, Turkey		
Rentokil Initial Çevre Sağlığı Sistemleri Ticaret ve Sanayi AŞ	Ordinary	100%
United Arab Emirates		
1001 & 1009 Tameem, House Tecom, Dubai, United Arab Emirates		
Rentokil Initial Pest Control LLC	Ordinary	100%
United Kingdom		
Riverbank, Meadows Business Park, Blackwater, Camberley, Surrey, GU17 9AB, England		
Anzak Landscapes Limited	Ordinary	100%
AW Limited	Ordinary	100%
BET Environmental Services Limited	Ordinary	100%
B.E.T. Building Services Limited	Ordinary	100%
BET (No.18) Limited	Ordinary	100%
BET (No.68) Limited	Ordinary	100%
	Deferred Ordinary	100%
BET Management Services (Commercial & Industrial) Limited	Ordinary	100%
BET Pension Trust Limited	Ordinary	100%
BPS Offshore Services Limited	Ordinary	100%
Broadcast Relay Service (Overseas) Limited	Ordinary	100%
Castlefield House Limited	Ordinary	100%
Chard Services Limited	Ordinary	100%
Dudley Industries Limited	Ordinary	100%
Enigma Laundries Limited	Ordinary	100%
Enigma Services Group Limited	Ordinary	100%
Enviro-Fresh Limited	Ordinary	100%
Euroguard Technical Services Limited	Ordinary	100%
Grayston Central Services Limited	Ordinary	100%
Hometrust Limited	Ordinary	100%
Initial Limited	Ordinary	100%

Company name	Share class	% held by Group companies
Initial Medical Services Limited	Ordinary	100%
Opel Transport & Trading Company Limited	Ordinary	100%
Peter Cox Limited	Ordinary-A	100%
Plant Nominees Limited	Ordinary	100%
Prokill (UK) Limited	Ordinary-A	100%
	Ordinary-B	100%
	Ordinary-C	100%
	Ordinary-D	100%
Prokill Limited	Ordinary-A	100%
	Ordinary-B	100%
	Ordinary-C	100%
	Ordinary-D	100%
Rentokil Dormant (No. 6) Limited	Ordinary	100%
Rentokil Initial (1896) Limited	Ordinary	100%
Rentokil Initial (1993) Limited	Ordinary	100%
	6% Non-Redeemable Preference	100%
Rentokil Initial 1927 plc	Ordinary	100%
	AUD Redeemable Preference	100%
	DKK Redeemable Preference	100%
	EUR Cumulative Preference (Non-Redeemable)	100%
	NOK Redeemable Preference	100%
	NZD Redeemable Preference	100%
	USD Redeemable Preference	100%
Rentokil Initial Americas Limited	Ordinary	100%
Rentokil Initial Asia Pacific Limited	Ordinary	100%
Rentokil Initial Brazil Limited	Ordinary	100%
Rentokil Initial Finance Limited	Ordinary	100%
Rentokil Initial Holdings Limited	Ordinary	100%
Rentokil Initial Investments Limited	Ordinary	100%
Rentokil Initial Investments South Africa	Ordinary	100%
Rentokil Initial Pension Trustee Limited	Ordinary	100%
Rentokil Initial Services Limited	Ordinary	100%
Rentokil Initial UK Limited	Ordinary	100%
Rentokil Insurance Limited	Ordinary	100%
Rentokil Limited	Ordinary	100%
Rentokil Overseas Holdings Limited	Ordinary	100%
Rentokil Property Holdings Limited	Ordinary	100%
RI Dormant No.18 Limited	Ordinary	100%
RI Dormant No.20 Limited	Ordinary	100%
Stratton House Leasing Limited	Ordinary	100%
Target Express Holdings Limited	Ordinary	100%
Target Express Limited	Ordinary	100%
Target Express Parcels Limited	Ordinary	100%
TEB Cleaning Services Limited	Ordinary	100%
The Ca'D'Oro, 45 Gordon Street, Glasgow, G1 3PE, Scotland		
RI Dormant No.12 Limited	Ordinary	100%
Industrial Clothing Services Limited	Ordinary	100%
	Convertible Participating Preference	100%
Wise Property Care Limited	Ordinary	100%

Company name	Share class	% held by Group companies
Uganda		
Plot No 2012, Kalinabiri Road, Ntinda Kampala, Uganda		
Rentokil Initial Uganda Limited	Ordinary	100%
United States		
1201 Peachtree Street, NE Suite 1240, Atlanta GA 30361, United States		
Initial Contract Services LLC	US$ Interests	100%
The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, United States		
Anza LLC	Ordinary	100%
Longgo LLC	Ordinary	100%
1125 Berkshire Blvd, Suite 150, Reading PA 19610, United States		
Advanced Pest Management of CO, LLC	Common	100%
Medentex LLC	Common	100%
Premier Resorts International LLC	Ordinary	100%
Rentokil Initial Environmental Services LLC	US$ Interests	100%
Rentokil North America, Inc.	Ordinary	100%
Residex, LLC	Common	100%
Solitude Lake Management, LLC	Common	100%
Vector Disease Acquisition, LLC	Common	100%
	Series A	100%
	Series B	100%
Vector Disease Control International, LLC	Common	100%
7600 Little Ave, Charlotte, NC 28226, United States		
Steritech-Canada Inc.	Common	100%
1780 Corporate Drive, STE 440 Norcross, GA 30093, United States		
Asiatic Holdings LLC	Ordinary	100%
Rentokil Initial Inc	Common	100%
United Transport America LLC	US$ Interests	100%
Virginia Properties Inc	Ordinary	100%
PO Box 4510, 10 Free Street, Portland, ME 04112, United States		
Asiatic Investments Inc	Ordinary	100%
500 Spring Ridge Drive, Wyomissing, PA 19610, United States		
Creative Plantings Inc	Ordinary	100%
Vietnam		
268 To Hien Thanh, Ward 15, District 10, Ho Chi Minh City, Vietnam		
Rentokil Initial (Vietnam) Company Limited	Ordinary	100%

Company name	Share class	% held by Group companies
Associated undertakings:		
France		
41 Avenue de La Porte de Villiers, 92200 Neuilly-Sur-Seine, France		
SCI Pierre Brossolette	Ordinary	26.2%
Germany		
Franz-Haniel-Platz 6, 47119, Duisburg, Germany		
CWS-boco International GmbH	Ordinary	17.8%
Japan		
Kyoritsu Seiyaku Building, 1-5-10 Kudan, Minami Chiyoda-Ku, Tokyo, Japan		
Nippon Calmic Limited	Ordinary	49%
United Kingdom		
Riverbank, Meadows Business Park, Blackwater, Camberley, Surrey, GU17 9AB, England		
Torchsound Properties Limited	Ordinary	50%
Hometrust Kitchens Limited	Ordinary	25%

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 operate and are incorporated in the country underneath which each is shown.

Five-year summary

	2017 £m	2016 £m	2015 £m	2014 £m	Restated 2013 £m
Revenue from continuing operations	**2,412.3**	2,168.1	1,759.0	1,740.8	1,791.4
Operating profit from continuing operations	**292.4**	232.4	187.8	202.1	160.5
Adjusted operating profit from continuing operations[1]	**314.5**	284.4	225.0	232.2	236.1
Profit before income tax from continuing operations	**713.6**	208.5	159.0	163.2	112.2
Profit for the year from continuing operations	**683.0**	167.8	124.3	126.1	83.3
Profit for the year from discontinued operations	**–**	–	–	135.4	(44.6)
Profit for the year (including discontinued)	**683.0**	167.8	124.3	261.5	38.7
Profit attributable to equity holders of the Company	**682.8**	167.5	124.3	261.8	37.5
Profit/(loss) attributable to non-controlling interests	**0.2**	0.3	–	(0.3)	1.2
	683.0	167.8	124.3	261.5	38.7
Basic earnings per share:					
Continuing operations	**37.21p**	9.19p	6.83p	6.96p	4.52p
Adjusted earnings per share[1] – continuing operations	**12.19p**	10.73p	7.98p	8.05p	7.36p
Dividends for the period per 1p share	**3.88p**	3.37p	2.93p	2.59p	2.31p
Gross assets	**3,107.7**	2,542.8	2,160.8	1,788.4	1,994.0
Gross liabilities	**(2,173.7)**	(2,182.1)	(1,948.7)	(1,688.4)	(2,226.0)
Net assets/(liabilities)	**934.0**	360.7	212.1	100.0	(232.0)
Share capital	**18.4**	18.3	18.2	18.2	18.2
Reserves	**915.3**	342.3	194.1	82.0	(250.3)
Non-controlling interests	**0.3**	0.1	(0.2)	(0.2)	0.1
Capital employed	**934.0**	360.7	212.1	100.0	(232.0)

1. Prior to 2016 restructuring costs were an adjustment in arriving at adjusted profit. Since 2016 they are no longer adjusted for and 2015 was restated accordingly.

Parent Company Balance Sheet

At 31 December

	Notes	2017 £m	2016 £m
Non-current assets			
Investments	4	**274.2**	271.1
Debtors – amounts falling due after more than one year	5	**2,457.9**	2,457.9
Deferred tax assets	6	**16.5**	23.8
Retirement benefit assets	7	**325.4**	272.0
Derivative financial instruments	8	**13.7**	–
		3,087.7	3,024.8
Current assets			
Debtors – amounts falling due within one year	5	**336.7**	335.8
Cash and cash equivalents		**167.2**	59.4
Derivative financial instruments	8	**6.2**	1.3
		510.1	396.5
Current liabilities			
Creditors – amounts falling due within one year	9	**(955.8)**	(762.0)
Bank and other borrowings	10	**(124.8)**	(36.3)
Derivative financial instruments	8	**(5.1)**	(56.2)
		(1,085.7)	(854.5)
Net current liabilities		**(575.6)**	(458.0)
Non-current liabilities			
Bank and other borrowings	10	**(1,135.8)**	(1,235.2)
Deferred tax liabilities	6	**(55.3)**	(46.2)
Derivative financial instruments	8	**(26.6)**	(21.8)
		(1,217.7)	(1,303.2)
Net assets		**1,294.4**	1,263.6
Equity capital and reserves			
Share capital	10	**18.4**	18.3
Share premium	11	**6.8**	6.8
Retained earnings		**1,269.2**	1,238.5
Capital employed		**1,294.4**	1,263.6

The financial statements on pages 156 to 162 were approved by the Board of Directors on 28 February 2018 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

	Share Capital £m	Share premium £m	Retained earnings £m	Total equity £m
At 1 January 2016	18.2	6.8	1,211.7	1,236.7
Profit for the year	–	–	37.9	37.9
Other comprehensive income:				
Remeasurement of net defined benefit asset	–	–	26.0	26.0
Net exchange adjustments offset in reserves	–	–	17.6	17.6
Share-based payments charged to profit and loss	–	–	0.9	0.9
Share-based payments debited to investments	–	–	4.6	4.6
Movement on cash flow hedge	–	–	(5.9)	(5.9)
Tax related to items taken directly to other comprehensive income	–	–	1.2	1.2
Total comprehensive income for the year	–	–	82.3	82.3
Transactions with owners:				
Dividends paid to equity shareholders	–	–	(55.5)	(55.5)
Shares issued in the year	0.1	–	–	0.1
At 31 December 2016	**18.3**	**6.8**	**1,238.5**	**1,263.6**
Profit for the year	**–**	**–**	**77.0**	**77.0**
Other comprehensive income:				
Remeasurement of net defined benefit asset	**–**	**–**	**46.4**	**46.4**
Net exchange adjustments offset in reserves	**–**	**–**	**(21.1)**	**(21.1)**
Share-based payments charged to profit and loss	**–**	**–**	**1.3**	**1.3**
Share-based payments debited to investments	**–**	**–**	**3.1**	**3.1**
Movement on cash flow hedge	**–**	**–**	**(2.6)**	**(2.6)**
Tax related to items taken directly to other comprehensive income	**–**	**–**	**(9.1)**	**(9.1)**
Total comprehensive income for the year	**–**	**–**	**95.0**	**95.0**
Transactions with owners:				
Dividends paid to equity shareholders	**–**	**–**	**(64.3)**	**(64.3)**
Shares issued in the year	**0.1**	**–**	**–**	**0.1**
At 31 December 2017	**18.4**	**6.8**	**1,269.2**	**1,294.4**

Shares of £0.1m (2016: £0.1m) have been netted against retained earnings. This represents 6.7m (2016: 4.8m) shares held by the Rentokil Initial Employee Share Trust. The market value of these shares at 31 December 2017 was £21.2m (2016: £10.7m). Dividend income from, and voting rights on, the shares held by the Trust have been waived.

Notes to the Parent Company Accounts

1. Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The amendments to FRS 101 (2014/15 Cycle) issued in July 2016 have been applied. The financial statements are prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities (including derivatives). No profit and loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006. The results of Rentokil Initial plc are included in the consolidated financial statements of Rentokil Initial plc which are presented on pages 108 to 155.

The Company has taken advantage of the following disclosure exemptions under FRS 101, all of which have equivalent disclosures included in the consolidated financial statements:

- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based Payment
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67of IFRS 3 Business Combinations
- The requirements of IFRS 7 Financial Instruments: Disclosures
- The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a)(iv) of IAS 1; (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment; (iii) paragraph 118(e) of IAS 38 Intangible Assets; (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property; and (v) paragraph 50 of IAS 41 Agriculture.
- The requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements
- The requirements of IAS 7 Statement of Cash Flows
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- The requirements of paragraph 17 of IAS 24 Related Party Disclosures
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- The requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets

2. Principal accounting policies

Judgement and key areas of estimation

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires the Company's Directors to exercise judgement in applying the Company's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in Note 3 and the consolidated financial statements.

Investments

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost (where hedge accounting is not applied); any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has a continuing right to defer settlement of the liability for at least 12 months after the balance sheet date under its committed bank credit facility.

Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax assets/liabilities are settled/recovered.

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.

Share-based compensation

The Company operates one equity-settled, share-based compensation plan. The economic cost of awarding shares and share options to employees is recognised as an expense in the profit and loss account equivalent to the fair value of the benefit awarded. The fair value of options over the Company's shares awarded to employees of subsidiary companies is treated as a capital contribution, resulting in an increase in investments. The fair value is determined by reference to option pricing models, principally Monte Carlo and adjusted Black-Scholes models. The charge is recognised in the profit and loss account over the vesting period of the award. At each balance sheet date, the Company revises its estimate of the number of options that are expected to become exercisable. Any revision to the original estimate is reflected in the profit and loss account with a corresponding adjustment to equity immediately to the extent it relates to past service and the remainder over the rest of the vesting period.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid. See Note D1 of the consolidated financial statements for details of dividends paid in the year.

3. Critical accounting estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are shown below (please refer to the notes 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)

4. Investments

	2017 £m	2016 £m
At 1 January	**271.1**	266.5
Share-based payments to employees of subsidiaries	**3.1**	4.6
At 31 December	**274.2**	271.1

The Company's sole direct subsidiary undertaking is Rentokil Initial Holdings Ltd. All other indirect subsidiary undertakings are listed on pages 150 to 154.

5. Debtors

	2017 £m	2016 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings (non-interest bearing loans repayable on demand)	**334.4**	334.1
Other debtors	**2.3**	1.7
	336.7	335.8
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

6. Deferred taxation

	2017 £m	2016 £m
The deferred tax asset is made up as follows:		
Tax losses	**12.3**	22.2
Long term incentive plan	**3.7**	1.6
Other	**0.5**	–
	16.5	23.8
The deferred tax liability is made up as follows:		
Defined benefit pension scheme	**55.3**	46.2
	55.3	46.2

7. Pension commitments

At 31 December 2017 the RIPS pension asset amounted to £325.4m (2016: £272.0m). As there is no contractual agreement or stated policy for charging the net defined benefit cost of RIPS to participating entities, the net defined benefit cost is recognised fully by the Company. For more information on pension commitments, see Note A10 of the consolidated financial statements.

The movement in the net defined benefit asset for the RIPS pension schemes over the accounting period is as follows:

	Present value of obligation 2017 £m	Fair value of plan assets 2017 £m	Total 2017 £m	Present value of obligation 2016 £m	Fair value of plan assets 2016 £m	Total 2016 £m
At 1 January	**(1,431.0)**	**1,703.0**	**272.0**	(1,186.2)	1,423.2	237.0
Administration expenses[1]	**(1.1)**	**–**	**(1.1)**	(1.2)	–	(1.2)
Interest on net defined benefit asset[1]	**(36.2)**	**43.2**	**7.0**	(44.0)	53.0	9.0
Total pension income	**(37.3)**	**43.2**	**5.9**	(45.2)	53.0	7.8
Remeasurements:						
– Remeasurement gain on scheme assets	**–**	**17.8**	**17.8**	–	284.8	284.8
– Remeasurement gain/(loss) on obligation[2]	**28.6**	**–**	**28.6**	(258.8)	–	(258.8)
Contributions:						
– Benefit payments	**77.9**	**(77.9)**	**–**	58.0	(58.0)	–
– Administration costs	**1.1**	**–**	**1.1**	1.2	–	1.2
At 31 December	**(1,360.7)**	**1,686.1**	**325.4**	(1,431.0)	1,703.0	272.0

1. Service costs, settlement and administration expenses are charged to operating expenses, and interest cost and return on plan assets to net interest credit from pensions.
2. The actuarial movement on the UK RIPS scheme comprises remeasurement gain arising from changes in demographic assumptions of £(55.2)m (2016: remeasurement loss £18.5m), remeasurement loss arising from changes in financial assumptions of £22.2m (2016: £238.1m) and remeasurement losses arising from experience of £4.4m (2016: £2.2m).

8. Derivative financial instruments

	Fair value assets 2017 £m	Fair value assets 2016 £m	Fair value liabilities 2017 £m	Fair value liabilities 2016 £m
Interest rate swaps:				
– non-hedge	**–**	–	**(4.6)**	(6.0)
– cash flow hedge	**4.9**	1.3	**(12.2)**	(0.2)
– net investment hedge	**14.1**	–	**(9.9)**	(65.8)
– fair value hedge	**–**	–	**(5.0)**	–
Foreign exchange swaps:				
– net investment hedge	**0.6**	–	**–**	–
Foreign exchange forwards:				
– non-hedge	**0.3**	–	**–**	–
– cash flow hedge	**–**	–	**–**	(6.0)
	19.9	1.3	**(31.7)**	(78.0)
Analysed as follows:				
Current portion	**6.2**	1.3	**(5.1)**	(56.2)
Non-current portion	**13.7**	–	**(26.6)**	(21.8)
	19.9	1.3	**(31.7)**	(78.0)

Cash flow hedge accounting has been applied to derivatives (marked as 'cash flow hedge') in accordance with IAS 39. Where no hedge accounting has been applied, related derivatives have been marked as 'non-hedge'. Any ineffectiveness on the cash flow hedge is taken directly to finance costs. There was no ineffectiveness to be recorded from net investment in foreign entity hedges or those derivatives in a cash flow hedge relationship.

Cash flow hedge accounting has been applied to €54.4m of the €500m 2019 bond, hedging the changes in cash flow due to volatility in the GBP/EUR exchange rate. A new bond was issued on 16 November 2017 for €400m maturing on 22 November 2024. €340m of the bond issue was swapped to dollars and a cash flow hedge has been applied to the volatility in GBP/EUR exchange rate. Cash flow hedge has also been applied to the floating interest of the €50m bond maturing in 2018 that has been swapped to a fixed rate, and to the €50m term loan maturing in 2020. At the end of the year, the balance in comprehensive income in regards to cash flow hedge accounting was £2.6m loss (2016: £5.9m loss).

Notes to the Parent Company Accounts

9. Creditors

	2017 £m	2016 £m
Amounts due to subsidiary undertakings (non-interest bearing loans repayable on demand)	**951.1**	761.2
Other creditors	**4.7**	0.8
	955.8	762.0

10. Bank and other borrowings

	2017 £m	2016 £m
Amounts falling due within one year	**124.8**	36.3
Amounts falling due after one year	**1,135.8**	1,235.2

Current and non-current loans include £51.7m (2016: £6.2m) and £1,098.8m (2016: £763.6m) respectively of notes issued under the Company's €2.5bn Euro Medium-Term Note Programme (EMTN).

Medium-term notes and bond debt comprises:

	Bond interest coupon	Effective hedged interest rate
Current		
€50m bond due March 2018	Euribor +0.48%	Fixed 0.66%
Non-current		
€500m bond due September 2019	Fixed 3.375%	Fixed 3.50%
€350m bond due October 2021	Fixed 3.25%	Fixed 3.52%
€400m bond due November 2024	Fixed 0.95%	Fixed 1.70%
Average cost of bond debt at year end rates		3.18%

On 22 November 2017 the Company issued a new €400m bond at a coupon of 0.95% under its EMTN Programme. Part of the proceeds were swapped into US dollars and used to refinance the £200m and $157m term loans.

The Company's bank debt comprises:

	Facility amount £m	Drawn at year end £m	Headroom £m	Interest rate at year end %
Non-current				
$25m RCF due December 2019	18.5	–	18.5	–
£420m RCF due January 2022 (£60m reserved for guarantees)	360.0	–	360.0	–
$50m term loan due June 2020	37.0	37.0	–	2.17
Average cost of bank debt at year end rates	415.5	37.0	378.5	2.17

The Company has a revolving credit facility of £360m available for cash drawings, and £60m for guarantees and letters of credit. The maturity date of the RCF is January 2022. At the year end, £nil was drawn under the part of the facility available for cash drawings, and £34m under the part available for guarantees. The Company also has a $25m revolving credit facility that matures in December 2019, on terms in line with the main RCF.

On 19 June 2017 the Company entered into a $50m term loan for three years in line with its other bank facilities.

11. Share capital

	2017 £m	2016 £m
Issued and fully paid:		
At 31 December – 1,837,332,965 shares of 1p each (2016: 1,829,332,965)	**18.4**	18.3

12. Share premium

	2017 £m	2016 £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 nine employees (2016: 11 employees). Detail on employee costs are in Note D4 of the consolidated financial statements. Services for finance, taxation, treasury, legal, HR and IT are provided by Rentokil Initial 1927 plc and recharged to the Company.

15. Share-based payments

Share-based payments for the financial period were £4.4m (2016: £5.5m) of which £1.3m (2016: £0.9m) was charged to the profit and loss account and £3.1m (2016: £4.6m) debited to investments. Share options relating to the Board are disclosed in the Directors' Remuneration Report and detailed share-based payment disclosures are shown in Note A11 of the consolidated financial statements.

16. Related party transactions

The Company has not undertaken any transactions with related parties during the year, other than transactions with wholly owned fellow members of Rentokil Initial plc. Such transactions are exempt from disclosure under FRS 101. There were no transactions with non-wholly owned fellow members of Rentokil Initial plc.

17. Post balance sheet events

There were no significant post balance sheet events affecting the Company since 31 December 2017.

Directors' Report

The Directors submit their report and audited financial statements of the Company and the Group to the members of Rentokil Initial plc (the Company) for the year ended 31 December 2017. Details of the Directors of the Company during 2017 can be found on pages 52 and 53.

The Corporate Governance Report for the year on pages 49 to 98 forms part of the Directors' Report, together with the sections of the Annual Report incorporated by reference.

The Company has chosen to disclose the following information in the Strategic Report on pages 1 to 47 and 104 to 107:

- Particulars of any important events affecting the Company which have occurred since the end of the financial year.
- An indication of likely future developments in the business of the Company.
- An indication of the Company's research and development activities (pages 4 and 5).
- Details of employee involvement and human rights (Corporate responsibility, pages 34 to 39).
- Information on greenhouse gas emissions (Corporate responsibility, page 37).
- Principal risks and uncertainties (Risks and uncertainties, pages 42 to 47).

The Strategic Report and the Directors' Report constitute the management report as required under the Disclosure Guidance and Transparency Rule 4.1.8R.

Information to be disclosed under Listing Rule 9.8.4 in relation to allotment of shares for cash (Listing Rule 9.8.4(7)) and waiver of dividends (Listing Rule 9.8.4(12)) is set out on pages 163 and 164. No other paragraphs under Listing Rule 9.8.4 apply.

Company constitution

Rentokil Initial plc is a company incorporated in England and Wales, with company number 5393279. The Company is a holding company with limited trading in its own right and with subsidiaries and associated undertakings in 70 countries. The Company's related undertakings are listed on pages 150 to 154.

Articles of association

The articles of association set up the internal regulations of the Company and cover such matters as the rights of shareholders and the conduct of the Board and general meetings. The articles themselves may be amended by special resolution of the shareholders.

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. It is proposed that new articles of association be adopted at the AGM in May 2018 in order to update the Company's current articles. Full details can be found in the Notice of Meeting, available on the Company's website. The articles of association are available upon request and are displayed on the Company's website at **rentokil-initial.com**.

Re-election of Directors and service contracts

In accordance with the articles of association, Directors can be appointed by the Board and must be subsequently elected by shareholders in general meeting. In accordance with the UK Corporate Governance Code (the Code), Directors now submit themselves for re-election annually. Directors can be removed, and their replacements appointed, by shareholders in general meeting.

Information on our Board of Directors, including full biographical details, and changes during 2017, can be found in the Corporate Governance Report on pages 52 and 53. All Board members will seek election (in the case of Sir Crispin Davis and Linda Yueh who were appointed to the Board in 2017 and John Pettigrew in January 2018) or re-election at the 2018 AGM.

The terms of the Directors' service contracts are disclosed in the Directors' Remuneration Report starting on page 75. Directors' service contracts and the letters of appointment of the Non-Executive Directors are available for inspection at the Company's registered office and the offices of the Company's legal advisors, Freshfields Bruckhaus Deringer LLP, at 65 Fleet Street, London EC4Y 1HS until the conclusion of the AGM and will be available at the AGM which will take place on 9 May 2018. A pro-forma of the Non-Executive Directors' letters of appointment is available at **rentokil-initial.com**.

Directors' powers

Under the articles of association, the Directors are responsible for the management of the business of the Company and may exercise all the powers of the Company subject to the provisions of relevant statutes and the Company's articles of association. For example, the articles contain specific provisions and restrictions regarding the Company's power to borrow money. The articles of association also give power to the Board to appoint and replace Directors as detailed above.

Powers relating to the issuing of shares are also included in the articles of association and such authorities are renewed by shareholders each year at the AGM, as detailed below.

Directors' interests

The beneficial interests of the Directors, including the interests of any connected persons, in the share capital of the Company are shown on page 94. During the year no Director had any material interest in any contract of significance to the Group's business.

Dividend

The Directors have recommended a final dividend of 2.74p per share for the 52 weeks ended 31 December 2017. Payment of this dividend is subject to shareholder approval at the 2018 AGM. Further information on the Company's dividend policy can be found on page 107.

Share capital

The Company has a premium listing on the London Stock Exchange and an over-the-counter American Depository Receipt (ADR) listing to facilitate shareholding in the United States. All ordinary shares carry the same rights and no shareholder enjoys any preferential rights, regardless of the size of their holding.

The Company's share capital during the year consisted of ordinary shares of 1p each. There were 1,837,332,965 shares in issue at 31 December 2017, which represents 100% of the Company's issued share capital (2016: 1,829,332,965). Each ordinary share (other than treasury shares, which have no voting rights) carries the right to vote at a general meeting of the Company. The Company did not hold any treasury shares as at 31 December 2017. The Company's articles of association provide that on a show of hands, every member who is present in person or by proxy at a general meeting of the Company shall have one vote. On a poll, every member who is present in person or by proxy shall have one vote for every share of which they are a holder.

The articles do not contain special control rights or restrictions on transfer or limitations on the holding of ordinary shares and no requirements for the prior approval of any transfers. No person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

The Company is not directly or indirectly owned or controlled by another corporation or by an individual and there are no arrangements which may at a subsequent date result in a change in control of the Company.

Authority for the Company to allot shares or grant rights to subscribe for shares up to an aggregate nominal amount of £12,248,000 was obtained at the AGM on 10 May 2017. The authority remains in force and approval will be sought from shareholders at the 2018 AGM to renew the authority for a further year.

During the year a total of 8,000,000 ordinary shares with an aggregate nominal value of £80,000 were issued and allotted to Computershare Nominees (Channel Islands) Limited, the account nominee of Computershare Trustees (Jersey) Limited who acts as trustee for the Rentokil Initial Employee Share Trust (the Trustee). These shares were issued to satisfy awards that vested in 2017 under the Company's Performance Share Plan.

Details of the shares held by the Trustee are contained in the Consolidated Statement of Changes in Equity table on page 110. The Trustee holds on trust 0.40% of the issued share capital of the Company as at 31 December 2017. 0.03% of this is held as nominee for the benefit of certain senior executives of the Group, and 0.37% of this is held on trust on behalf of the Company to satisfy awards that vest under the Company's Performance Share Plan. The Trustee has agreed to waive any right to all dividend payments on shares held by it, with the exception of shares held in respect of awards which have vested and have a dividend entitlement during their holding period. With the exception of the shares held for the benefit of certain senior executives, the voting rights in relation to these shares are exercised by the Trustee. The Trustee may vote or abstain from voting with the shares or accept or reject any offer relating to the shares, in any way it sees fit, without incurring any liability and without being required to give reasons for its decision.

Repurchase of shares

Authority for the Company to make purchases of its own shares of up to 183,700,000 shares was obtained at the AGM on 10 May 2017. No purchases of its shares were made by the Company during 2017. The authority is normally renewed annually and approval will be sought from shareholders at the 2018 AGM to renew the authority for a further year.

Change of control provisions

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company, such as some financial and commercial agreements and employee long-term incentive or share plans. None of these are deemed to be significant in terms of their potential impact on the Group as a whole. A description of the Group's debt funding arrangements is set out in Note C6 to the Financial Statements. Note C1 describes the change of control provisions relating to the Group's Euro Medium-Term Note Programme.

Substantial shareholders

The Company has been notified pursuant to the Disclosure Guidance and Transparency Rules (DTR 5) that the following shareholders held, or were beneficially interested in, 3% or more of the Company's issued share capital as at 31 December 2017.

Substantial interests in shares as at 31 December 2017

	%	No. of ordinary shares	Nature of holding
Ameriprise Financial Inc.[1]	9.99	182,682,307	Indirect
BlackRock, Inc.	6.37	116,617,165	Indirect
Majedie Asset Management Ltd	5.61	101,963,126	Indirect
Schroders plc	4.91	89,878,920	Indirect
Invesco Ltd	4.89	89,477,118	Indirect
Artemis Investment Management LLP	4.80	87,765,202	Direct
AXA SA	4.80	87,093,421	Indirect
Aviva plc (and its subsidiaries)	4.02	73,808,162	Direct

1. Ameriprise Financial Inc. includes Threadneedle Asset Management Holdings Ltd.

No other interests have been disclosed to the Company in accordance with DTR 5 between 31 December 2017 and 28 February 2018. Since these dates, the interest of any shareholder listed above may have increased or decreased. No requirement to notify the Company of any increase or decrease would have arisen unless the holding moved up or down through a whole number percentage level.

Financial risk management

Details of financial risk management and the relevant policies and certain exposures of the Company are disclosed in Note C1 on pages 135 and 136 of the Financial Statements.

Key contracts

The Group does not have any dominant customer or supplier relationships.

Post balance sheet events

There were no significant post balance sheet events affecting the Group since 31 December 2017.

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 2017 (2016: £nil).

Equal opportunities

The Company regards equality and fairness as a fundamental right of all of its colleagues. Every colleague is required to support the Company to meet its commitment to provide equal opportunities in employment and avoid unlawful discrimination. People with disabilities should have full and fair consideration for all vacancies and disability is not seen to be an inhibitor to employment or career development. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. In the event of any colleague becoming disabled while with the Company, their needs and abilities would be assessed and, where possible, we would work to retain them and seek to offer alternative employment to them if they were no longer able to continue in their current role.

Branches

The Company, through various subsidiaries, has branches in several different jurisdictions in which the business operates outside the UK.

Directors' indemnity and insurance

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

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

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

Directors' Report

Related party transactions

Other than in respect of arrangements relating to the employment of Directors, details of which are provided in the Directors' Remuneration Report, or as set out in Note D4 on page 143 of the Notes to the Financial Statements, which also provides details of transactions with joint ventures and associate entities, there is no indebtedness owed to or by the Company to any colleague or any other person considered to be a related party.

Disclosure of information to the auditor

The Directors confirm that, insofar as each of them is aware, there is no relevant audit information (as defined by section 418(2) of the Companies Act 2006) of which the Company's auditor is unaware; and each Director has taken all of the steps that should have been taken to ensure that they are each aware of any relevant audit information (as defined by section 418(2) of the Companies Act 2006) and to establish that the Company's auditors are aware of that information.

Going concern

The Directors, having made enquiries, consider that the Company and the Group have adequate resources to continue in operation for a period of at least 12 months from the date of approval of these annual financial statements. For this reason, they consider it appropriate to adopt the going concern basis in preparing the financial statements.

Further details on the Group's net debt, borrowing facilities and financial risk management policies are provided in the Financing section of the Notes to the Financial Statements on pages 135 to 142.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards including FRS 101 Reduced Disclosure Framework.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are set out on pages 52 and 53, confirms that, to the best of their knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Each Director considers the Annual Report and Financial Statements, taken as a whole, to be 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 49 to 98 and pages 163 to 165 and the Strategic Report on pages 1 to 47 and 104 to 107 were approved by a duly authorised Committee of the Board of Directors on 28 February 2018 and signed on its behalf by Daragh Fagan, the Company Secretary.

D R Fagan

Daragh Fagan
Company Secretary
28 February 2018

Registered office:
Riverbank, Meadows Business Park, Blackwater,
Camberley, Surrey, GU17 9AB.
Registered in England and Wales No: 5393279

Additional shareholder information

Registrar

The Company's Registrar is Equiniti Limited (Equiniti). All enquiries relating to the administration of shareholdings, dividends, change of address and lost share certificates should be directed to Equiniti. Information and advice can be found on their website.

Contacting Equiniti:

help.shareview.co.uk
0333 207 6581 (+44 (0)121 415 0077 if calling from outside the UK). Lines are open 8.30am to 5.30pm (UK time), Monday to Friday (excluding public holidays in England and Wales).
Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, UK.

Shareview Portfolio service

You can manage your shareholding online via Equiniti's Shareview Portfolio at **shareview.co.uk**. This allows shareholders to access a range of information about their shareholdings on registers maintained by Equiniti and includes shareholding details (such as name and address), indicative share prices, recent balance changes and dividend information.

Share dealing services

Equiniti offers shareholders a dealing service which allows you to buy or sell Rentokil Initial plc shares.

shareview.co.uk
0371 384 2233 (+44 (0)121 415 7065 if calling from outside the UK)

Calls are charged at standard national and international rates. Please note that both the internet share dealing and telephone share dealing services are subject to commission charges. Full details can be found on **shareview.co.uk**.

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.org
help@sharegift.org
+44 (0)20 7930 3737
ShareGift, PO Box 72253, London, SW1P 9LQ

Share price information and history

The current price of the Company's shares can be found at **rentokil-initial.com/investors**.

Mid-market price 31 March 1982 – 7.5375p*

* Adjusted for the 1983 bonus issue and the 1990, 1992 and 1997 share splits

Mid-market price 31 December 2017 – 318.0p

2017 high/low – 338.8p/226.9p

Dividends

2017 final dividend

The Directors have recommended a final dividend of 2.74p per share, for the 52 weeks ended 31 December 2017. Payment of this dividend is subject to approval at the 2018 Annual General Meeting. When taken with the interim dividend of 1.14p per share paid on 13 September 2017 this gives a total dividend of 3.88p per share (2016: 3.37p).

Key dates relating to this dividend are given below.

Ex-dividend date	12 Apr 2018
Record date	13 Apr 2018
Last day for DRIP elections	24 Apr 2018
Annual General Meeting	9 May 2018
Payment date	16 May 2018

For further dividend information please see the Financial Review on page 107 or go to **rentokil-initial.com/investors**.

Dividend payments

Rentokil Initial dividends can be paid directly into your bank or building society accounts instead of being sent to you by cheque. More information about the benefits of having dividends paid directly into your bank or building society account, and the mandate form to set this up, can be found at **shareview.co.uk**.

Dividend reinvestment plan (DRIP)

The Company has a DRIP provided by Equiniti Financial Services Limited (Equiniti FS), which is a convenient, easy and cost effective way to build a shareholding by using cash dividends to buy additional shares. Rather than receiving a dividend cheque or having a bank account credited with a cash dividend, Equiniti FS will use the dividends payable to DRIP participants to purchase shares on your behalf in the market. Please go to **shareview.co.uk** for further information.

Dividend history

Details of the Company's dividend history can be found on our website at **rentokil-initial.com/investors**.

American depository receipts (ADR)

The Company has an ADR programme that trades on the over-the-counter market in the United States. This is a sponsored Level 1 ADR programme for which the Bank of New York Mellon acts as depositary. Each ADR is equivalent to five Rentokil Initial plc ordinary shares. For enquiries relating to ADRs, please contact:

mybnymdr.com
shrrelations@cpushareownerservices.com
Freephone from the US: +1 888 269 2377
International calls: +1 201 680 6825
BNY Mellon Shareowner Services, P.O. Box 30170, College Station, TX 77842-3170, USA.

Exchange: OTC (over the counter)
Symbol: RTOKY
CUSIP: 760125104
Ratio (ADR: Ord) 1:5

Additional shareholder information

Indirect owners of shares with 'information rights'

Please note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to Equiniti.

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 fca.org.uk/register. The Financial Services Register is a public record of all the firms and individuals in the financial services industry that are regulated by the FCA.

Get impartial advice: Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

If you suspect that you have been approached by fraudsters please tell the FCA using the share fraud reporting form at **fca.org.uk/scams**, where you can find out more about investment scams. You can also call the FCA Consumer Helpline on 0800 111 6768.

If you have lost money to investment fraud, you should report it to **Action Fraud on 0300 123 2040** or online at **actionfraud.police.uk**.

Find out more at **fca.org.uk/scamsmart**.

ALWAYS REMEMBER: If it seems too good to be true, it probably is!

Unsolicited mail

The Company is legally obliged to make its register of members available to the public, subject to a proper purpose test. As a consequence of this, some shareholders may receive unsolicited mail. Shareholders wishing to limit the amount of such mail should contact the Mailing Preference Service (MPS) at:

mpsonline.org.uk
0207 291 3310
MPS FREEPOST LON20771, London, W1E 0ZT

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 9 May 2018 at 12 noon. The Notice of Meeting is available on the Company's website.

Published information

If you would like to receive a hard copy of this Annual Report please contact the Company Secretariat at the Company's registered office below. A PDF copy of this report can also be downloaded from our website.

Registered office and headquarters

Rentokil Initial plc

Registered in England and Wales; Company Number: 5393279

Registered Office: Riverbank, Meadows Business Park, Blackwater, Camberley, Surrey GU17 9AB

rentokil-initial.com
investor@rentokil-initial.com
+44 (0)1276 607444

Glossary

AER	Actual exchange rate
AGM	Annual General Meeting
APBITA	Adjusted profit before interest, tax and amortisation
APM	Alternative Performance Measure
Benelux	Belgium, the Netherlands and Luxembourg
Board	The Board of Directors of Rentokil Initial plc
B2B	Business to business
CAGR	Compound annual growth rate
CEE	Central and Eastern Europe
CER	Constant exchange rate
CGU	Cash-generating unit
Company	Rentokil Initial plc
CVC	Customer Voice Counts
CWS-boco	CWS-boco International GmbH
DEFRA	Department for Environment, Food and Rural Affairs
Director	A Director of Rentokil Initial plc
EBITDA	Earnings before interest, tax, depreciation and amortisation
ELT	Executive Leadership Team
EMTN	Euro Medium-Term Note
ETR	Effective tax rate
EPS	Earnings per share
FIFO	First-in, first-out
FRC	Financial Reporting Council
FRS	Financial Reporting Standards
GAAP	Generally Accepted Accounting Practice
GDPR	General Data Protection Regulation
Group	Rentokil Initial plc and its subsidiaries
H&S	Health and safety
Haniel	Franz Haniel & Cie. GmbH
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
ISDA	International Swaps and Derivatives Association
IRR	Internal rate of return
ISAs	International Standards of Auditing
JV	Joint venture
KPI	Key performance indicator
LTA	Lost time accident
LTIP	Long-term incentive plans
M&A	Mergers and acquisitions
MENAT	Middle East, North Africa and Turkey
NED	Non-Executive Director
NPS	Net Promoter Score
Parent Company	Rentokil Initial plc
PBTA	Profit before tax and amortisation
PCI	PCI Pest Control Private Limited
PSP	Rentokil Initial plc Performance Share Plan
Reported	As stated in the 2016 Annual Report
RCF	Revolving credit facility
RFID	Radio frequency identification
R&D	Research and development
RIPS	Rentokil Initial 2015 Pension Scheme
RLD	Régie Linge Développement S.A.S.
S&P	Standard & Poor's
SHE	Safety, Health and Environment
SID	Senior Independent Director
SLF	Senior Leadership Forum
TSR	Total shareholder return
USP	Unique selling point
UK & RoW	United Kingdom and Rest of World
WDL	Working days lost

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 and the risks of poor hygiene. We enhance lives with services that protect the health and wellbeing of people, and the reputation of our customers' brands.

Rentokil is the world's leading commercial pest control company and our engine for growth. Initial Hygiene is the global leader in hygiene services.

We have over 1,800 local service teams across the world covering 91% of global GDP in over 90 of the world's 100 largest cities across North America, Europe, UK & Rest of World, Asia and the Pacific. Operating in over 70 countries, approximately 90% of our revenues are derived outside of the UK.

We have over a million customers to service from the largest multi-nation pharmaceutical, industrial and food production companies to local shops, restaurants and homes. With high levels of customer service and retention rates we continue to build our portfolio.

Find out more at rentokil-initial.com

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 Guidance 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 2017 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 2017 Annual Report should be construed as a profit forecast.

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Design
mslgroup.co.uk

Print
Principal Colour Ltd

Protecting People.
Enhancing Lives.

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ambius.com