



# Rentokil Initial

Interim Results  
25 August 2005

Brian McGowan  
Chairman

# Introduction

- Interim results
- Comprehensive business review
- Disposal of Initial Style Conferences

Roger Payne  
Finance Director

# Financial Overview

	<u>Underlying*</u>	<u>Reported</u>
<b>TURNOVER</b>	<b>Up 2.7% to £1,164.5m</b>	<b>Up 3.2% to £1,167.2m</b>
<b>OPERATING INCOME</b>	<b>Down 16.2% to £158.9m</b>	<b>Down 33.0% to £119.2m</b>
<b>PROFIT BEFORE TAX</b>	<b>Down 19.8% to £135.4m</b>	<b>Down 40.3% to £93.2m</b>
<b>EARNINGS PER SHARE</b>	<b>Down 20.3% to 5.33p</b>	<b>Down 41.3% to 3.66p</b>
<b>INTERIM DIVIDEND PER SHARE</b>	<b>Up 10.4% to 2.13p</b>	

\* Underlying results are at constant 2004 average exchange rates and after adding back exceptional costs, amortisation of customer lists and IFRS related 'mark to market' volatilities.

# H1 Trading

- Investments in service showing some improvements in contract retention
- Contract portfolio increased by an annualised £63.3m
- Improvements in the rates of turnover growth and decline in operating income (before central items)
- One-off costs impact central items
- Exceptional impairment charge of £28.0m in respect of UK textiles and garments
- Strong free cash flow at £94.4m, representing 103% of post cash-tax profit before exceptionals and amortisation of customer lists

# Summary Income Statement

£m	H1 2005 £m	H1 2004 £m	% Change Fav/(Adv)
Turnover - continuing	1,164.5	1,133.5	2.7
Exchange	2.7	(2.8)	-
Continuing - reported	<u>1,167.2</u>	<u>1,130.7</u>	<u>3.2</u>
<b>Normalised operating income</b>			
● Segments	178.4	199.3	(10.5)
● Central items	(19.5)	(9.6)	(103.1)
	<u>158.9</u>	<u>189.7</u>	<u>(16.2)</u>
● Market discount rate	(1.1)	-	-
● Exchange	0.9	(0.7)	-
● As reported	<u>158.7</u>	<u>189.0</u>	<u>(16.0)</u>
Normalised interest	(24.8)	(21.7)	(14.3)
Associates - post tax	1.3	0.9	44.4
Sub total	<u>135.2</u>	<u>168.2</u>	<u>(19.6)</u>
IFRS Amortisation - customer lists	(11.5)	(11.1)	
IFRS 'mark to market' interest	(2.5)	(1.0)	
Exceptional items	(28.0)	-	
Continuing profit before tax - reported	<u>93.2</u>	<u>156.1</u>	

# Segmental Trends

	<u>TURNOVER</u>		<u>OPERATING INCOME*</u>	
	<u>4 months</u>	<u>6 months</u>	<u>4 months</u>	<u>6 months</u>
<b><u>HYGIENE</u></b>				
- Hygiene Services	+ 2.2%	+ 2.9%	- 11.5%	- 9.8%
- Pest Control	+ 3.2%	+ 3.1%	- 10.9%	- 10.5%
<b><u>SECURITY</u></b>				
- Electronic	+ 6.7%	+ 7.9%	- 6.7%	- 8.7%
- Manned Guarding	+ 2.7%	+ 3.9%	- 25.1%	- 16.9%
<b><u>FACILITIES MANAGEMENT</u></b>				
- Facilities Management Services	- 2.6%	- 2.0%	- 11.5%	- 15.5%
- Tropical Plants	+ 3.8%	+ 5.7%	- 10.6%	- 7.7%
- Conferencing	-	+ 0.9%	- 11.5%	- 10.1%
<b><u>PARCELS DELIVERY</u></b>				
	+ 1.7%	+ 4.4%	- 14.5%	- 10.1%
<b><u>SEGMENTS</u></b>				
	+ 1.8%	+ 2.7%	- 11.5%	- 10.5%

\*Before central items, amortisation of customer lists and exceptional items

At constant 2004 average exchange rates

# Cash Flow

	<u>H1 2005</u>	<u>H1 2004</u>	<u>% Change</u>
	<u>£m</u>	<u>£m</u>	<u>Fav/(Adv)</u>
Adjusted operating income	147.2	177.9	(17.3)
Net interest payments	(19.4)	(20.1)	3.5
Depreciation	85.0	83.2	2.2
Amortisation of customer lists	11.5	11.1	3.6
Pension	(9.3)	(6.8)	(36.8)
Working capital	18.1	13.3	36.1
Other non-cash items	(1.5)	(0.5)	(200.0)
Tax	(41.3)	(46.5)	11.2
Capex (incl finance leases)	(95.9)	(88.5)	(8.4)
<b><u>FREE CASH FLOW</u></b>	<u>94.4</u>	<u>123.1</u>	<u>(23.3)</u>
Equity dividends	(86.2)	(78.7)	
Acquisitions	(39.0)	(12.5)	
Disposals	2.4	1.8	
Shares	0.4	(23.9)	
<b><u>NET CASH FLOW</u></b>	<u>(28.0)</u>	<u>9.8</u>	
Opening net debt 31.12.04	(1,155.1)	(1,237.6)	
IAS39 wef 1.1.05	(34.0)	-	
Forex	8.0	22.4	
<b><u>CLOSING NET DEBT</u></b>	<u>(1,209.1)</u>	<u>(1,205.4)</u>	

# Other H1 finance items

- **£130m early settlement of Ashtead loan note**
- **Bank re-financing with extended maturities**
- **New holding company formed with £1.8bn distributable reserves**
- **Full transition to IFRS completed**
- **Tax rate**
  - pre exceptional **26.7%**
  - post exceptional **27.5%**
- **31.3.05 triennial pension revaluation in progress**

Doug Flynn  
Chief Executive

# Overview

- Comprehensive business review
- Poor performance analysed
- Platform for growth
- Turnaround actions identified and underway

# Overview

- **Comprehensive business review**
- Poor performance analysed
- Platform for growth
- Turnaround actions identified and underway

# Business review

## Scope

- All businesses
  - No preconceptions
  - No limitations
  - Combination of internal and external perspectives

## Status

- Phase 1 completed, execution phase underway

## Findings and outcomes

- Detailed action plans
- Management acceptance and engagement

# Overview

- Comprehensive business review
- **Poor performance analysed**
- Platform for growth
- Turnaround actions identified and underway

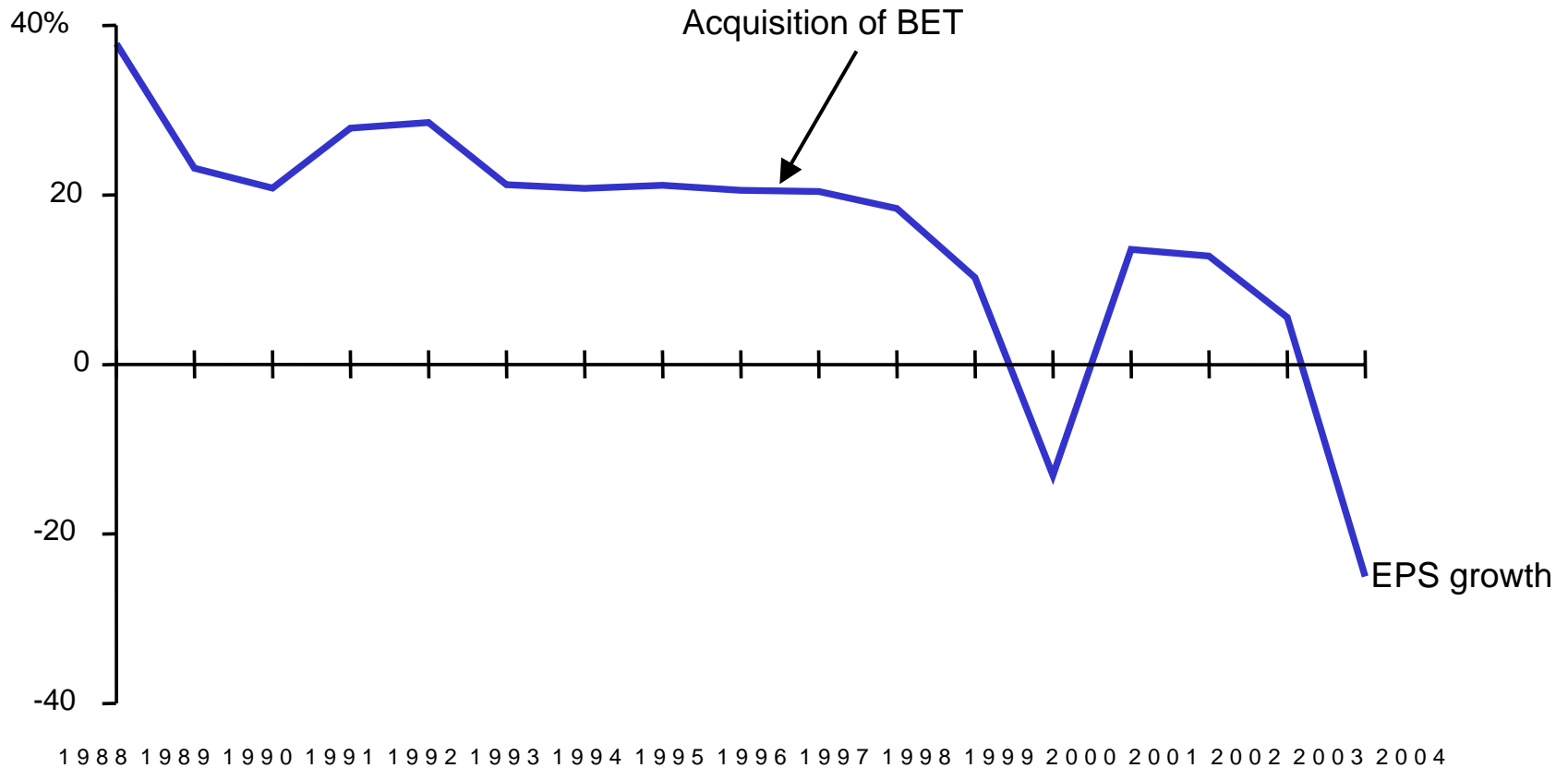
# Poor performance analysed

- Performance has been declining for some time

# Poor performance analysed

## “20% era” ended in 1998

Annual EPS growth



# Poor performance analysed

- Performance has been declining for some time
- History of underperformance vs. budget and market expectations

# Poor performance analysed

- Performance has been declining for some time
- History of underperformance vs budget and market expectations
- **Some adverse market conditions**

# Poor performance analysed

- Performance has been declining for some time
- History of underperformance vs budget and market expectations
- Some adverse market conditions
- However, many problems are self-inflicted

# Poor performance analysed

## Principal business level issues

- Operational costs squeezed
  - Customers rate quality of service the highest
  - Service levels reduced => high termination levels
- Short-term sales focus
  - Key value drivers ignored
  - Range selling far too limited
  - Inappropriate incentives

# Poor performance analysed

## Principal business level issues/continued

- Not responsive to competitor action
  - Reduced route density
  - Lack of customer segmentation
  - Poor new business development programme
- Low spend on process and IT development
  - Lack of common platforms
  - Bias to custom builds vs. packages
  - Paper based processes

# Poor performance analysed

- Performance has been declining for some time
- History of underperformance vs budget and market expectations
- Some adverse market conditions
- However, many problems are self-inflicted
- **Ineffective organisation**

# Poor performance analysed

## Ineffective organisation

Sector 1
<ul style="list-style-type: none"> <li>Pest Control                             <ul style="list-style-type: none"> <li>- UK</li> <li>- Europe</li> <li>- South Africa</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>Washroom                             <ul style="list-style-type: none"> <li>- Europe</li> <li>- South Africa</li> <li>- Asia</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>Plants                             <ul style="list-style-type: none"> <li>- Europe</li> <li>- South Africa</li> <li>- Asia</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>Hygiene                             <ul style="list-style-type: none"> <li>- Europe</li> <li>- South Africa</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>Cleaning                             <ul style="list-style-type: none"> <li>- Spain</li> <li>- Benelux</li> </ul> </li> </ul>

Sector 2
<ul style="list-style-type: none"> <li>Electronic security                             <ul style="list-style-type: none"> <li>- UK</li> <li>- Varel</li> <li>- Delta</li> <li>- North America</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>Guarding                             <ul style="list-style-type: none"> <li>- UK</li> <li>- Belgium</li> <li>- North America</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>Cleaning                             <ul style="list-style-type: none"> <li>- UK</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>Pest Control                             <ul style="list-style-type: none"> <li>- North America</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>Plants                             <ul style="list-style-type: none"> <li>- North America</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>UK Facilities Mgmt</li> </ul>
<ul style="list-style-type: none"> <li>Other</li> </ul>

Sector 3
<ul style="list-style-type: none"> <li>Washroom-Textiles                             <ul style="list-style-type: none"> <li>- Europe</li> </ul> </li> </ul>

Sector 4
<ul style="list-style-type: none"> <li>Washroom- Textiles                             <ul style="list-style-type: none"> <li>- UK</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>Plants                             <ul style="list-style-type: none"> <li>- UK</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>Hygiene                             <ul style="list-style-type: none"> <li>- UK</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>Initial Medical</li> </ul>
<ul style="list-style-type: none"> <li>City Link</li> </ul>
<ul style="list-style-type: none"> <li>Style</li> </ul>
<ul style="list-style-type: none"> <li>Other</li> </ul>

### Key

 Pest Control

 Washroom/ Textiles

 Plants

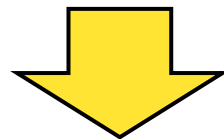
 Other hygiene

 Cleaning

# Poor performance analysed

## Ineffective organisation

- Top down decision making
- Risk aversion/fear of failure
- Blurred vision
- Lack of clear leadership
- Mis-targeted incentives
- Few external hires



**Low morale**

# Overview

- Comprehensive business review
- Poor performance analysed
- **Platform for growth**
- Turnaround actions identified and underway

# Platform for growth

Focus on businesses which have potential to create most shareholder value

Greatest value will typically come from businesses where we:

- Enjoy (or can build) leadership positions
- Add value as a Group
- Can sustain profitable growth

# Strong market positions

## Leader in European pest control markets

	Market by size	Rentokil Initial market position
<b>Largest</b> 	UK	#1
	Germany	#1
	Italy	#2
	France	#3
	Spain	#1
	Netherlands	#1

# Strong market positions

## Leader in European washrooms & textiles

	Market by size	Rentokil Initial market position
<b>Largest</b> 	Germany	#5
	UK*	#2
	France	#2
	Benelux	#1
	Italy	#2
	Spain	#1

# Strong market positions

## UK Electronic security/Cleaning outperform competition

### Electronic Security

- Superior margins
- High client rating

### Cleaning

- Strong sales & marketing
- Well regarded by clients
- Market leading margins

**... again with strong market positions**

# Growth opportunities

## Building scale and density in existing countries

- Improve retention
- Target more new customers
- Range selling
- Increased level of bolt-on acquisitions

## Establishing new presence in new countries

- Identify entry point
- Transfer best practices
- Subsequent bolt-on acquisitions to build scale and density

# Overview

- Comprehensive business review
- Poor performance analysed
- Platform for growth
- **Turnaround actions identified and underway**

# Management priorities

## *Organisation*

- Structure and teams
- Measures and incentives
- Central programme accountability

## *Operational*

- Business turnarounds and growth plans
- Sales and marketing effectiveness
- IT investments

## *Strategic*

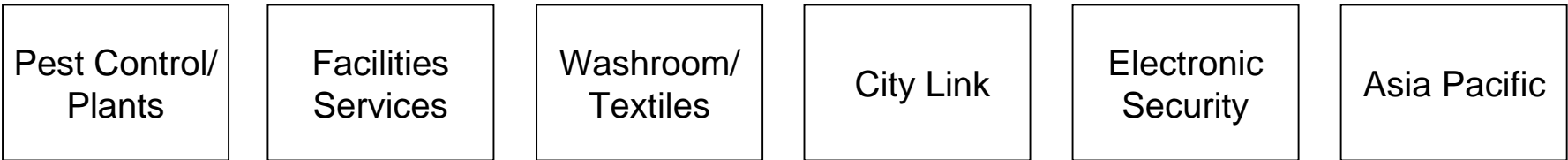
- Business by business growth strategy development
- Initial Style Conferences

# Actions

## Progressive adjustments to structure and team

### Structure

- Reorganised around business divisions:



- Establish new Asia Pacific division – scale of development opportunity requires focus

### Team

- Need to rebuild management talent and incentives at all levels
- New hires as required

# Actions

- Operational priorities
- Active management of portfolio

# Actions

## Operational priorities

- UK Washroom
- UK Pest Control
- European Washroom
- Netherlands Electronic Security
- France Textiles

# Actions

## Improving sales and marketing effectiveness

- Electronic Security
  - Introduce new skills; adjust measures, targets and incentives
- UK Washroom
  - Re-focus sales efforts to maximise route economics
- Pest Control
  - Increase market share of high value added and large accounts
- IT
  - Process improvements to reduce admin and improve responsiveness

# Actions

- Operational priorities
- Active management of portfolio

# Actions

## Active portfolio management

### Disposal of Initial Style Conferences

- Different business model
- Better fit with other owner
- Disposal should not be disruptive for continuing businesses

# Actions

## Active portfolio management

### Disposals

- Programme to remove corporate clutter
  - Rancho San Marcos (US golf course) **SOLD**
  - Office Solutions (UK photocopier hire) **SOLD**
  - US cleaning – Baltimore **SOLD**
  - Unifreight (Zimbabwe - distribution) **SOLD**
  - Rezayat Sparrow (Saudi Arabia – access equip.) **SOLD**
  - Germany hospital textiles - North **EXCHANGED**
  - More to do

# Actions

## Active portfolio management

### Acquisitions

- H1: 18 acquisitions for £35 million completed
- Increased focus on bolt-on opportunities
- Reinvigorating approach to acquisitions
  - Alignment with Group priorities
  - More streamlined process

# Outlook for 2005

- Market conditions likely to remain unhelpful, especially in Europe
- Improving trend in trading and contract retention within the businesses
- Possible cost of disruption
- One off costs in executing initiatives
  
- Dividend
  - Expect to recommend 10% increase to 7.38p per share for 2005 (in absence of unforeseen circumstances)

# Prospects for 2006

- Expect improving trend in trading in the second half year to continue into 2006
- Likely to be some one-off costs
- Identified priorities for action
- Plan and a process to make it happen
- Tangible benefits progressively through 2006

# How will success be judged?

## By the end of 2006

- Clearer strategic focus and investment priorities
- Stronger strategic positions
- Properly aligned business structure
- Progressively strengthened management team
- Performance improvement in priority businesses
- Improvement in contract retention rates
- Revenue growing at least at market rates

# Summary

- Open minded on what will deliver shareholder value
- Fundamental business segment review
- Strong market positions in key businesses
- We know what the problems are
- Necessary actions to achieve turnaround commenced
- Clear performance improvement will take time

***A process, not an event***

# Appendices

Segmental analysis	Pages 47-52
Geographical analysis	Pages 53-54
Contract portfolio	Page 55
Balance sheet	Page 56
Capex	Page 57

# Segmental analysis - Group

	<b>H1 2005 Turnover £m</b>	<b>% change over 2004</b>	<b>H1 2005 Operating Income* £m</b>	<b>% change over 2004</b>
<b>HYGIENE</b>				
- Hygiene Services	375.7	+ 2.9%	78.6	- 9.8%
- Pest Control	113.8	+ 3.1%	35.0	- 10.5%
<b>SECURITY</b>				
- Electronic	130.8	+ 7.9%	17.9	- 8.7%
- Manned Guarding	167.2	+ 3.9%	5.4	- 16.9%
<b>FACILITIES MANAGEMENT</b>				
- Facilities Management Services	223.3	- 2.0%	13.6	- 15.5%
- Tropical Plants	52.1	+ 5.7%	4.8	- 7.7%
- Conferencing	44.1	+ 0.9%	10.7	- 10.1%
<b>PARCELS DELIVERY</b>	57.5	+ 4.4%	12.4	- 10.1%
<b>BUSINESS SEGMENTS</b>	<u>1,164.5</u>	<u>+ 2.7%</u>	178.4	- 10.5%
<b>CENTRAL ITEMS</b>			(20.6)	- 114.6%
<b>OPERATING INCOME*</b>			<u>157.8</u>	<u>- 16.8%</u>

\*Before amortisation of customer lists and exceptional items  
At constant 2004 average exchange rates

# Segmental Analysis - Hygiene

## HYGIENE SERVICES

	<u>H1 2005 Turnover £m</u>	<u>% change over 2004</u>	<u>H1 2005 Operating Income* £m*</u>	<u>% change over 2004</u>
- UK	87.0	- 0.6%	13.4	- 27.6%
- CONTINENTAL EUROPE	252.2	+ 3.9%	52.2	- 4.2%
- NORTH AMERICA	2.8	+ 3.7%	0.5	- 28.6%
- ASIA PACIFIC & AFRICA	33.7	+ 5.3%	12.5	- 6.7%
<b>TOTAL</b>	<b>375.7</b>	<b>+ 2.9%</b>	<b>78.6</b>	<b>- 9.8%</b>

## PEST CONTROL

	<u>H1 2005 Turnover £m</u>	<u>% change over 2004</u>	<u>H1 2005 Operating Income* £m*</u>	<u>% change over 2004</u>
- UK	34.1	- 1.2%	13.6	- 17.1%
- CONTINENTAL EUROPE	52.9	+ 2.5%	16.1	- 3.0%
- NORTH AMERICA	8.7	+ 19.2%	1.4	+ 7.7%
- ASIA PACIFIC & AFRICA	18.1	+ 6.5%	3.9	- 18.8%
<b>TOTAL</b>	<b>113.8</b>	<b>+ 3.1%</b>	<b>35.0</b>	<b>- 10.5%</b>

# Segmental Analysis - Security

## ELECTRONIC SECURITY

	<u>H1 2005 Turnover £m</u>	<u>% change over 2004</u>	<u>H1 2005 Operating Income* £m*</u>	<u>% change over 2004</u>
- UK	73.3	+ 7.5%	13.0	- 7.1%
- CONTINENTAL EUROPE	53.7	+ 7.4%	4.9	- 12.5%
- NORTH AMERICA	3.8	+ 26.7%	-	-
<b>TOTAL</b>	<b>130.8</b>	<b>+ 7.9%</b>	<b>17.9</b>	<b>- 8.7%</b>

## MANNED GUARDING

	<u>H1 2005 Turnover £m</u>	<u>% change over 2004</u>	<u>H1 2005 Operating Income* £m*</u>	<u>% change over 2004</u>
- UK	63.9	+ 5.4%	2.1	- 34.4%
- CONTINENTAL EUROPE	21.1	+ 8.2%	0.9	+ 28.6%
- NORTH AMERICA	82.2	+ 1.7%	2.4	- 7.7%
<b>TOTAL</b>	<b>167.2</b>	<b>+ 3.9%</b>	<b>5.4</b>	<b>- 16.9%</b>

# Segmental Analysis – Facilities Management

## FM SERVICES

	<u>H1 2005 Turnover £m</u>	<u>% change over 2004</u>	<u>H1 2005 Operating Income* £m*</u>	<u>% change over 2004</u>
- UK	185.9	- 3.0%	13.0	- 13.3%
- CONTINENTAL EUROPE	25.8	+ 3.2%	(0.4)	-
- NORTH AMERICA	9.4	+ 1.1%	0.1	- 67.7%
- ASIA PACIFIC & AFRICA	2.2	+ 15.8%	0.9	+ 28.6%
<b>TOTAL</b>	<b>223.3</b>	<b>- 2.0%</b>	<b>13.6</b>	<b>- 15.5%</b>

## TROPICAL PLANTS

	<u>H1 2005 Turnover £m</u>	<u>% change over 2004</u>	<u>H1 2005 Operating Income* £m*</u>	<u>% change over 2004</u>
- UK	6.4	+ 1.6%	1.3	- 7.1%
- CONTINENTAL EUROPE	13.9	+ 2.2%	1.7	- 10.5%
- NORTH AMERICA	26.8	+ 8.9%	1.0	- 9.1%
- ASIA PACIFIC & AFRICA	5.0	+ 4.2%	0.8	-
<b>TOTAL</b>	<b>52.1</b>	<b>+ 5.7%</b>	<b>4.8</b>	<b>- 7.7%</b>

\*Before amortisation of customer lists and exceptional items

At constant 2004 average exchange rates

# Segmental Analysis – Facilities Management

## CONFERENCING

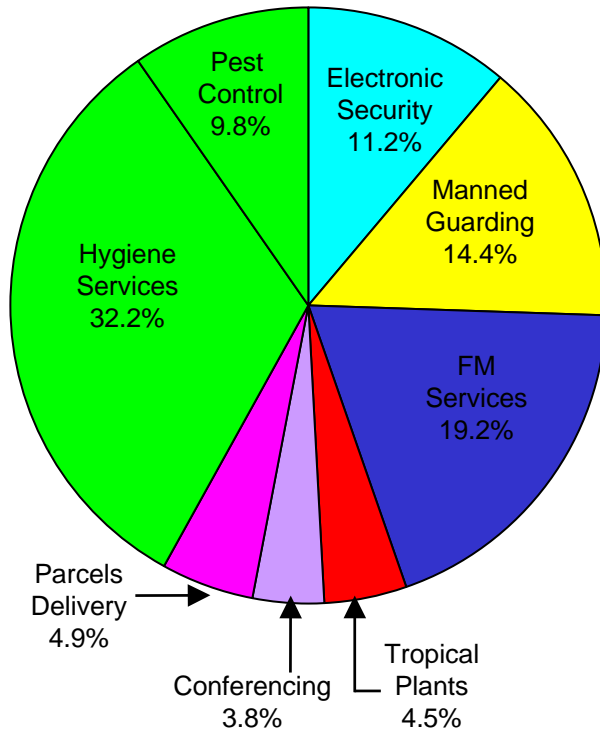
	<u>H1 2005 Turnover £m</u>	<u>% change over 2004</u>	<u>H1 2005 Operating Income* £m*</u>	<u>% change over 2004</u>
- UK	44.1	+ 0.9%	10.7	- 10.1%
<b>TOTAL</b>	<b>44.1</b>	<b>+ 0.9%</b>	<b>10.7</b>	<b>- 10.1%</b>

## PARCELS DELIVERY

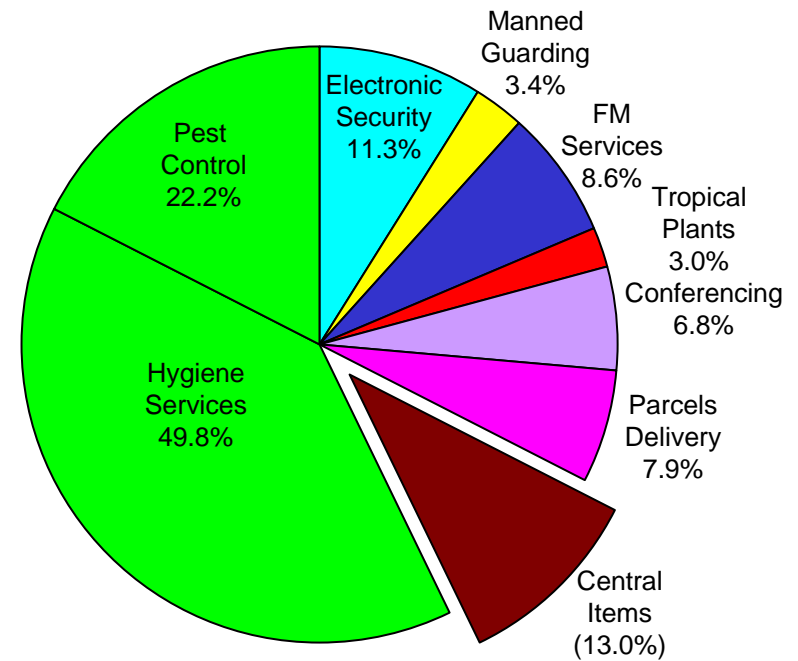
	<u>H1 2005 Turnover £m</u>	<u>% change over 2004</u>	<u>H1 2005 Operating Income* £m*</u>	<u>% change over 2004</u>
- UK	57.5	+ 4.4%	12.4	- 10.1%
<b>TOTAL</b>	<b>57.5</b>	<b>+ 4.4%</b>	<b>12.4</b>	<b>- 10.1%</b>

# Segmental Analysis - Group

Turnover £1,164.5m



Operating Income\* £157.8m



\*Before amortisation of customer lists and exceptional items  
At constant 2004 average exchange rates

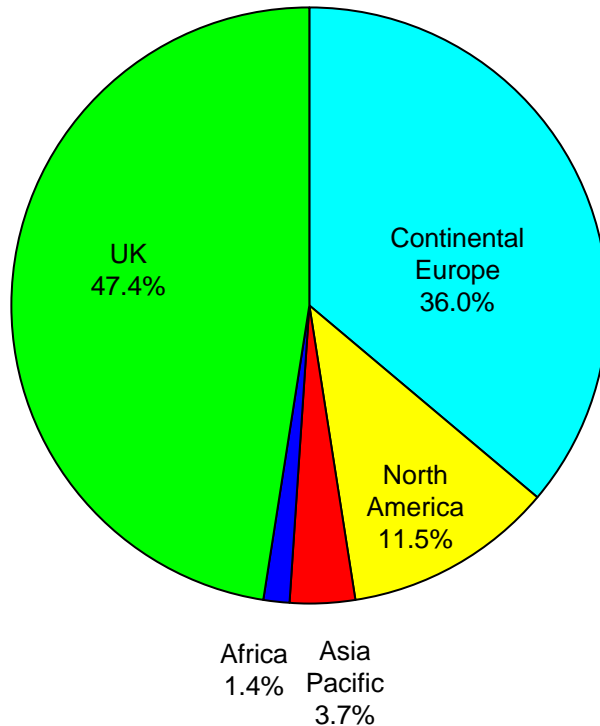
# Geographic Analysis - Group

	<u>H1 2005 Turnover £m</u>	<u>% change over 2004</u>	<u>H1 2005 Operating Income* £m</u>	<u>% change over 2004</u>
UK	552.2	+ 0.8%	79.6	- 15.4%
CONTINENTAL EUROPE	419.6	+ 4.2%	75.3	- 5.3%
FACILITIES MANAGEMENT	133.7	+ 4.7%	5.4	- 10.0%
ASIA PACIFIC	42.6	+ 4.7%	11.6	- 12.1%
AFRICA	16.4	+ 9.3%	6.5	-
<b>BUSINESS SEGMENTS</b>	<u>1,164.5</u>	<u>+ 2.7%</u>	178.4	- 10.5%
<b>CENTRAL ITEMS</b>			(20.6)	- 114.6%
<b>OPERATING INCOME*</b>			<u>157.8</u>	<u>- 16.8%</u>

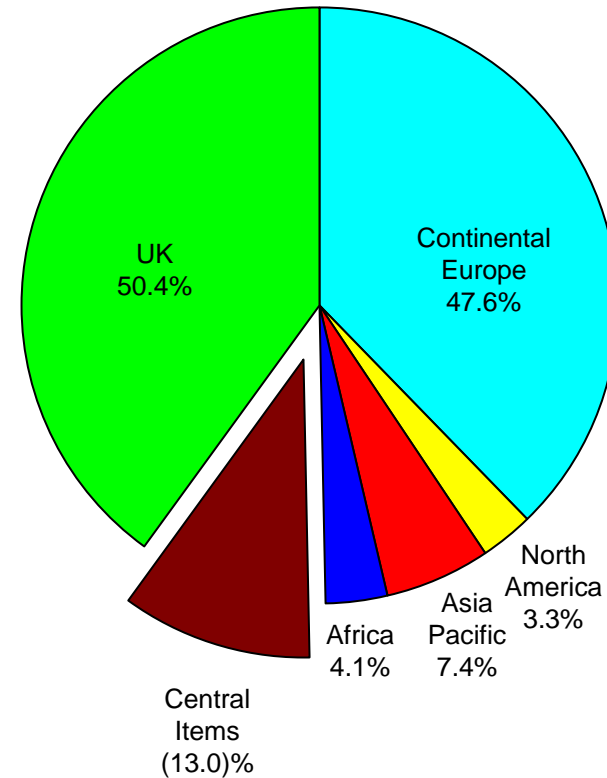
\*Before amortisation of customer lists and exceptional items  
At constant 2004 average exchange rates

# Geographic Analysis - Group

Turnover £1,164.5m



Operating Income\* £157.8m



\*Before amortisation of customer lists and exceptional items  
At constant 2004 average exchange rates

# Contract Portfolio

## PRO-FORMA ANNUALISED VALUE OF CONTRACT PORTFOLIO OF CONTINUING BUSINESSES

£m at constant 2004 average exchange rates	1.1.05	New Business	Terminations	Net Additions/ Reductions (note 1)	Acquisitions	30.6.05
	Hygiene Services	702.3	38.9	(37.3)	6.0	11.0
Pest Control	181.8	16.8	(17.2)	3.2	0.8	185.4
<b>Total Hygiene</b>	<b>884.1</b>	<b>55.7</b>	<b>(54.5)</b>	<b>9.2</b>	<b>11.8</b>	<b>906.3</b>
Electronic	90.0	3.7	(5.0)	1.8	2.5	93.0
Manned Guarding	301.6	27.0	(19.6)	1.3	16.0	326.3
<b>Total Security</b>	<b>391.6</b>	<b>30.7</b>	<b>(24.6)</b>	<b>3.1</b>	<b>18.5</b>	<b>419.3</b>
Facilities Management Services	377.6	27.9	(25.0)	6.7	-	387.2
Tropical Plants	87.0	5.4	(6.6)	2.1	4.0	91.9
Conferencing	37.4	0.8	(1.0)	(0.9)	-	36.3
<b>Total Facilities Management</b>	<b>502.0</b>	<b>34.1</b>	<b>(32.6)</b>	<b>7.9</b>	<b>4.0</b>	<b>515.4</b>
<b>TOTAL</b>	<b>1,777.7</b>	<b>120.5</b>	<b>(111.7)</b>	<b>20.2</b>	<b>34.3</b>	<b>1,841.0</b>

### Notes

1. This represents the net of additions to existing contracts, price increases on existing contracts and reductions to existing contracts.
2. The above include, on a consistent basis, certain estimates where there are regular, variable elements of revenue contained within the contracts.
3. In addition to the above, many of the contracts within the contract portfolio generate periodic, ad hoc and/or repeat job work and extras.
4. Excludes associates

# Balance Sheet

	<u>30.6.05</u>	<u>1.1.05</u>	<u>IAS39</u>	<u>31.12.04</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
INTANGIBLE ASSETS	163.9	150.1	-	150.1
FIXED ASSETS	631.2	661.7	-	661.7
TRADE & OTHER RECEIVABLES	586.1	602.0	(26.7)	628.7
INVENTORY	42.2	40.4	-	40.4
INVESTMENTS/DERIVATIVES/OTHERS (NET)	36.0	44.5	28.3	16.2
DEFERRED TAX (NET)	29.5	19.7	(0.2)	19.9
	<u>1,488.9</u>	<u>1,518.4</u>	<u>1.4</u>	<u>1,517.0</u>
TRADE & OTHER PAYABLES	(534.0)	(551.7)	15.5	(567.2)
CURRENT TAX	(128.7)	(138.4)	-	(138.4)
PROVISIONS	(147.1)	(142.9)	-	(142.9)
NET DEBT	(1,209.1)	(1,189.1)	(34.0)	(1,155.1)
RETIREMENT BENEFITS	(286.5)	(272.6)	-	(272.6)
	<u>(2,305.6)</u>	<u>(2,294.7)</u>	<u>(18.5)</u>	<u>(2,276.2)</u>
<b><u>NET LIABILITIES</u></b>	<u>(816.5)</u>	<u>(776.3)</u>	<u>(17.1)</u>	<u>(759.2)</u>

At actual exchange rates

# Capex

	<u>H1 2005</u> <u>£m</u>	<u>H1 2004</u> <u>£m</u>	<u>% +/-</u>
Land & buildings	4.6	4.3	+ 7.0%
Plant & machinery	8.5	8.0	+ 6.3%
Motor vehicles	14.3	10.5	+ 36.2%
Office equipment	1.7	1.2	+ 41.7%
Computer equipment	3.5	1.8	+ 94.4%
Equipment for rental	54.3	52.5	+ 3.4%
Movement in capital creditor	6.7	8.0	- 16.3%
<b><u>TANGIBLE FIXED ASSETS</u></b>	<u>93.6</u>	<u>86.3</u>	<u>+ 8.5%</u>
R&D	0.3	0.2	+ 50.0%
Computer software	2.0	2.0	-
<b><u>INTANGIBLE FIXED ASSETS</u></b>	<u>2.3</u>	<u>2.2</u>	<u>+ 4.5%</u>
<b><u>CASH CAPEX (inc finance lease)</u></b>	<u><u>95.9</u></u>	<u><u>88.5</u></u>	<u><u>+ 8.4%</u></u>

Net of disposal proceeds

At actual average exchange rates



# Rentokil Initial

Interim Results  
25 August 2005