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PRESENTATION

Katharine Rycroft - *Rentokil Initial plc - Head of IR*

Morning, everybody. Just a few remarks before we start. Could I draw your attention to our safe harbor clause there on the screen in relation to forward-looking statements?

Also, as usual, this meeting is being webcast live, so please do switch off your mobile phones. There is no fire alarm planned today, so if you hear it go, take it seriously, please. There are exits at each corner of the room.

And finally, may I please hand over to our Chairman, John McAdam?

John McAdam - *Rentokil Initial plc - Chairman*

Good morning, ladies and gentlemen, and welcome to the Rentokil Initial full-year results presentation for 2011.

In February 2009, the Board approved a plan that set out to address a raft of operational and financial issues across the Group. We call this the operational excellence agenda. At the same time, we decided not to pay a dividend in order to preserve and improve our financial headroom and to allow time for the operational recovery.

Over the last three years, we have made significant progress, and the benefits of this agenda are becoming apparent. As Alan and Jeremy will outline shortly, in 2011, we have delivered revenue and profit growth in Pest Control, Textiles, Hygiene and Facility Services, despite challenging conditions in many of our markets.

Recent acquisitions are performing well, and we're also seeing organic growth coming through. For instance, our UK Pest business achieved organic growth of 8% in the second half of last year. This is particularly encouraging, given that this is where we are piloting our Programme Olympic sales growth initiatives. Additionally and importantly, the Group has reduced net debt by over GBP440 million in the last three years.

That said, City Link remains a drag on the overall performance of the Group. While we've made good progress in improving service and customer care, City Link's financial performance in 2011 has continued to be disappointing, reflecting continued poor productivity and reduced revenue per consignment.

The Board remains committed to resolving the key revenue and cost issues facing this business, and we are encouraged by the start that the new City Link MD and FD have made.

So although we are far from satisfied with the financial performance of City Link, on the back of significant progress in the rest of the Group's businesses, the Board has decided to reinstate dividend payments, proposing a final dividend of 1.33p per share in respect of 2011.

Let me now hand over to Alan and Jeremy to explain the full-year results in more detail.

Thank you.

Alan Brown - *Rentokil Initial plc - CEO*

Thanks, John. Welcome, everyone. A quick a revise of the highlights before I hand over to Jeremy.

I'm pleased that we've got both revenue and profit growth in the Pest, Hygiene, Textiles and the FM categories, despite pretty tough market conditions. And I'm particularly pleased that in recent trading periods, December and January in particular, we've been seeing revenue growth in these categories clipping along at about 5%. This excludes the City Link business.

We've I think also made a really good fist of the acquisitions we've made over the last 18 months to two years. They are not only growing, but they're delivering quite good profit and they were bought I think at very sensible prices.

And I think that what I'm pretty pleased about, that City Link accepted, we are now executing well on pretty well everything that we are undertaking, not executing as quickly as I would like in some cases, but we're not really making mistakes. So that, I think, is a big change for the Group as a whole compared to where we were three or four years ago. In particular, the execution of the turnaround in the Benelux business, Textiles and Hygiene has gone really very well indeed.

But City Link remains a major disappoint to me personally and to the business. And that, of course, is very clear for everyone to see, with a loss of just over GBP31 million in 2011. And that's despite what I think is an increasingly attractive customer proposition, not only a proposition but a reality of now really very good customer service and customer care. I'll talk about more later on.

Nevertheless, as John has said, the progress in the underlying businesses of the Group is such that we feel confident of reinstating the dividend at a modest level, reflecting also of course the improved net debt position of the Group, which is down to GBP919 million.

So I think in summary, we are seeing traction on our operational excellence agenda coming through at an increasing rate. We have to resolve the City Link challenge, and I will talk later on, a presentation about how we are setting about doing that. But for the moment, I'm going to pass over to Jeremy.

Jeremy Townsend - *Rentokil Initial plc - CFO*

Thank you, Alan. I'll now run through the key financial highlights of 2011. Unless I state to the contrary, all numbers are at a constant rate of exchange.

Revenue in the year grew by 1.2%, with organic growth of 0.9% excluding City Link and Libya. Adjusted operating profit before interest for the year was down 7.6%, primarily due to declines in City Link, but also an increase in central costs.

Lower interest costs and favorable exchange rate movements meant that adjusted profit after interest at actual exchange rates declined by GBP7.9 million, or 4.1% in the year. The Group continued to achieve strong operating cash flow in 2011 of GBP154.7 million, albeit somewhat below the exceptional level achieved in 2010.

Drilling into the Group financials in a bit more detail. As I've said, excluding City Link and Libya, organic growth of 0.9% was achieved in the year through growth in Textiles and Hygiene, Pest Control and Asia Pacific, with Pest Control achieving 2.8% organic growth in the fourth quarter. The organic revenue growth has been driven in part by retention, which improved further in the year to 83.9%.

Acquisitions continued to form well, and the net impact of acquisitions and disposals contributed GBP41 million, or 1.6% of revenue growth. City Link reduced Group revenue by 1.1%, although the revenue trend has improved, with slight growth in quarter 4, despite further declines in revenue per consignment. Adjusted profit before tax was down 6.1% in the year, primarily due to losses at City Link, which at GBP31.3 million were GBP21.7 million higher than 2010, but also due to an increase in central costs of GBP10.7 million.

Increased losses in City Link reflect reduced volumes in the first half of the year, reducing levels of revenue per consignment throughout the year, and a slower than expected progress on cost savings. Profits in the other divisions were up by GBP14.1 million, or 5%, driven by growth in Facilities Services, Asia Pacific, Textiles and Hygiene and Pest Control. Cost savings of GBP44 million were achieved through restructuring, procurement, service productivity and back office rationalization, particularly in our Textiles and Hygiene and Pest Control divisions.

Looking now at performance by division. Revenue in the Textiles and Hygiene division was up 2.7% in the year, 1.4% on an organic basis, reflecting strong performance in Germany, France and the Benelux. Profit performance was reasonably strong in most of the divisional territories, with cost savings offsetting inflationary pressures. And as Alan has said, Benelux's performance was in line with its turnaround plan throughout the year.

The Pest Control division achieved 3.5% profit growth on revenue up 0.3%. Strong growth in North America and Northern European markets was offset by weaker performance in the Southern European countries of Spain, Portugal and Greece. UK Pest achieved growth of 11.3%, driven in part by the Santia acquisition, but also due to strong underlying performance supported by the Project Olympic growth pilots, with organic growth of over 8% in the second half.

Revenue in the UK and Ireland Hygiene business continued to decline, albeit at a lower rate compared to the prior year of 5.7%. The profit growth in the division was achieved through continued strong cost control, driven by back office rationalization and service productivity.

Pest Control acquired two businesses in the second half, giving it an exciting entry point into high growth markets in Turkey and Mexico.

In Asia Pacific, revenue was up by 4.1% in the year, with Asia up 5.9% and Pacific up 3.0%. Growth in Asia continued in our established markets of Indonesia and Malaysia, supported by strong growth in our emerging businesses in Vietnam and India.

The Pacific division benefited from strong performance in Australia Pest Control, with a rodent plague helping to deliver 6.8% growth. We're also pleased with the performance of our Australian Hygiene business, which achieved sales growth for the first time in several years. Continued sales growth, combined with increased cost savings in the second half, led to profit growth for the division for the year of 7.1%.

Revenue in Ambius was up 1.1% in the year, mainly due to the acquisition of Westplant in the Netherlands. Profits were slightly down year on year, with cost inflation and adverse sales mix offset by cost savings and the acquisition of Westplant.

As already said, City Link incurred losses of GBP31.3 million in the year on revenue levels down GBP29 million or 8.5%. The revenue reduction was driven by 3.5% lower volumes, primarily due to customer losses incurred in 2010. Volume performance was stronger in the second half, up 2.1%.

The market remains challenging and competitive and the average price per consignment fell by 5% in the year, and by 5.5% in the second half.

Service levels were strong throughout the year, and in particular in the busy Q4 trading period compared to 2010. However, cost performance, and in particular productivity was below expectations, and financial performance is anticipated to continue to be poor in the first half of 2012.

The new management team has a strong plan to deliver significant cost reductions, and we expect improved results in the second half of the year; and Alan will talk about this plan in more detail in a moment.

Initial Facilities continues to trade robustly, despite continuing difficult trading conditions. Revenue was up by 6.9%, largely due to the Knightsbridge and Santia acquisitions. Excluding these, sales were down by 1%. Profits were up by 13.1%, primarily due to acquisitions, but also reflecting margin improvement and cost savings.

Moving now to the rest of the P&L. Interest costs were GBP6.5 million lower than the previous year, driven by a GBP3.1 million favorable movement on pension scheme interest, and the GBP3.4 million reduction on interest on net debt. The latter variance was driven in part by reduced average net debt levels, and in part by a slightly lower average net interest rate.

The Group delivered another strong year of operating cash flow at GBP154.7 million. Reorganization and one-off costs at GBP38.2 million were GBP13.1 million higher than the previous year, primarily due to increased restructuring costs in Textiles and Hygiene, Pest Control and Initial Facilities. CapEx was GBP20 million higher than the previous year, reflecting inflationary pressures in Textiles, and an increase in IT investment to support Programme Olympic and customer care in City Link.

In terms of free cash flow, cash tax was GBP9.5 million higher in the year, primarily due to the phasing of payments of 2010 tax liabilities into 2011. Net expenditure on acquisitions and disposals increased by GBP24.7 million in the year. Notwithstanding these increases though, the strong operating cash flow resulted in the reduction of net debt to GBP919 million at the year-end.

And finally before I hand back to Alan, just some numbers for your models in relation to 2012. We have targeted GBP50 million of cost savings for 2012, including GBP20 million in City Link; and we continue to see opportunities in procurement, service productivity and back office efficiencies across the Group.

Having renegotiated our revolving credit facility in late 2011, I expect a very small increase in the underlying interest rate in 2012. This will, however, be significantly offset by a GBP7 million increase in the net pension interest credit, reflecting the increase in the accounting pension surplus on the balance sheet at the 2011 year-end.

I note that there has been some weakening in the euro in recent months, and this creates some exchange risk in our 2012 profits at actual exchange rates when compared to the average exchange rate for 2011. As a guide, at a rate of EUR1.20/GBP1.00, the impact would be approximately GBP6 million for the year if that rate was to exist for the rest of the year.

In terms of CapEx, I expect CapEx to be in the range of GBP220 million to GBP240 million in 2012, the increase reflecting increased investment in Textiles and Hygiene plant, and the further deployment of Programme Olympic initiatives across the Group.

Although they are by their nature difficult to predict, I would expect one-off in reorganization costs to be somewhat lower in 2012 in the range of GBP25 million to GBP30 million.

And in terms of the tax rate, I expect the adjusted tax rate for 2012 for EPS purposes to be broadly the same as that for 2011 at around 25%, and the cash tax rate to be similar to that in 2011 as well at a slightly lower level of 24%.

I'd now like to hand back to Alan, who will take you through the strategic update.

Alan Brown - *Rentokil Initial plc - CEO*

Thanks, Jeremy. So a simple agenda; I'm going to give you an update on progress against our strategic thrusts. I'm then going to try and convert that into the plans for 2012 by division, and then give you a summary of the Group as a whole.

But first a quick romp through our strategic thrusts. I hope that those of you who follow us are familiar with these five headings that we've used really pretty consistently now for over three years, and also with our red, amber, green [rank] reporting mechanism that we use to indicate where we think we've got to on each of these thrusts.

First of all, the service and care agenda, which was really the fundamental plank on which I really embarked to turn around Rentokil Initial, looking back almost four years ago, I think we've made further progress in 2011. Our service levels have been good to excellent, and I'm particularly pleased as we move into 2012. We are at levels we've not really seen before, in terms of underlying service. City Link in particular is achieving about 99.4% service delivery at the moment.

The care agenda, which is about the responsiveness to customers and answering telephones and being able to rectify issues, I think we're still on a journey. We've made a big step forward in 2011 in City Link, as you will see later.

The capability agenda's an ongoing agenda. This really focuses on the technology developments, the innovation developments and the people developments across the Group, and I'll talk you through our progress in due course.

Operational excellence, I think we have moved on a step, the Benelux turnaround being a very good example of that. And our focus on route and round optimization; and indeed on a number of the more operational aspects of the Olympic agenda are all pretty encouraging. And I think we've got a really clear architecture right across the Group now of what we're trying to do, albeit there's a lot of implementation to follow through on.

Cost and cash is an area of disappointing performance in 2011, really entirely down to City Link. City Link fell north of GBP20 million short of what we anticipated we would get to in terms of productivity. The rest of the Group has delivered GBP44 million, and is pretty well bang on target.

On the growth, fifth strategic thrust agenda, I think we've done reasonably well in terms of retention of customers in tough markets, and we are making now I think really good progress in terms of our agenda for winning new business. And, again, I'll talk you through that in a moment.

So overall, we've made some further progress, but a black mark in terms of the City Link performance on cost and cash.

A little bit more detail on that. Service good; retention unchanged, 84% in tough markets. The performance in Initial Facilities in the second half of the year was a bit adverse, and that was really due to economic conditions. Luminar, for example, went south, and one or two other businesses really suffered because of the UK economy, but the underlying trend is still quite encouraging.

The investment in care technology in City Link had a dramatic impact on our ability to handle calls, particularly by being able to move call volumes around the country from one location to another. And the level of abandoned calls, which we measure assiduously in the business, those calls over 20 seconds which were abandoned, fell from over 30% -- in peak times sometimes it was 70% - down to under 5% in the last two to three months.

And the quality of call handling and our ability to resolve issues has increased quite dramatically, and to such an extent that we're now going to be rolling out the core elements of the City Link investment across the rest of the Group over the next couple of years.

And indeed, that really does set the agenda for 2012, as you can see below with the rolling out of the care technology, rolling out of the proactive account management developed under Project Olympic. And indeed, a big focus on calling incentives linked to customer satisfaction.

You'll have heard me talk before about our measurement of customer satisfaction through the external measure known as Net Promoter Score, and that is being rolled into the vast majority of managerial targets for 2012. They will be measured on the NPS scores in their business units as part of their bonus package, which will bring further focus on this important area.

On capability, I will come back and talk about Olympic a little bit later on, but for the moment, the Prospect to Cash pilot, looking at that whole administration process from acquiring new business leads right through to signing the contract, we've made really quite dramatic progress in the UK business.

I think that those of you who attended the Pest Investor seminar a few months ago will remember in particular the tablet tool that we're rolling out in the UK. That's gone extremely well for us. That tablet gives us completely straight-through processing; takes away all the administrative burden from our sales for, it gives us much better control of what our sales people are doing.

We know precisely the time of the day when they are actually doing what with which customers, and we're able to diarize their work program to a much greater extent. This is really quite revolutionary in my view for our industry, and we're on a fast track to roll out that advantage Olympic project across the Group.

But it's not just about the growth agenda. We're doing a lot in terms of the HR and the finance agenda. I think that in terms of our HR agenda, we've got the most complete suite of initiatives imaginable in terms of recruitment, 66,000 people. We have a lot of recruitment to do each year. And in terms of [self] service for all of our staff in terms of their own HR record, all that's being rolled out across the Group over the next 18 months to 24 months.

In terms of people, and of course we've made some key appointments in the City Link division in particular; I'll come back to that part later on. And in the Textiles business, we have made some good steps forward in terms of our technical and procurement capability.

I'm not going to talk a great deal about that today because we do intend to run an Investor Seminar on our Textile business on May 4 straight after the announcement of our Q1 results. So please put that in your diaries. May 4, we'll do similar to in the past, a short half-day leading on from the Q1 results announcement, just focusing on the Textile business.

So the initiatives for 2012, I think the headline initiative is that we have established a marketing and innovation team for Pest and Hygiene, a combined team. I'll come back and talk about that just over the next chart.

Rollout of the Olympic initiatives is also very key. Launch of a Group-wide university plus a distance learning set of training suites for all of our employees. That's a further big HR initiative for us. And we've adopted, very recently a single project management tool right across the Group to help us manage the multiple projects that we're handling at the moment.

Just a short word on marketing and innovation. We have brought together marketing and innovation resources for Pest and Hygiene into one team. We did this because we were not happy with the rate of progress were making in separate divisional teams. And as we, as you know, brought together our operations at country level across the Group into single Pest and Hygiene units, it was proving increasingly complex to support those businesses through separate teams.

This team is being led by Xumei Bennink-Bai, who you may be aware currently runs the Asia and Pacific division. She is going to take responsibility for marketing and innovation. She's giving up her responsibilities for the Pacific, which go to Peter Slater, but she will continue to run Asia and run this team.

We've formed a team of about 40 people around her, and the team has already established eight very clear priorities for delivery over the 12 months on the innovation agenda, which we're all very excited about. And she will also with her team be responsible for developing a medium-term innovation agenda for the Group. So that is an opportunity and a challenge for us over the next 24 months.

Third strategic strategy is operational excellence. Big news here, of course, is that the Benelux has performed well throughout 2011 and seems set fair now with a good agenda for 2012.

We have made progress in terms of City Link's ability to serve our customers, which I am pleased about, despite the financial performance being very disappointing. And all of our businesses are focusing on round and route optimization initiatives which will drive further productivity savings over the next two to three years.

For 2012, we've got a big rollout agenda on the route and round optimization tools. We've got a lot of focus on front line training, particularly in the City Link business. And City Link itself has some major catch-up work to do in terms of operational controls and systems, again which I'll revert to in a separate section on City Link.

Now on cost and cash, the next initiative, we delivered GBP44 million savings in 2011. We've also made further progress in terms of day sales outstanding, in terms of accounts receivable. That's down by two days to 45, which I'm pleased about.

And for 2012, we're targeting a further GBP50 million, of which GBP20 million will be in City Link. We've got a good procurement agenda; we're rolling out the ARIBA system which will give us much better control of all the small areas of expenditure that we incur across the Group. And the Textiles initiatives I think will finally under way. Again, we'll talk about that more in May.

And in addition to that, we have a big back office rationalization program which we're putting into place throughout 2012, again, benefiting from the technology investments we're making. And in particular, we'll be forming Finance and HR service centers as the year progresses.

Finally then on growth. We've seen in 2012 really good traction from our growth pilots, particularly in the UK Pest business. We've seen increasing momentum in the Textiles business. And as I said in my opening remarks, the investments, particularly in the IF business, but also in the Pest business, and acquisitions have all gone well for us. I think I'd particularly point out that expanding the business into security, into water and fire, and particularly into M&E, is giving us strong organic growth, as we're able to expand our FM services.

There will be more of the same in 2012. We've got a major rollout agenda on Olympic across the rest of the Group. We've got a welcome challenge in terms of making new market and innovation structure come together. I'm encouraged with our early progress there.

We see a lot of opportunity, perhaps more than we've seen in recent times in terms of the bolt-on acquisitions, primarily Pest. And we've got, I think, certainly the best and most coordinated group of divisional action plans that I've seen over the last three to four years in the business.

So let me try and convert that for you into a bit more detail by division. These charts are -- the next few charts are all in a standard format. The left-hand side gives you a view of the underlying organic growth excluding acquisitions over the last four half-years, half 1 2010 to half 2 2011; and there's also a line showing the underlying APBITA margin development -- sorry, the APBITA in absolute pounds million.

So you can see Textiles and Hygiene has been making underlying progress in terms of organic growth, despite quite difficult market conditions in parts of Europe, though not in Germany I have to say, which continues to go very well for us. The business should benefit over the next few months from further reductions in cotton prices after the peaks of last year, of course.

The performance drivers in 2012 will inevitably be, of course, ongoing focus on cost. We're very pleased to have now been able to implement division-wide logistics tools to give us full visibility of both supply and demand, which should enable us now to co-ordinate our purchasing much better across the whole division rather than being dependent on individual country purchasing.

We'll get further benefit from full-year impact of the Benelux turnaround. We are making progress on pricing, with much better view of individual customer profitability. That's a trend across the whole Group, I have to say, which is enabling us to really go for more selective pricing than we have been doing in the past.

We are beginning to build momentum on product innovation in both Textiles and Hygiene. However, the price of success is inevitably, particularly in the Textiles business, some increase in capital. The growth in Textiles does require investment in equipment for rental, in the Textile business in particular.

Pest Control; we've seen a good increase in organic growth in the second half of 2011. You can see the trend chart on the left again. Pest, of course, has a chunk of Hygiene business, you'll see that later on, which is exposed to some difficult markets in the UK, of course, although the business is under some pressure. And our other Hygiene businesses are in Spain and in Italy and in Greece and in Portugal, actually, in the Pest division. So those are not easy markets at the moment. But despite that, we've been seeing some underlying growth in the division as a whole.

The Olympic initiatives are really important for this division, given that it's a lot of small sales and, therefore, one has to have really good processes in efficiency. So we will benefit I think significantly from the rollout of those initiatives during the course of this year. And the focus on the productivity agenda is also going to be very important for this division.

The bolt-on acquisitions that I referred to earlier, just to give you a bit more flavor on that, we will be targeting very much the Middle East and the Americas for the division. We've got a pipeline which is significantly stronger than we've seen in the last two to three years, and I'm very much hoping we'll be able to land a few deals in the first half of 2012 in this division in both territories.

Asia Pacific. This is the combination of a big mature business in Australia and New Zealand and, of course, a number of small businesses, about 12 small businesses in Asia. You can see again that we've been making progress in terms of organic growth. We've been hitting about 6% plus in Asia and about nigh up to 4% in Pacific.

We in terms of 2012 have an outstanding challenge to turn around our China business, which is currently loss making, but the management team has improved leaps and bounds there, and we are now seeing some momentum again in China after reversal about 18 months ago.

Our businesses in Indonesia and Malaysia are growing [gangbusters] I'm delighted to say; very strong performance in 2011, continuing in 2012. India and Vietnam are beyond the start-up stage and we're seeing rapid growth, though not yet profitability.

But, overall, I think that we've really bottomed out the Asia business in particular, and we're seeing good benefits by bringing together the Pest and Hygiene businesses which has enable us to pool the limited capability, managerial capability that is available in the Asian region.

And I think maybe just as an additional point, we're really pleased to see that the big Hygiene business in Australia is now back into the growth for the first time in eight years. That really is quite satisfying for us.

Ambius division, a small division particularly hit by the economic conditions, the adverse economic conditions, and has struggled to get back into organic growth. But I think it has done incredibly well to at least maintain profitability in quite tough conditions. This business is really the little sister to the Pest business and is quite dependent on roll down of initiatives from pest into the Ambius model, and that's exactly what we're doing to support the Ambius business across the Group.

The IF business has been and is inevitably a bit more volatile in terms of its contract wins and losses. As I said, in half 2 2011, we were adversely hit by the loss of a few big contracts, all really directly due to the adverse economic situation in the UK. Luminar is one that comes to account; Gala Coral is another one. But the outlook here is I think significantly more encouraging than might be evidenced from the chart on the left.

As I said, we have had some immediate success as a result of the acquisition of the M&E business, MSS. We've had some big contract wins over the last couple of months. I'm delighted to win the Lewisham Hospital contract; very pleased to win the London Ambulance contract. And we are due to announce imminently the win of a major local authority contract, the latter directly due to the acquisition of MSS. So I would expect to see good organic growth in this business in the first half of 2012.

And of course, as you will have seen, the absolute revenue growth and profit growth in the division has been really good because of the really good purchases we made in the year as whole. I'd expect to see some more acquisitions in 2012.

City Link; now a special subject, City Link. The trading momentum really indicates the underlying challenges we faced in this business. We've seen a rather better situation in half 2 2011 than the previous 12 months; and in quarter 4, we did get back into a very small amount of revenue growth, a lot of volume growth, but a very small amount of revenue growth.

The market conditions, of course, are very mixed. We continue to see strong underlying growth in the B2C sector, but equally strong pricing pressures to ride through, and that has been an additional challenge.

And what I thought I might do here is to really go back to where I started from with City Link, which is back to 2008 when we communicated to the market and internally that we really had a seven-point plan to turn around this business, which has been a real problem, of course, over the last four years. And what I intend to do here is to give you a reprise of that plan; what we think we've done well, what we've obviously not done well.

Well, the first part of that seven-point plan was to reinstitute a service-oriented culture. I think that we are doing the basics now very well. Our customer service levels are extremely high. And as I said to you before, the investment in customer care has had a dramatic impact on our ability to handle both the quantity of calls and in terms of the quality of responses. I'm delighted with that.

But nevertheless, there is a lot to be done with colleague engagement. We use an internal research mechanism on an annual basis of all our colleagues across the Group, or we certainly invite all colleagues to respond. We have a response rate of almost 70% across 66,000 colleagues. And that, as we call it Your Voice Counts initiative gives us a very clear indication of the levels of engagement, and enablement of each of our colleagues across the Group.

And the results in many of our divisions are truly world class. The best division, and particularly Ambius division, would be up with the high-performing norms in the research methodology, because this is a standard research methodology that's used across the world.

The City Link performance, however, is not good, and is far below the rest of the Group. So we have a lot to do in terms of engaging our front line colleagues in City Link, and that is a major task for us going forward.

But we do know how to do it. We've got world class scores in the rest of the Group, or many parts of it. We've got a big challenge to get that colleague engagement up.

The second challenge we had in City Link was to establish strong operating systems. In the Group, you may remember that in the early days post the merger, this was a major issue for us. We, for example, had problems to get one vehicle to go to one street. We were having to send two or three vehicles to one street because we weren't able to -- our systems bring together information for customers coming from the target business and coming from the City Link business. We had to send two different vans to the same location quite often.

That's all been resolved. We've now I think got very robust systems in the business which are working very well.

However, we have not in my view developed satisfactory compliance to our standard operating procedures; very simple things like making sure we get proof of delivery. I'm still not satisfied with the level of compliance, and this is all about a lack of rigor in terms of operational management.

The third challenge we set ourselves was to establish strong control systems and processes to manage what at that time was 94 depots. And here, I think that we have really done very badly. The operational cost management, as I indicated in the quarter 3 results has been really disappointing, and the control and planning of the operations has been really disappointing. So that clearly is a big challenge for us to sort out over the next six months.

The fourth part of the seven-point plan was to review the size of the infrastructure. I think we've done this pretty well. We managed to take out one hub to move to a central hub pretty well seamlessly, and we've gone from what was 94 depots in 2008 to 69 depots currently, and we would expect to be about 65 depots during 2012. And we now generally are able to flex the infrastructure of the business without any material impact to service quality. And that's a big step forward from where we were even 18 months ago.

And the quality of the facilities across the City Link business is now really high. The depots are generally excellent; one or two exceptions. The fleet is also terrific and heavily branded. I think that the visibility of City Link and the consistency and quality of City Link on the street is much, much better than it was. So I think we've done a good job in this area.

Now right-sizing resources to match the cost base, clearly, we haven't achieved that, and I think this is very clearly due to our poor management of sub contractors, and of productivity generally. It follows on from our challenges under point 3 in the previous chart, which is how we've not been able to institute a strong operating culture of the business, and we've not been able to institute strong operating systems as yet.

So point 6 of the seven-point plan was to capitalize on growth opportunities in the market. We have capitalized I think reasonably well on the growth opportunities in B2C. I think that the industry would generally see that we're now one of the four businesses, one of the four go-to businesses for B2C along with Yodel, DPD and Hermes. And we would be seen, I think, to be a really pretty good provider in that B2C space, which continues to grow strongly and is likely to grow strongly, I think, for the foreseeable future.

However, where we have really suffered is in our management of the existing, small B2B customers. We have lost around about 20,000 of these small customers over a period 2008 to about Q1 2011 through what I think can only be described as really poor account management for these small businesses.

I think we've now managed to stabilize that situation, but that has had an adverse impact on our mix, which is now very clear to us. And of course, the conditions generally in the market have been very challenging with a lot of pricing competition.

And then finally, the seventh point was to ensure the organization had the capability to drive the agenda effectively. And it is now I think very clear, particularly with having a high quality leadership team in place, that our management has been very weak in depth across the Group.

Let me turn if I may to what we are going to do, going forward, and you can see on this chart the 2012 performance drivers. And this agenda I think follows very clearly from the strengths and weaknesses of the seven-point plan that I've just outlined.

We have a big engagement and enablement program off the front line, starting off with the drivers. I attended an all day driver training program with 19 other drivers about two weeks ago. It's not to tell them how to reverse or to turn left or turn right; it's to re-engage them in the customer prerogative and to engage them in the productivity growth of the business, and I was really delighted to see how well they responded to that.

And I then spent a very happy day down in Bournemouth and Southampton with some of the drivers I'd met going round their various customers to understand exactly the challenges they met in their daily work.

And I think that when we do things well, we do them very well. The challenge for us is getting a consistency of delivery across all 2,500 vehicles we have out on the road every day, but we're going to get there.

Establishing strong operational control processes; I think we're making strong progress with -- and Rob Peto in particular with his decade-long experience in the parcels industry and the success of two previous turnarounds is bringing a lot to the business. And we can see very clearly where our processes have to be improved, and we're seeing immediate impact of that over the last few weeks.

Probably the biggest single driver of improvement that we can make in terms of productivity is to move to paying subcontractors on a volume basis rather than time basis. And I think to try and quantify the -- what we're trying to do, what we have to do over the next six to nine months, I think the best way to say it, to explain to you is that we can see very clearly now as a result of having an ability to benchmark what the best people in the industry are doing against what we're doing, we can see that it costs us about 70p per delivery more in City Link than the rest of the industry per delivery. And we would aim to be delivering round about 50 million consignments this year.

So 70p across 50 million is a lot of money on a full-year basis, as you can see; it's not a difficult thing to work out. And we have been able to see very clearly where that 70p is going missing across the City Link business compared to the best in the industry. It's not structural to any great degree. It is much more about getting productivity out of our individual drivers and warehouse people. And the biggest single area is probably in our management of subcontractors. That is where we're losing out in particular.

And the plan we have in place, including all of the details I've written down here, is already in full implementation mode as we speak. And I would expect to see 70% of these initiatives being implemented by the time we get to the end of June, the half year.

Now the financial benefits of these initiatives will in all likelihood not really come through until we get to Q3, so I would expect that we will suffer significant losses in the first half of the year. But I think the good thing is that by the time we get to June/July time, we will know where we stand in terms of the underlying cost profile of the business, and then we should be seeing material results coming through in Q3, and of course into Q4.

So as I said before, I don't think the issues we face are structural; they're very much operational, and they're capable of being turned around quickly. And we'll just have to see how we get on over the next few months in terms of delivering these initiatives.

And just a final point, down at the bottom of the list I think, we continue to have a strong new business pipeline, and we would expect to see revenue growth as the year progresses.

Now then, on a different subject, I'm conscious that we have made a lot of changes to the business units within our divisional reporting structure over the last two to three years. And that is really reflecting a move toward much more regional management of our business, more territorial management of our business at an operating level. But centrally, we are investing much more now in category management to support the regions.

So what we have done is to show in this table not only our divisions down the Y axis, but along the X axis we've shown our underlying categories, which of course remain much more stable in terms of the contribution to the Group. And I think also it's an important chart, because it indicates very strongly not only the importance of our Pest business to the Group, but equally the importance of our Hygiene business to the Group, which you don't always see, of course, because the Hygiene business is spread across three to four of our divisions.

And you can see here that it's pretty well on all fours with the best business when it comes to both revenue and profitability, and that is why, in particular we have formed this team, this market innovation team, to bring together our market innovation capability to drive both those Pest and Hygiene businesses across the globe.

So I hope that's helpful for you. It's certainly helped us to focus where we should put our resources going forward, and I think indicates very clearly where the strengths of this Group lie.

So let me finish before we go into Q&A with an overview of the business and give you outlook for 2012. On the left-hand side, again, you can see the underlying organic revenue growth of the Group. We've moved into slightly positive territory in the second half of 2012. I'm not going to make any prediction of a number for -- sorry, second half 2011. I'm not going to make a prediction of the number for 2012, but you can see there's been a pretty consistent momentum of organic growth development across the Group.

We expect to see good continued momentum in the Pest, Hygiene, Textile and FM categories. We've seen 5% to 6% growth in the last couple of months in these areas overall. We expect City Link to remain poor in terms of financial delivery over the first half of 2012. But internally, we have very clear milestones in terms of the series of initiatives that are outlined in the previous chart, which as I said, I believe will be 70% implemented by the time we get to the half year. And that then should deliver marked improvement in Q3 and Q4, if we're able to remain on track in terms of that business.

We are focusing on GBP20 million -- sorry, GBP50 million cost savings for the Group, GBP20 million plus for City Link for 2012. And the operational excellence agenda is really starting to come through, particularly driven by Programme Olympic. And I am reasonably confident that will underpin further growth in our key categories and will mitigate against the impact of what continues to be quite challenging market conditions for us.

So with that, I'd be delighted to take with Jeremy any questions you might have.

Please.

QUESTIONS AND ANSWERS

Rob Plant - *JPMorgan - Analyst*

Rob Plant, JPMorgan; two City Link questions. Shouldn't City Link have done better in Q4, given the easier comp with the prior year's snow and the difficulties faced by one of your competitors?

And at Q3, you said that you expected City Link to not break even in the first half but to break even for the full year 2012. Is that still the case?

Thanks.

Alan Brown - *Rentokil Initial plc - CEO*

The answer to your first question is, yes, it should have done better, and I was really disappointed when we saw the volume growth coming through that we didn't see improvements in productivity. I think it's pretty clear now that the reason we didn't was that we just didn't have management in the business who were capable of both delivering good service and delivering good productivity. They can do one or the other but not both at the same time.

Now I think to stand back a bit, what I now see in the business is that we had acquired two management teams back in [2008], both of whom were very unusual. I think we had a Target Express business which was a very specialized business, driven largely by personal relationships within the business, serving a relatively small group of about 2,000 B2B customers who had not professionalized the Parcels business in the conventional manner that the other businesses were doing.

And then in the City Link business, we had this business which was really used to running a group of franchisees. So the coming together of those two groups was just missing a hard core.

We had then a very entrepreneurial leader who managed to hold the thing together for a period of time, but he wasn't able and we didn't have the resources in the Group at the time to support him to really drive the professionalism down the organization.

During 2011, I think we've done a lot to bring in state-of-the art systems, and we've invested really strongly in the infrastructure of the Group, but we still didn't have that core operating management.

Now you have to start at the top in these things, and I've struggled really to get good leadership into this business. I think now we have that, and just to remind you, both of David Smith and Rob Peto have been in the industry for a decade and they've both been responsible for one or two really big turnarounds in the past, and it's now really clear what we have and what we haven't got in the business.

And one of the first things that we planned last year but delayed until they came in was to really then restructure the depot management. It seemed pretty clear to me that we had a layer of management too many in our depots, the top of the depots. We had both a depot manager and operations manager.

And what we've done over the last few weeks is to take those two levels and compress them into one. And what we did was for the 100 or so management we had across the business in those two levels is we asked them all to apply for the new single role. So we had 100 plus people competing for about 65 positions, reflecting the number of depots we expect to have at the end of the year.

And what we found was that when we went through competency-based interviews, we ended up having -- out of those 100 plus, we had only 30 who were successful in getting into the new positions. So I think that indicates to me very strongly the weakness and depth we have had in the division.

Now that has become really clear to us over the last few weeks as we've gone through this process, and I think that our ability to attract good people into the business is now improving rapidly because of the reputation of the team we have. And I think we'll be able to plug the open positions pretty quickly. And with some training, we may be able to actually get some of the people who failed initially to actually be able to be competent depot managers.

But in essence, I think that has been the reason why when we saw the Q4 volume coming through we weren't able to convert it into profit. We just had really poor productivity, and the benchmarking data we have now shows we have got the 70p consignment gap. It's costing us about GBP7 to deliver a consignment. We need to be below GBP6.50, quite clearly, to make money.

And we can see chunk by chunk exactly where that is, and we have now in place a program to deliver it. I think we've targeted just over GBP20 million of saving in 2012, but on a full-year basis, there will be a lot more to come on that.

Rob Plant - *JPMorgan - Analyst*

And on a full year, will City Link make a profit?

Alan Brown - *Rentokil Initial plc - CEO*

It won't do that in 2012, but I would expect that, again, depending on the success of the implementation of the initiatives we have over the next four to five months, it will be in profit in the second half. But that's not obviously an undertaking. I think we'll have clear milestones along the way at the first quarter and the second quarter to see whether we're on track to do that.

And the other caveat I think that one has to make on that is that the revenue per consignment has been under pressure across the industry, and the industry in my view and in the view of others needs to correct that.

We are seeing a lot of price increases going through in the market at the moment, not only ourselves but other competitors. We've got to make sure that those prices stick if we're to get the whole industry profitability up to an acceptable level.

Jaime Brandwood - *UBS - Analyst*

Jaime Brandwood, UBS. Alan, just wondering if I can start by asking, I only expect really qualitative color here not precise detail, but it was quite helpful when you and the rest of the management team from ICI arrived that we had very good color on your incentives. And I wonder to what extent you might be able to give us some qualitative color on the incentives for the City Link management team in terms of what their key targets are and what kind of things they're meant to achieve and over what time period.

Alan Brown - *Rentokil Initial plc - CEO*

Yes. Well, they've got, David has got six targets. He's got a revenue target, he's got a profit target, he's got a cash target. He's got a YVC target, which is based on very specific scores to be achieved for the enablement and the engagement of the front line colleagues in City Link. He's got a Customer Voice Counts target, which is basically an MPS target for getting customer satisfaction levels up in the business as well. He's got one other which escapes me for the moment.

But that gives you, I think, a good flavor of the very specific targets that he has; and that then, of course, is being rolled down the whole organization. Each depot manager will not have a cash target, not responsible for cash, but most of the rest of the targets they will have exactly the same; a YVC, CVC, profit not quite. They've got a contribution target. And, yes, pretty -- really consistent right down the organization.

Jaime Brandwood - *UBS - Analyst*

In the same way that you were I guess initially on a five-year program, are they on a three-year program, two-year program, four-year program? Is there any kind of specific time horizon to any incentive [plan]?

Alan Brown - *Rentokil Initial plc - CEO*

In my view, the City Link business has to be run on really meeting short-term objectives at the moment. It's not about four to five years. It's about meeting short-term objectives.

It's not a mystery what we have to do, Jaime. The targets are really specific, and we've got -- there are about 20 initiatives going on, but they've all started. And as I said, the thing which I would like to leave with you is that we expect to be 70% through the implementation of the things that have to be done by the half year.

That's not to say that once that's done we're there. There's a lot of customer development work to be done which will take much longer in terms of what sectors of the market do we focus on. How do we grow, for example, our very successful point of sale business where we're really very good at delivering, say, point of sale material into supermarkets. It's a very specialized area. We do that very well. How do we grow that? How do we develop our international trading partners?

We've got some specialized areas to go into. How do we improve our service of the technology center in terms of security and protection, and all the rest of it?

But I think that the program to get the business back into profitability is the important one, and that's the one where I expect to be 70% through by the time we get to the half year.

Jaime Brandwood - *UBS - Analyst*

Okay. And turning to ex-City Link, I think you referenced -- I don't know what the time period was, but something around the fact that you'd been seeing 5% revenue growth ex-City Link. Firstly, what time period was that for? Is that like the last two months or --?

Alan Brown - *Rentokil Initial plc - CEO*

December/January.

Jaime Brandwood - *UBS - Analyst*

December/January. And what's the organic number within that 5%?

Alan Brown - *Rentokil Initial plc - CEO*

It will be a couple of percent.

Jaime Brandwood - *UBS - Analyst*

2%. Okay perfect. And then just lastly, turning to the cost savings that you expect to achieve this year, GBP50 million, GBP20 million City Link; therefore, GBP30 million the rest, can you give us any sense of that GBP30 million by division?

Jeremy Townsend - *Rentokil Initial plc - CFO*

Sure. So just over one-third of the GBP30 million will be in Textiles and Hygiene. About one-third in Pest Control and the balance largely driven by cost savings in Initial Facilities through a lean program they're implementing through their operations.

Jaime Brandwood - *UBS - Analyst*

Thanks very much.

David Hancock - *Morgan Stanley - Analyst*

David Hancock, Morgan Stanley; two, if I may. I'll start with the first on growth. I appreciate you don't want to give a number for growth that you anticipate for this year, but could you just talk about the details of the rollout of Olympic across the divisions and the timing of when you expect to roll these pilots out? Because clearly, they've had an impact in UK Pest; and when you expect to see the benefits come through, even if you won't put out a number on what those might be.

Alan Brown - *Rentokil Initial plc - CEO*

Yes, on the major geographies -- sorry, the major European businesses, we would expect to have them rolled out by the time we get to quarter 4, I think. I'm looking at (inaudible) of this, but I think it's about in quarter 4 this year in Europe, [Stuart], which (inaudible). North America I think will take a bit longer because we're still trying to implement the basic ICABS system there. We expect to be in there early next year.

And there are about six to seven different elements of the Olympic agenda. At the simple end, it's about putting in place the standard complaints management procedures; slightly more complicated then is the customer revisits procedure. And then the really sexy stuff is about the implementation of the tablet tool, which you saw, which takes longer, of course.

So it's not as if we have to -- we're doing all seven at once, need to market; you tend to be able to do the easy ones first, get going more quickly and then get the more advanced ones in place later on. But if I think about the really difficult one, the [Advantage] one, that is generally planned to be in place across the European market by the end of the year. So it's pretty fast.

We'll see, of course, I'd expect increasing benefits move mark to market, but we wouldn't see the full-year effect until we get into 2013.

Jeremy Townsend - *Rentokil Initial plc - CFO*

And it's more biased towards Pest Control than the other divisions.

Alan Brown - *Rentokil Initial plc - CEO*

It is at this stage, yes.

David Hancock - *Morgan Stanley - Analyst*

Great, thank you. And the second one is around the complexity within the Group and your level of comfort with that. And I mean by that systems, the number of countries you're in; you gave us that helpful slide on the way you segment on categories. But divisional structure and maybe down to also the point of the businesses you're in, any color you can give us on comfort there would be helpful.

Alan Brown - *Rentokil Initial plc - CEO*

Can I give you any comfort? I think the comfort I have is we're very clear with the direction of this, David. There are very few areas of the business we don't know what the end position is in terms of systems, in terms of way of running the business; we'll be quite clear about that.

Now that's not to say we've got a simple end position. As I've said many times, we're not going to go for a SAP-type solution. It just doesn't fit where we're at, and I think technology has moved on so fast that we are now really much into cloud computing and buying software as a service; we're getting absolutely leading edge technology in many functions. Particularly the HR area I think is really, really exciting.

So I think we can move pretty quickly without massive investment. And the investment we're having to make is much more in terms of the cost of rollout in consultancy rather than any big server rooms or software licenses.

So I think that I can't give you comfort, but what I would say is I think we've got in all likelihood a two-year program before we are, say, 90% through the Olympic rollout agenda. So I would say there's lots of benefit to come, but we won't be getting the full-year effect until we're into probably 2014, or thereabouts. But we will be seeing staged progress quarter by quarter as we go through the rollout agenda.

David Hancock - *Morgan Stanley - Analyst*

And so in terms of the countries you're in and the divisional reallocations you've done, have you got that now where you want to be?

Alan Brown - *Rentokil Initial plc - CEO*

You mean in terms of the makeup of the individual divisions, is that what you're saying?

David Hancock - *Morgan Stanley - Analyst*

Exactly.

Alan Brown - *Rentokil Initial plc - CEO*

No, I don't think we're quite there yet. We've made an obvious compromise in terms of Asia. Xumei will retain Asia whilst doing the market and innovation role. And we've done that because Xumei's knowledge of Asia is just so massive compared to anyone else in the business. Clearly, if Asia had been a bit further along the line, we might have brought Asia into one of the categories and gone for a more regional approach, but it just doesn't make sense this time.

So there's a bit more to do. A bit more to do in Europe I think as well in terms to regionalization. But we're sure, I'd say, 75% to 80% along that regional approach.

David Hancock - *Morgan Stanley - Analyst*

Thanks. And if I can just squeak one more in. The book value of City Link now after the write-down, can you tell us what that is, please?

Jeremy Townsend - *Rentokil Initial plc - CFO*

Book value after the write-down's about GBP25 million.

David Hancock - *Morgan Stanley - Analyst*

Thank you.

Andrew Ripper - *Bank of America Merrill Lynch - Analyst*

Andrew, Merrill Lynch. I've got a few, if I may. Just going back to City Link and the question of pricing, I think the RPC's come down by something like 7.5% in Q4. But I guess prior to that is B2C mix. So just wondering if you can comment on what the underlying reduction is in RPC; what is it running at at the moment?

And in terms of talking about industry pushback to try to get pricing stabilized or into reverse, just how much credence do you give to that, given there still seems to be over-capacity in the market? And maybe comment about where your biggest competitor is at the moment in terms of their restructuring and position on pricing, please.

Alan Brown - *Rentokil Initial plc - CEO*

The 7.5% is indeed affected by a mix effect, continued movement to B2C. The underlying impact is probably about 5%. But I have to say, in January it was worse than that. We had I think a down-trading in the middle of our business, the tier 2/tier 3 customers. Now that has come back somewhat in February and may have been a seasonal impact, but I do think there's a lot of small businesses under pressure at the moment in the UK, a lot of pressure.

We've not lost, I have to say, a material amount of business at all. Our customer base has been very stable, in fact, over the last 12 months with some big additions as I've said, Marks & Spencer and Direct Wines. And we'd expect to see some more big additions coming through the pipeline over the next two to three months. But we have seen down-trading.

As I say, things come back a bit in February, but that is I think probably the area of greatest concern for me. And now going forward, I do the productivity agenda is looking really good, but the pricing area is a concern. So I think we just have to watch this space.

In terms of pricing in the marketplace, we would hope to achieve I guess probably a net 3% increase. [In Germany], we're going for more than that, but we may net out about 3%, which we're implementing at the moment, and early signs are pretty good. The competition is generally out there going for price increases, headline price increases of, say, 5% thereabouts, and probably [it will be knocked] back a bit.

What would I say about the competition? I think Christmas was generally, of course, favorably impacted by good weather conditions. And even when we had snow in the early months of this year, it was very conveniently on Saturday and Sunday, which was a great help.

But the service levels provided by some of our competition nevertheless was really marginal over the Christmas period; by some of the competition, not all I have to say. And we would see that some of our competition is going to continue to really struggle to manage their operations going forward.

But I have to say, my sense is that people who are in the market are determined to hold on, and there is a view, which I must say I share, that the longer-term outlook for this market continues to be structurally reasonably promising, given the inevitable growth of B2C traffic.

But there has to be I think a rebalancing of the negotiating position between in particular the carrier industry and some of their customers, because the current prices are just not economic.

So that would be my general view. I think there are people who are really struggling in the market, but they're not going to walk away from the market very, very quickly.

Andrew Ripper - *Bank of America Merrill Lynch - Analyst*

Sorry, it's just difficult to get that rebalancing while there's so much over-capacity from what I can see, so what could change that?

Alan Brown - *Rentokil Initial plc - CEO*

Yes, the over-capacity, it's a really tricky thing. Again, it's a structural issue, because at Christmastime, there is under-capacity, there really is. This is the challenge of the marketplace that for that three-week period of the year it's just absolutely ridiculous. There just really is not enough capacity to deliver a robust service, and that's why people keep falling over at Christmas. We didn't fortunately this year, but other carriers did fall over at Christmastime.

But then for the other 47/48 weeks of the year, you're right, there is over-capacity; so that's a really difficult thing to do.

So I personally think that we have to give in to some differential pricing, depending on the time of the year, depending on the capacity availability, but it's been difficult to get the market to accept that so far. But I think that is one way through it.

Andrew Ripper - *Bank of America Merrill Lynch - Analyst*

Okay. And then moving on, just looking at the non-parcel businesses, can you quantify what the Benelux profit was in Q4 and/or full-year '11 versus '10? And I guess from that, we can get a sense of what the full-year benefit might be from the turnaround.

Thanks.

Jeremy Townsend - *Rentokil Initial plc - CFO*

Yes, Andrew, the Benelux was up GBP3 million for the year, and from memory, GBP4.5 million of that was in quarter 4.

Andrew Ripper - *Bank of America Merrill Lynch - Analyst*

And do you know what the absolute profit was for the full year Q4?

Jeremy Townsend - *Rentokil Initial plc - CFO*

I'm looking here at round about GBP28 million for the full year.

Andrew Ripper - *Bank of America Merrill Lynch - Analyst*

Yes, okay. And then thinking about growth in the contract businesses; just looking at the pool analysis for Q4, and I appreciate this is a fairly pretty small period of time, but the terminations were GBP15 million higher than the new business and there wasn't a lot of price growth. So just to annualize that, it looks like the pool's going backwards at a rate of about 3%. Where does that square against your increased optimism in terms of where the revenue growth's going to go for this year?

Alan Brown - *Rentokil Initial plc - CEO*

Yes, we -- I agree there has been a divergence almost between the revenue growth and the pool growth looking at Q4 in isolation. I'll tell you two things about that. One, we have seen in the Pest business undoubtedly a move towards jobbing, which I think is reflective of the economic conditions, and we've seen some pretty strong growth in jobbing over the last quarter.

And I think that second thing that I would say is that the IF business is more volatile than the rest, and we've seen I think some really excellent contract wins over the last couple of months which are not reflected yet in the -- what you call the pool analysis, the portfolio analysis.

So I would expect to see that the portfolio will reflect what we see in terms of increasing revenue growth to the extent that it is contract driven rather than jobbing driven as we go forward.

Andrew Ripper - *Bank of America Merrill Lynch - Analyst*

Okay. If I can just squeeze a couple of quick -- if I can just squeeze a couple of little ones in as well. Just in terms of those IFS wins, you mentioned three contracts. Just give us a sense as to materiality and aggregate, please.

Alan Brown - *Rentokil Initial plc - CEO*

They're individual. I think they're all worth between GBP5 million and GBP10 million each. I know that's a broad range, but there's a lot of additional work will probably come on the basis the basic contract, between GBP5 million and GBP10 million each.

Andrew Ripper - *Bank of America Merrill Lynch - Analyst*

And then finally on the one-off costs, obviously, they continue to be quite significant relative to Group pre tax. I think, Jeremy, you talked about -- was it 20% to 30% for this year?

Jeremy Townsend - *Rentokil Initial plc - CFO*

25% to 30%, yes.

Andrew Ripper - *Bank of America Merrill Lynch - Analyst*

Are there any big items in there? And then Q4, the items were larger for Pest Control and IFS. Probably just give us a sense of what you're spending the money on and what you think the payback's going to be. Presumably, the payback --

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Jeremy Townsend - *Rentokil Initial plc - CFO*

The big driver of the cost savings, I think as Alan said, we've probably got two more years of restructuring, so I think where I'd be looking at it is we'll be incurring these costs in 2012 and 2013.

It's reasonably spread out, but it will continue to be in restructuring. We've got a lot of opportunities in the back office, so we've got five major projects in 2012, in Australia, America, the UK and Europe and Asia. We're looking at stripping out finance and admin, so we've still got, as Alan mentioned, 16% or 17% of sales. And there's still some significant restructuring in the IF business in terms of the way that's operated and the operational process there.

So I think it will continue to be broadly in line with 2011, a lot of projects around the Group taking out the complexity that we talked about with David earlier on.

Andrew Ripper - *Bank of America Merrill Lynch - Analyst*

Thanks.

Tom Sykes - *Deutsche Bank - Analyst*

Tom Sykes, Deutsche Bank. So just on the bid process when you're bidding for new business in City Link, do you bid --? You presumably bid on a revenue per consignment basis, do you?

Alan Brown - *Rentokil Initial plc - CEO*

It depends. That is the most common basis. It can be revenue per parcel, but more commonly, revenue per consignment.

Tom Sykes - *Deutsche Bank - Analyst*

Okay, so that GBP50 million of the bid pipeline, are you bidding that at GBP7 revenue per consignment?

Alan Brown - *Rentokil Initial plc - CEO*

No.

Tom Sykes - *Deutsche Bank - Analyst*

So you're bidding it at the moment at below what you're able to service it at in the hope that you're going to get some efficiency gains?

Alan Brown - *Rentokil Initial plc - CEO*

It depends a lot. The pricing varies quite a bit across the marketplace. You would be aiming to get near GBP7 per consignment with some of the smaller customers. You probably wouldn't get that with some of the larger customers.

But the -- it's all about the incremental cost of delivery, Tom. If you've got one van and you're servicing the country, you're going to be stuffed.

Tom Sykes - *Deutsche Bank - Analyst*

I appreciate the scale dynamics if you win more revenue, the revenue, your cost per consignment is --

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Alan Brown - *Rentokil Initial plc - CEO*

Yes, but obviously, what we have to do is to make sure that the revenue per consignment is ahead of what our incremental cost is, and that is a difficult balance to get right.

But the fundamental issue in City Link is more about the operational efficiency of the business, the fact that we were only getting 70 consignments delivered per day, per driver compared to industry data well over 80, which was clearly a fundamental issue. So what we have to do is to get the productivity of the whole business up. That is the primary task for us.

Tom Sykes - *Deutsche Bank - Analyst*

Okay. And, sorry, but it's another question on RPC. Is it competition from the actual other suppliers like yourself, or is it intermediaries that sit between yourselves and the end customer that are also putting pressure on the revenue per consignment?

Alan Brown - *Rentokil Initial plc - CEO*

It's mostly the former, but, yes, the Parcel Monkey and the parcel brokers are having an impact on the market, but I think it's primarily about the direct competition that's controlling the price.

We've seen very mixed attitudes and positions taken by different competitors. Some of the competitors don't compete at all in some sectors; some competitors compete very sharply in some sectors. It's quite a variable feast.

Tom Sykes - *Deutsche Bank - Analyst*

Okay, and on the depot managers, sorry, you're saying that 30 of one -- that they will be -- [38], right, and the remaining 30, so you're going to have half your depot managers are going to be people that haven't been a depot manager before?

Alan Brown - *Rentokil Initial plc - CEO*

Well, fortunately, there is quite a good supply of talent in the marketplace at the moment. I think you're aware that one of our competitors is laying off a lot of people, so there's quite a lot of talent in the marketplace available, and we're quite confident that we'll be able to recruit into the business people of good talent. And indeed, some of the people who didn't make the first cut we think can be coached and trained to get to the required level of competence.

Tom Sykes - *Deutsche Bank - Analyst*

Okay, thank you. And then just finally on the depreciation number, just remind me why the depreciation is down and what the outlook would be for that.

Jeremy Townsend - *Rentokil Initial plc - CFO*

The depreciation's down in 2011 largely because of some of the write off of assets that took place in 2010. So for example, some of the City Link hub and depot assets were written down in 2010. So that's driven the depreciation down in 2011.

Tom Sykes - *Deutsche Bank - Analyst*

Right, okay. And so sorry, but then the depreciation in 2012?

Jeremy Townsend - *Rentokil Initial plc - CFO*

2012 should pick up, because we have been net investing in CapEx in the core business. So we should see depreciation picking up in 2012 versus 2011.

Tom Sykes - *Deutsche Bank - Analyst*

Okay, great. Thanks very much.

Rajesh Kumar - *HSBC - Analyst*

Rajesh Kumar, HSBC. In terms of the CapEx increase, when you're talking about 2012, textile prices are slightly down. You've done rationalization in terms of procurement. So is it more due towards improvement projects, or is it just that you're increasing the volumes of the textile businesses? I.e., the volumetric replacement is much higher this time.

Jeremy Townsend - *Rentokil Initial plc - CFO*

Yes, you nearly answered my question there, Rajesh. The copper prices are coming down, so that impact that impacted 2011 CapEx is less prevalent in 2012. What we are up-weighting our investment in some of the plant, chiefly Textiles and Hygiene where there are significant efficiencies to be had, particularly in our laundry plant in terms of washing textiles.

We're increasing our investment in IT with the deployment of Olympic. And the bit that's hard to gauge, and that's why I've got the range of GBP220 million to GBP240 million, is quite what the volume driver is.

So there's an element of the 2011 increase that's about growth in Textiles and Hygiene, and depending on how that growth flows through in 2012, that could clearly impact the EFR element of 2012. So if there is volume increase, that will drive that number to one of the top end of the range.

Rajesh Kumar - *HSBC - Analyst*

Okay, thank you.

Alan Brown - *Rentokil Initial plc - CEO*

Well, thank you very much for attending this morning, and we look forward to seeing you again on May 4, those of you that are able to make it. And just to remind you again once more, we hope to run a textiles investors seminar on the morning of May 4.

Thank you very much.
