Independent auditors' report to the members of Berendsen plc

Report on the group financial statements

Our opinion

In our opinion, Berendsen plc's group financial statements (the 'financial statements'):

- give a true and fair view of the state of the group's affairs as at 31 December 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Report and Accounts (the 'Annual Report'), comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated income statement and consolidated statement of comprehensive income for the year then ended
- the consolidated cash flow statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

Our audit approach

Context

Berendsen plc is listed on the London Stock Exchange. The Group provides services across Europe and the structure of our audit continues to reflect this, with a considerable amount of time spent directing, communicating with and visiting component audit teams. The implementation of the new strategy during the year has resulted in a number of costs classified as exceptional. Therefore this has been added on as an area of audit focus this year. The business involves a very large number of relatively low value items, and the accounting for these in fixed assets remains an area of focus. We continue to focus our audit work on the carrying value of goodwill and the value of or requirements for provisions in respect of environmental and regulatory liabilities due to the judgemental nature of these areas.

Overview

Overall group materiality: £6.0 million (2015: £5.9 million) which represents 5% of profit before tax.

We performed an audit of the complete financial information of eight operating reporting units and the parent company which accounted for 87% (2015: 86%) of group revenues and 88% (2015: 85%) of group profit before tax.

Exceptional items.

- Exceptional costs incurred during the year are an area of focus due to the quantum and nature of the items and the presentation and disclosure of these on the face of the Consolidated Income Statement.

Contingent liabilities.

- The appropriateness of provisions recognised and the contingent liabilities disclosed in relation to the regulatory investigations and historical environmental liabilities was an area of focus due to the judgements involved.

Goodwill impairment assessment.

- The carrying value of goodwill is deemed to be an area of focus due to the judgements involved in estimating future cash flows and applying appropriate assumptions.

Misstatement in textile fixed asset valuation.

- The valuation of textile fixed assets is deemed to be an area of focus due to the size of the asset on the balance sheet and the difficulty in tracking individual items and verifying their useful economic lives.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Exceptional items	
Following the announcement of the new strategy in November 2015, the Group disclosed that it expected to incur significant one off costs in implementing the new strategy over the next 24 months from that date. Management have classified these costs as exceptional due to their quantum and one-off nature (£12.9 million in 2016). There is a risk that costs are classified as exceptional when they are in fact incurred in the normal course of business, in order to improve the appearance of the underlying profitability of the group. We have therefore focused our audit procedures relating to the presentation and disclosure of the exceptional items in the financial statements.	We have obtained a full listing of all the exceptional costs incurred during the year across the Group and gained an understanding of what each project relates to through a review of Board meeting minutes, attendance at Audit Committee meetings, discussions with management and a review of third party support. Third party support has been examined by the Group and component audit teams in order to assess the nature of the costs incurred. We consider the items classified as exceptional to be appropriate given these costs are one-off and material to the business.
Contingent liabilities	
Regulatory investigations The Competition and Markets Authority (CMA) have alleged that Berendsen's UK Cleanroom business has participated in market sharing through a joint venture which was purchased along with the Newbury acquisition in 2014. Management have recognised a provision in relation to estimated future costs. The likelihood of a liability crystallising as a result of the investigation requires judgement in order to assess whether a provision should be recognised and, if so, the amount of the provision required to cover any future obligation. **Environmental liabilities and warranties** The Group operates from laundries across Europe, at which historic environmental liabilities may exist. Though the Group has indemnities from third parties and expects to have the warranties confirmed in full, it is currently defending a legal claim in respect of certain sites acquired. Judgement is required to assess the likelihood of these liabilities crystallising, in order to assess whether a provision should be recognised and, if so, the amount of that provision. The total potential liability is uncertain and would be affected by improvements in environmental clean-up technology and the future use of the sites. In Sweden, no amounts have been provided in the balance sheet with respect to any future environmental liability as there are significant uncertainties and the value and timing of any cost to Berendsen is still unable to be determined. As such, a contingent liability continues to be disclosed within the financial statements of the group. Refer also to notes 18 and 30 to the financial statements, page 83 (Audit Committee report) and page 135 (critical accounting estimates).	**Regulatory investigations** Our audit work in this area focused on gaining an understanding of the latest status of the investigation, including a review of the correspondence with the CMA. We performed testing over management's assumptions and estimates in assessing the level of provision. In addition, we held meetings with the group's external legal advisors to assess the likelihood and the quantum of any potential penalties involved. Based on the evidence obtained, we consider the level of provision to be appropriate. **Environmental liabilities and warranties** In Sweden we checked that the situation remains unchanged from the prior year, including confirming this with the group's external environmental advisors, and determined that the accounting for any potential environmental remediation as a contingent liability remains appropriate. We read and were satisfied with the level of disclosure in note 30 to the financial statements. We examined the group's latest assessment of the status of the legal claims and obtained confirmation from their external legal advisors of the likelihood of the group successfully defending its position.

Independent auditors' report to the members of Berendsen plc (continued)

Area of focus	How our audit addressed the area of focus
Goodwill impairment	
We focused on this area due to the size of the goodwill balance (£407.3 million as at 31 December 2016) and because the directors' assessment of the 'value in use' of the Group's cash generating units (CGUs) involves judgement about the future results of the business and the discount rates applied to future cash flow forecasts. Our audit work focused on how goodwill was recognised and the basis on which it was allocated across the CGUs under the new business lines following the restructuring during the current year. Refer also to note 8 to the financial statements, page 83 (Audit Committee Report) and page 135 (critical accounting estimates).	We evaluated the directors' future cash flow forecasts, and the process by which they were drawn up, including comparing them to the latest Board approved budgets and testing the underlying calculations. We found that management had followed a clear process for drawing up the future cash flow forecasts, which were subject to timely oversight and challenge by the directors and which were consistent with the Board approved budgets. We found no material misstatements in the calculations performed. We challenged the directors' key assumptions for long term growth rates in the cash flows by comparing them to historical results and economic forecasts. We compared the current year actual results to the 2016 figures included in the prior year forecasts to consider whether any forecasts included assumptions that, with hindsight, had been optimistic. We compared future cash flow forecasts under the old and new business line structure and compared these to prior year and tested the underlying calculations. We have confirmed that no impairment would have been required had the business continued to operate under the old CGUs or operating segments. For the discount rate we assessed the cost of capital for the company and comparable organisations by performing a benchmark analysis and found it to be in line with our expectations. We performed sensitivity analysis around the key drivers of the cash flow forecasts, being: → the growth rates; → the operating profit applied for the first three years; and → the discount rate. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired for all CGUs, we considered the likelihood of such a movement in those key assumptions arising. We did not identify any issues with management's key assumptions based on our review of supporting evidence, management's and our own sensitivity analysis performed. There was significant headroom calculated by management over the carrying value of the CGUs, and therefore we were satisfied that the goodwill is not impaired. We considered the appropriateness of the related disclosures in note 8 to the financial statements.
Misstatement in textile fixed asset valuation	
Linen and workwear textiles are sold by the UK and Sweden Sourcing businesses to the operating units within the Group as textile fixed assets and depreciated over their useful economic lives. Other than in certain businesses which have introduced the individual tagging of garments in order to trace their day-to-day use, textile assets are homogeneously depreciated by textile category over their estimated useful economic lives (currently between 20% and 50% per annum as stated in the accounting policies on page 130). These textiles are significant assets on the balance sheet (£259.6 million as at 31 December 2016). Therefore, an over or understatement of the useful economic lives could lead to a material misstatement of depreciation for the year, affecting both the charge to the income statement and the valuation of the assets on the balance sheet.	In each of the eight operating units where an audit of the complete financial information was performed, we carried out: → a comparison between asset classes of the carrying value and depreciation charge for the year as a percentage of the revenue they generate; → a substantive analytical review of the depreciation charge by asset class (ensuring depreciation is in line with group policy); and → a comparison of additions in the year to additions in the prior year, within each asset class to check they were reasonably consistent. Within the additions testing, we also tested that linen asset additions were allocated to the correct linen asset class and depreciated in line with other assets of a similar nature and in line with their useful life expectancy. Additionally, at group level, we performed a reasonableness test by comparing additions between 2013 and 2016 to depreciation over the period to understand whether the assets are being replaced over a similar timeframe. We found that capital expenditure on textile assets was materially in line with depreciation where there had been no major change in the scale and nature of the business. Taken together, these procedures gave us the evidence we needed in relation to the economic lives and depreciation of the relevant assets.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the group, the accounting processes and controls, and the industry in which the group operates.

The Group's accounting process is structured around a local finance function in each of the 28 operating reporting units under which the Group operates. These functions maintain their own accounting records and controls and report to the head office function team in London through an integrated consolidation system.

In our view, due to their significance and/or risk characteristics, eight of these units required an audit of their complete financial information and we used component auditors from PwC network firms who are familiar with the local laws and regulations in each of the territories to perform this audit work.

In addition, specific audit procedures were performed at the Sweden Sourcing reporting unit to address the risk identified in the existence and valuation of inventory area of focus.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those functions to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole.

The group engagement team visits the component teams on a rotational basis. In the current year the group engagement leader visited the Denmark, Germany, Sweden and United Kingdom operating locations. In addition, the group engagement team visited the Netherlands operating location.

The group consolidation, financial statement disclosures and a number of complex items are audited by the group engagement team at the head office. These include goodwill impairment, derivative financial instruments, hedge accounting, the Berendsen plc defined benefit pension scheme, share based payments and taxation.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

- → Overall group materiality
  £6.0 million (2015: £5.9 million);
- → How we determined it
  5% of profit before tax
- → Rationale for benchmark applied
  Profit before tax is a generally accepted auditing benchmark in the absence of indicators that an alternative benchmark would be appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £300,000 (2015: £300,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 114, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the group's ability to continue as a going concern.

Independent auditors' report to the members of Berendsen plc (continued)

Consistency of other information and compliance with applicable requirements

Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Governance section set out on pages 62 to 87 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- the information given in the Governance section set out on pages 62 to 87 with respect to the company's corporate governance code and practices and about its administrative, management and supervisory bodies complies with rules 7.2.2, 7.2.3 and 7.2.7 of the Disclosure Guidance and Transparency Rules sourcebook of the Financial Conduct Authority.

In addition, in light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the information referred to above in the Corporate Governance Statement. We have nothing to report in this respect.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- information in the Annual Report is:
  - materially inconsistent with the information in the audited financial statements; or
  - apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
  - otherwise misleading
- the statement given by the directors on page 82, in accordance with provision C.1.1 of the UK Corporate Governance Code (the 'Code'), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's position and performance, business model and strategy is materially inconsistent with our knowledge of the group acquired in the course of performing our audit.
- the section of the Annual Report on page 80, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report.

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

- the directors' confirmation on page 56 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- the directors' explanation on page 56 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the group and the directors' statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the parent company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities for the financial statements set out on page 115, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we consider whether those reports include the disclosures required by applicable legal requirements.

Other matter

We have reported separately on the parent company financial statements of Berendsen plc for the year ended 31 December 2016 and on the information in the Directors' Remuneration Report that is described as having been audited.

Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

2 March 2017

Notes:

(a) The maintenance and integrity of the Berendsen plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement

For the year ended 31 December 2016	Note	Year to 31 December 2016 £m	Restated (Note 1) Year to 31 December 2015 £m
Revenue	1	**1,110.0**	1,018.1
Cost of sales		**(565.8)**	(516.1)
Gross profit		**544.2**	502.0
Other income		**2.8**	4.6
Distribution costs		**(208.3)**	(187.0)
Administrative expenses		**(172.4)**	(161.3)
Other operating expenses		**(25.6)**	(26.2)
Operating profit	1	**140.7**	132.1
Analysed as:			
Operating profit before exceptional items and amortisation of customer contracts	1	**161.0**	153.8
Exceptional items	4	**(12.9)**	(7.3)
Amortisation of customer contracts	9	**(7.4)**	(14.4)
Operating profit	1	**140.7**	132.1
Finance costs	2	**(21.1)**	(20.7)
Finance income	2	**0.7**	2.0
Profit before taxation	3	**120.3**	113.4
Taxation	5	**(28.8)**	(24.5)
Profit for the year		**91.5**	88.9
Analysed as:			
Profit attributable to non-controlling interest		**0.3**	0.2
Profit attributable to owners of parent company		**91.2**	88.7
Earnings per share expressed in pence per share			
– Basic	7	**53.3**	51.9
– Diluted	7	**53.2**	51.8

The notes on pages 136 to 181 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2016	Note	Year to 31 December 2016 £m	Year to 31 December 2015 £m
Profit for the year		**91.5**	88.9
Other comprehensive income/(expense):			
Items that may be subsequently reclassified into profit or loss:			
Currency translation differences		**45.2**	(24.1)
(Loss)/gain on cash flow hedges	16	**(2.3)**	3.5
		42.9	(20.6)
Items that cannot be subsequently reclassified into profit or loss:			
Actuarial (losses)/gains		**(47.1)**	7.7
Other comprehensive expense for the year, net of tax		**(4.2)**	(12.9)
Total comprehensive income for the year		**87.3**	76.0
Attributable to:			
Non-controlling interest		**1.0**	0.2
Owners of parent company		**86.3**	75.8

Items in the statement above are disclosed net of tax. The tax relating to each component of other comprehensive income is disclosed in note 5.

Consolidated balance sheet

As at 31 December 2016	Note	As at 31 December 2016 £m	Restated note 13 As at 31 December 2015 £m
Assets			
Intangible assets:			
– Goodwill	8	**407.3**	367.0
– Other intangible assets	9	**30.1**	25.9
Property, plant and equipment	10	**571.8**	477.1
Deferred tax assets	19	**12.7**	6.9
Derivative financial instruments	16	**73.8**	51.4
Pension scheme surplus	27	**–**	44.6
Total non-current assets		**1,095.7**	972.9
Assets classified as held for sale		**–**	–
Inventories	11	**55.7**	50.2
Income tax receivable		**8.7**	3.3
Derivative financial instruments		**2.1**	16.3
Trade and other receivables	12	**189.9**	169.9
Cash and cash equivalents	13	**310.1**	157.0
Total current assets		**566.5**	396.7
Liabilities			
Bank overdraft		**(226.1)**	(30.3)
Borrowings	15	**(0.6)**	(88.1)
Derivative financial instruments	16	**(0.3)**	(5.3)
Income tax payable		**(25.1)**	(16.5)
Trade and other payables	14	**(213.5)**	(196.8)
Provisions	18	**(7.5)**	(2.9)
Total current liabilities		**(473.1)**	(339.9)
Net current assets		**93.4**	56.8
Borrowings	15	**(512.8)**	(409.5)
Derivative financial instruments	16	**(14.6)**	(5.9)
Pension scheme deficits	27	**(39.4)**	(28.8)
Deferred tax liabilities	19	**(74.5)**	(65.4)
Trade and other payables	14	**(0.9)**	(1.1)
Total non-current liabilities		**(642.2)**	(510.7)
Net assets		**546.9**	519.0
Equity			
Share capital	20	**51.8**	51.8
Share premium		**99.7**	99.5
Other reserves		**(0.9)**	1.4
Capital redemption reserve		**150.9**	150.9
Retained earnings		**240.3**	211.3
Total equity attributable to owners of parent company		**541.8**	514.9
Non-controlling interest		**5.1**	4.1
Total equity		**546.9**	519.0

The financial statements on pages 122 to 181 were approved by the board and signed on its behalf by:

James Drummond
Chief Executive Officer

Kevin Quinn
Chief Financial Officer

2 March 2017

Consolidated cash flow statement

For the year ended 31 December 2016	Note	Year to 31 December 2016 £m	Year to 31 December 2015 £m
Cash flows from operating activities			
Cash generated from operations	23	**322.3**	308.9
Interest paid		**(19.6)**	(19.7)
Interest received		**0.7**	2.0
Income tax paid		**(20.6)**	(18.0)
Net cash generated from operating activities		**282.8**	273.2
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	25	**(6.2)**	(9.2)
Disposal of subsidiary undertaking	25	**8.0**	–
Purchases of property, plant and equipment	10	**(233.1)**	(181.5)
Proceeds from the sale of property, plant and equipment	23	**2.0**	13.3
Purchases of intangible assets	9	**(4.7)**	(6.2)
Net cash used in investing activities		**(234.0)**	(183.6)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**0.2**	0.1
Purchase of own shares by the Employee Benefit Trust		**(5.0)**	(14.2)
Payment of loan issue costs		**(0.2)**	(2.1)
Drawdown of borrowings		**42.4**	199.8
Repayment of borrowings		**(93.4)**	(172.7)
Repayment of finance leases/hire purchase liabilities		**(0.2)**	(5.7)
Acquisition of minority interest in a subsidiary	25	**–**	(0.9)
Dividends paid to owners of parent company	6	**(54.8)**	(52.1)
Dividends paid to non-controlling interest		**–**	(0.1)
Net cash used in financing activities		**(111.0)**	(47.9)
Net (decrease)/increase in cash	24	**(62.2)**	41.7
Cash and cash equivalents at beginning of year	13	**126.7**	96.9
Exchange gains/(losses) on cash		**19.5**	(11.9)
Cash and cash equivalents at end of year net of overdrafts	13	**84.0**	126.7
Free cash flow	23	**47.0**	102.5

Consolidated statement of changes in equity

For the year ended 31 December 2015	Share capital £m	Share premium £m	Other reserves £m	Capital redemption reserve £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
	Attributable to shareholders of the company							
At 1 January 2015	51.8	99.4	(2.4)	150.9	200.5	500.2	5.2	505.4
Comprehensive income:								
Profit for the year	–	–	–	–	88.7	88.7	0.2	88.9
Other comprehensive income/(expense):								
Actuarial gains (note 27)	–	–	–	–	8.9	8.9	–	8.9
Cash flow hedges	–	–	4.3	–	–	4.3	–	4.3
Currency translation	–	–	–	–	(19.7)	(19.7)	–	(19.7)
Tax on items taken to equity (note 5)	–	–	(0.8)	–	(5.6)	(6.4)	–	(6.4)
Total other comprehensive income/(expense)	–	–	3.5	–	(16.4)	(12.9)	–	(12.9)
Total comprehensive income	–	–	3.5	–	72.3	75.8	0.2	76.0
Transactions with owners:								
Issue of share capital in respect of share option schemes	–	0.1	–	–	–	0.1	–	0.1
Purchase of own shares by the Employee Benefit Trust	–	–	–	–	(14.2)	(14.2)	–	(14.2)
Dividends (note 6)	–	–	–	–	(52.1)	(52.1)	(0.1)	(52.2)
Value of employee service in respect of share option schemes and share awards (note 21)	–	–	–	–	4.8	4.8	–	4.8
Acquisition of non-controlling interest	–	–	0.3	–	–	0.3	(1.2)	(0.9)
Total transactions with owners	–	0.1	0.3	–	(61.5)	(61.1)	(1.3)	(62.4)
At 31 December 2015	51.8	99.5	1.4	150.9	211.3	514.9	4.1	519.0

For the year ended 31 December 2016	Share capital £m	Share premium £m	Other reserves £m	Capital redemption reserve £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
	Attributable to shareholders of the company							
At 1 January 2016	51.8	99.5	1.4	150.9	211.3	514.9	4.1	519.0
Comprehensive income:								
Profit for the year	–	–	–	–	91.2	91.2	0.3	91.5
Other comprehensive income/(expense):								
Actuarial losses (note 27)	–	–	–	–	(57.5)	(57.5)	–	(57.5)
Cash flow hedges	–	–	(2.3)	–	–	(2.3)	–	(2.3)
Currency translation	–	–	–	–	44.7	44.7	0.7	45.4
Tax on items taken to equity (note 5)	–	–	–	–	10.2	10.2	–	10.2
Total other comprehensive (expense)/income	–	–	(2.3)	–	(2.6)	(4.9)	0.7	(4.2)
Total comprehensive income	–	–	(2.3)	–	88.6	86.3	1.0	87.3
Transactions with owners:								
Issue of share capital in respect of share option schemes	–	0.2	–	–	–	0.2	–	0.2
Purchase of own shares by the Employee Benefit Trust	–	–	–	–	(3.6)	(3.6)	–	(3.6)
Dividends (note 6)	–	–	–	–	(54.8)	(54.8)	–	(54.8)
Value of employee service in respect of share option schemes and share awards (note 21)	–	–	–	–	(1.2)	(1.2)	–	(1.2)
Total transactions with owners	–	0.2	–	–	(59.6)	(59.4)	–	(59.4)
At 31 December 2016	51.8	99.7	(0.9)	150.9	240.3	541.8	5.1	546.9

The group has an Employee Benefit Trust to administer share plans and to acquire company shares, using funds contributed by the group, to meet commitments to group employees. At 31 December 2016, the Trust held 1,390,393 (2015: 1,715,142) shares.

Included within retained earnings is an amount of £6.8 million gain (2015: £37.6 million loss) which relates to currency translation.

Accounting policies to the consolidated financial statements

Basis of preparation

The consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRSIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through the income statement. These policies have been consistently applied.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed on page 129.

In 2016 the group standardised its accounting policy, across the group, in respect of residual value income, arising on the termination of rental contracts, to ensure that all of this income is accounted for within revenue. Previously a portion of this income was shown as part of cost of sales. Accordingly revenue for the year ended 31 December 2015, £12.1 million, has been re-presented to reflect the position had this policy been in operation during that year. There is no overall impact on operating profit in 2015 as a result of this change.

Going concern

The group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the group's products; and (b) the availability of bank finance. However, the group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facilities. Having assessed the principal risks and other matters discussed in connection with the viability statement, the directors consider it appropriate to adopt the going concern basis in preparing the consolidated financial statements. Further information on the group's borrowings is given in note 15.

Changes in accounting policies and disclosures

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2016:

- → Annual Improvements to IFRS 2012
- → Annual Improvements to IFRS 2014

Adoption of the above has not led to any changes in accounting policies or had any material impact on the financial statements.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the group, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010 and endorsed by the EU in November 2016. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments and is effective for accounting periods commencing 1 January 2018. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. At this time the group does not expect IFRS 9 will have a significant impact on its existing accounting policies for financial instruments, because the new rules have a more direct impact on the accounting treatment of financial assets to which the group has limited exposure except trade receivables. The key area of impact for the group will be as a result of the introduction of the forward looking expected credit loss model.

Similarly the way that the group currently deals with its hedge accounting transactions will not be significantly impacted by the move to IFRS 9. However it is likely that disclosures around the entity's risk management strategy and the impact of hedge accounting on the financial statements will be enhanced.

As outlined above, the key area of impact for the group will be as a result of the introduction of the forward looking expected credit loss model. During 2017 the board will complete its detailed assessment the impact of IFRS 9 ahead of adopting the standard from 1 January 2018.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted subject to EU endorsement. At this time the group does not expect there to be any significant impact of the standard on revenue recognition within the group which will continue to recognise revenue in line with current reporting. For the group's textile revenue income it is expected that the performance obligation will be the provision of the textile rental service and hence revenue will continue to be recognised over time. Revenue from direct sales is expected to be recognised at a point in time where the performance obligation is the provision of the direct goods.

The standard includes detailed application guidance which will be considered across all business lines as part of the group's detailed review and implementation plan ahead of the implementation of the standard from 1 January 2018.

In January 2016 IFRS 16 – Leases was issued. The board is still in the process of reviewing the impact of IFRS 16 on the group's accounting policies.

However, indicatively, because the accounting rules for lessors are largely unchanged the group is unlikely to have to change its current method of accounting for the textile rental assets held on its own balance sheet. All income arising from its textile and other rental assets are treated in effect as operating lease income and this will not change unless any future contracts result in the assets rented to third parties qualifying as finance leases rather than operating leases. Traditional textile rental contracts are likely to be exempt from the changes to IFRS16 because on an item by item basis all textiles are likely to fall below the low cost threshold per item. The group may have to evaluate contracts not covered by the low cost threshold.

The group currently leases both properties and vehicles under a series of operating lease contracts which will be impacted by the new standard and these types of leases may need to be brought onto the group's balance sheet from the date of adoption of the new standard. As a consequence of this there is likely to be an impact on the make-up of the group's income statement where operating leases are likely to be replaced by a depreciation charge and related interest charge.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

Consolidation

The group financial statements consolidate the financial statements of the company and all its subsidiaries. Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the group and are de-consolidated from the date on which control ceases. All intra-group transactions are eliminated as part of the consolidation process. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Business combinations

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and disclosed as exceptional items where significant. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Current assets held for sale

Current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair values less costs to sell.

Current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Berendsen plc Executive Board.

Following the strategy review in November 2015 The Berendsen plc Executive Board now manages the business under the business lines of Workwear, Facility, Healthcare and Hospitality. The group's internal reporting structure is aligned on the same basis and segmental information is presented on a basis consistent with this reporting structure.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in sterling, which is the company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within operating expenses.

Accounting policies to the consolidated financial statements (continued)

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through the income statement are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in other reserves.

(c) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Pre-contract/bid costs

Pre-contract costs are expensed as incurred until the group is appointed preferred bidder. Preferred bidder status provides sufficient confidence that the conclusion of the contract is probable, the outcome can be reliably measured and is expected to generate sufficient net cash inflows to enable recovery.

Pre-contract costs incurred subsequent to appointment as preferred bidder are capitalised onto the balance sheet under prepayments and accrued income. The prepayment is expensed to the income statement over the period of the contract. Costs, which have been expensed, are not subsequently reinstated when a contract award is achieved.

Property, plant and equipment

Land and buildings comprise mainly factories and offices. All property, plant and equipment are shown at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

Textile assets such as garments and linen and washroom equipment which are owned by the group entities where substantially all the risks and rewards of ownership of such equipment is retained by group entities are capitalised as non-current assets and depreciated over their estimated useful lives.

Depreciation of assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

(a) Land and buildings

Depreciated at a rate of 2.5% per annum on an estimate of the buildings value of freehold properties and leasehold properties with 40 or more years unexpired at the balance sheet date. This rate has been determined having regard to the group's practice to maintain these assets in a continual state of sound repair and to extend and make improvements from time to time. Freehold land is not depreciated. Short leasehold land and buildings are depreciated by equal instalments over the period of the lease.

Major renovations are depreciated over the remaining useful life of the related asset or to the scheduled date of the next major renovation, whichever is sooner.

(b) Plant and machinery

Depreciated at rates of 10% to 20% per annum, depending on the class of the asset.

(c) Textile assets and washroom equipment

Depreciated at rates of 20% to 50% per annum, depending on the class of the asset, and augmented where necessary by amounts to cover wastage, obsolescence and loss.

When properties, plant or equipment are sold, the difference between the sales proceeds and net book value is included in the income statement.

Residual values and useful lives of assets are reviewed annually and amended where necessary.

Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill net of amortisation prior to 1 January 2005 in respect of business combinations made since 1 January 1998 is included within intangible assets. Goodwill in respect of business combinations made on or before 31 December 1997 was previously eliminated against reserves.

Goodwill has an indefinite useful life.

Goodwill is tested annually for impairment or if there is an indication of impairment. Goodwill is allocated to groups of cash-generating units for the purpose of impairment testing. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold except for goodwill eliminated against reserves.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (not exceeding three years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed five years.

(c) Other intangible assets

Other intangible assets includes the cost associated with the internal development of textile related products for future sale. Development costs that are directly attributable to the testing of identifiable and products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the product so that it will be available for use;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;
- it can be demonstrated how the product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to sell the product are available; and
- the expenditure attributable to product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the product include the product development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Other intangible assets development costs recognised as assets are amortised over their estimated useful lives, which does not exceed five years.

(d) Customer contracts

Intangible assets arising either from legal or contractual rights which have been purchased are required to be separately identified from goodwill and are stated at historical cost, or in the case of intangible assets acquired as part of a business combination, at fair value. The fair value attributable to the customer contracts is determined by discounting the expected future cash flows to be generated from that asset at the risk adjusted weighted average cost of capital for the entity. This amount is amortised over the period in which the company is expected to benefit from the contracts acquired, over periods ranging from two to five years.

Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill – are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Accounting policies to the consolidated financial statements (continued)

Financial assets

The group classifies its non-derivative financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The group designates certain derivatives as either (i) hedges of the fair value of recognised assets or liabilities (fair value hedge); or (ii) hedges of a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction (cash flow hedge); or (iii) hedges of net investments in foreign operations (net investment hedge).

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items and its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in the hedging transactions are highly effective in offsetting changes in fair values of hedged items.

The fair values of various derivative instruments used for hedging purposes are shown in note 16. Movements on the hedging reserve are shown within the statement of changes in equity as part of other reserves. The group holds no trading derivatives.

(a) Fair value hedge

Changes in the fair value of the derivatives that are fully designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The group has no fair value hedges at 31 December 2016 (2015: nil).

(b) Net investment hedge

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly against reserves. The gain or loss relating to any ineffective portion is recognised immediately in the income statement.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

(c) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated to qualify as cash flow hedges are recognised in equity. The group's cash flow hedges which are in respect of cross-currency interest rate swaps and forward foreign exchange contracts result in recognition in either profit and loss, reflecting the foreign currency translation element, or in the hedging reserve which forms part of other reserves.

When a hedging instrument expires or is sold, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity at that time remains in equity and is recognised when the forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity will be transferred to the income statement.

(d) Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

(e) Energy contracts and textile procurement

The group occasionally takes out energy contracts in relation to the supply of gas and electricity. In addition, from time to time, the group may enter into forward contracts to buy cotton based textiles at a future date. Such contracts are not recognised as derivative financial instruments as they are held with the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out (FIFO) method. The cost of finished goods comprises of raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Full provision is made for obsolete, defective and slow moving stock.

Trade and other receivables

Trade receivables are recognised initially at fair value less provision for impairment. They are subsequently held at amortised cost less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the change in provision is recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents are stated net of bank overdrafts, where the group has a legal right of set off and includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. In March 2016, the IFRS Interpretations Committee (IFRS IC) issued an agenda decision regarding the treatment of offsetting and cash-pooling arrangements in accordance with IAS 32: 'Financial instruments: Presentation'. This provided additional guidance on when bank overdrafts in cash-pooling arrangements would meet the requirements for offsetting in accordance with IAS 32. Following this additional guidance, the Group has reviewed its cash-pooling arrangements and has revised its presentation of bank overdrafts. Comparatives at 31 December 2015 have been restated, increasing overdrafts and increasing cash balances by £30.3 million. At 31 December 2014 the comparative restatement would have been to increase overdrafts and increase cash in hand by £137.8 million. As this is considered a change in accounting policy the group and company should present a third balance sheet to capture the opening position at 1 January 2015. However having reviewed the guidance management has opted instead to present the impact of cash pooling in Note 13, on the basis of materiality, as there is no impact on net assets.

Share capital

Ordinary shares are classified as equity and are recorded at par value of proceeds received, net of direct issue costs. Where shares are issued above par value, the proceeds in excess of par value are recorded in the share premium account.

Where any group company purchases the company's equity share capital, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the company's shareholders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental costs, is included in equity attributable to the company's shareholders.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) are capitalised as part of the cost of that asset, until such time as the assets are ready for their intended use or sale.

Commitment and borrowing fees are capitalised as part of the loan and amortised over the life of the relevant agreement. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Borrowings are classified as non-current liabilities where the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the group's subsidiaries operate and generate taxable income.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for, if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Employee benefits

(a) Pension obligations

The group operates various pension schemes. The schemes are funded through payments to insurance companies or a trustee administered fund, determined by periodic actuarial calculations. The group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Accounting policies to the consolidated financial statements (continued)

The net liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The group recognises any surplus arising on its deferred benefit schemes to the extent that it has a legal right to do so under the scheme rules.

Current and past service costs, to the extent they have vested, are recognised in operating costs in the income statement together with interest costs on plan liabilities and the expected return on plan assets.

Cumulative actuarial gains and losses arising from experience adjustments and change in actuarial assumptions are credited or charged to the statement of comprehensive income and expense net of deferred tax.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance or trustee administered plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Share-based payment plans

The group's management awards employees share options, from time to time, both on a discretionary and non-discretionary basis which are subject to vesting conditions. The economic cost of awarding the share options to its employees is recognised as an employee benefit expense in the income statement equivalent to the fair value of the benefit awarded. The fair value is determined by reference to the Black-Scholes option pricing model. The charge is recognised in the income statement over the vesting period of the award.

The proceeds received are credited to share capital (nominal value) and share premium when the options are exercised.

(c) Termination benefits

Termination benefits are payable when an employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is shown to be committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(d) Holiday pay

Paid holidays are regarded as an employee benefit and as such are charged to the income statement as the benefits are earned. An accrual is made at the balance sheet date to reflect the fair value of holidays earned but not yet taken.

Provisions

Provisions for vacant properties, restructuring costs, legal and environmental claims are recognised when the group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

In an international group, a variety of claims arise from time to time. Such claims may arise due to litigation against group companies, as a result of investigations by competition and fiscal authorities, or under regulatory requirements. Provisions are made against those claims which the directors consider are likely to be result in significant liabilities.

Revenue recognition

Group revenue comprises the fair value for the rendering of services, net of value added tax and other similar sales based taxes, rebates and discounts and after eliminating sales within the group. Revenue is recognised as follows:

(a) Service income

Income received or receivable in respect of service income is credited to revenue as and when services are rendered in respect of mats, linen, washroom and decontamination services. Revenue is recognised on a per item basis for delivery of laundered textiles to hotels and hospitals. Revenue for supply and laundering of workwear is recognised on a regular, periodic basis in accordance with the terms of the contract.

(b) Sale of goods revenue

For non-contract based business, revenue represents the value of goods delivered.

Accrued income comprises revenue contractually earned for services performed that are invoiced to the customer primarily in the following month.

Leases

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Dividend distribution

Final dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders. Interim dividends are recognised when paid.

Income statement presentation

(a) Exceptional items

Items that are non-recurring and material in size or non-operating in nature are presented as exceptional items in the income statement. The directors are of the opinion that separate recording of exceptional items provides helpful information about the group's underlying business performance. Examples of events, which may give rise to the classification of items as exceptional include, inter alia, restructuring of businesses, strategy related costs, acquisition related costs, impairment of goodwill and non-recurring income.

(b) Amortisation of customer contracts

These are presented separately in the income statement as they arise from acquisitions. The group incurs costs each year maintaining customer contracts and relationships. The group excludes amortisation of customer contracts arising from acquisitions from underlying profit to avoid potential double counting of these costs within such measures.

(c) Other operating expenses

These comprise the group's intangible asset amortisation and exceptional items.

Key assumptions and sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and related disclosures. The estimates and underlying assumptions are based on historical experience and other relevant factors. This approach forms the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based, or as a result of new information. Such changes are recognised in the period in which the estimate is revised.

The key assumptions about the future and key sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying value of assets and liabilities within the next 12 months are described below.

(a) Property, plant and equipment and intangible assets, including goodwill

The group has property, plant and equipment with a carrying value of £571.8 million (note 10), goodwill with a carrying value of £407.3 million (note 8) and intangible assets with a carrying value of £30.1 million (note 9). These assets are reviewed annually for impairment by comparing the carrying value of the assets with the higher of the value in use or the sales values less costs of disposal. Under the value in use method estimates are made of the future cash flows expected to result from the use. If the carrying value of the assets exceeds the higher of the value in use or fair value less costs of disposal then any impairment is taken to the income statement. Actual outcomes could vary from such estimates of discounted future cash flows. Factors such as changes in the planned use of buildings, machinery or equipment, or closure of facilities, the presence of competition, or lower than anticipated sales could result in shortened useful lives or impairment.

(b) Pensions and other post-employment benefits

The group operates a number of defined benefit schemes within the UK and Europe (note 27). As at 31 December 2016 the present value of the group's defined benefit obligation for funded plans was a deficit of £7.1 million and a deficit of £32.3 million for unfunded plans. The calculations of the recognised assets and liabilities from such plans are based upon statistical and actuarial calculations. In particular the present value of the defined benefit obligation is impacted by assumptions on discount rates used to arrive at the present value of future pension liabilities, and assumptions on future increases in salaries and benefits. Furthermore, the group's independent actuaries use statistically based assumptions covering areas such as future withdrawals of participants from the plan and estimates on life expectancy. The actuarial assumptions used may differ materially from actual results due to changes in market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants and other changes in the factors being assessed. These differences could impact the assets or liabilities recognised in the balance sheet in future periods. The last triennial valuation of the main UK pension scheme took place in February 2016 at which time it was concluded that no further additional funding through special contributions was required. The next valuation is due in February 2019.

In 2016 the group has taken the opportunity to reduce its exposure to its ongoing pension deficit in Sweden by freezing the existing liability and funding future accruals through a multi-employer insurance plan linked to the scheme.

(c) Income taxes

At 31 December 2016, the net liability for current income taxes is £16.4 million and the net liability for deferred income taxes is £61.8 million (note 19). Estimates may be required in determining the level of current and deferred income tax assets and liabilities, which management believes are reasonable and adequately recognises any income tax related uncertainties.

Various factors may have favourable or unfavourable effects on the income tax assets and liabilities. These include changes in tax laws in the jurisdiction we operate in, tax rates, interpretations of existing tax laws, future levels of spending and in overall levels of future earnings.

(d) Share-based payments

The economic cost of awarding shares and share options to employees is reflected by recording a charge in the income statement equivalent to the fair value of the benefit awarded over the vesting period. The fair values of the awards are determined by use of the Black-Scholes model.

(e) Provisions

Provisions for vacant properties, restructuring costs, legal, regulatory and environmental claims are recognised when the group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Notes to the consolidated financial statements

1 Segmental information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Berendsen plc Executive Board.

Following the strategy review in November 2015 The Berendsen plc Executive Board now manages the business under the Business Lines of Workwear, Facility, Healthcare and Hospitality which are all operating segments. The group's internal reporting structure is aligned on the same basis and segmental information is presented on a basis consistent with this reporting structure.

As a consequence the segmental results for the year ended 31 December 2015 have been restated in line with the revised Business Line structure.

The results for the year ended 31 December 2016 under the business line structure are as follows:

	Workwear £m	Facility £m	Healthcare £m	Hospitality £m	Unallocated £m	Group £m
Total segment revenue	349.3	260.2	322.9	188.7	0.2	1,121.3
Inter-segment revenue	(2.3)	(1.3)	(6.3)	(1.4)	–	(11.3)
Revenue from external customers	347.0	258.9	316.6	187.3	0.2	1,110.0
Operating profit before exceptional items and amortisation of customer contracts	66.9	65.1	27.6	9.5	(8.1)	161.0
Exceptional items (note 4)	(2.3)	(0.7)	(3.1)	(1.5)	(5.3)	(12.9)
Amortisation of customer contracts	(0.6)	(6.2)	(0.3)	–	(0.3)	(7.4)
Segment result	64.0	58.2	24.2	8.0	(13.7)	140.7
Net finance costs						(20.4)
Profit before taxation						120.3
Taxation						(28.8)
Profit for the year						91.5
Profit attributable to non-controlling interest						0.3
Profit attributable to owners of parent company						91.2
Capital expenditure	99.3	62.3	58.2	35.0	(5.3)	249.5
Depreciation (note 10)	73.5	32.4	49.0	33.9	(5.2)	183.6
Amortisation (note 9)	2.3	6.8	1.2	0.7	0.4	11.4

Unallocated costs includes group marketing, central procurement and communication functions.

Capital expenditure comprises additions to property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

1 Segmental information (continued)

The results for the year ended 31 December 2015 under the new Business Line structure are as follows:

	Workwear £m	Facility £m	Healthcare £m	Hospitality £m	Unallocated £m	Group Restated* £m
Total segment revenue	315.8	226.5	303.6	180.9	–	1,026.8
Inter-segment revenue	(1.7)	(0.9)	(4.5)	(1.6)	–	(8.7)
Revenue from external customers	314.1	225.6	299.1	179.3	–	1,018.1
Operating profit before exceptional items and amortisation of customer contracts	65.3	58.1	29.8	11.9	(11.3)	153.8
Exceptional items	(0.2)	–	(6.4)	–	(0.7)	(7.3)
Amortisation of customer contracts	(0.5)	(13.7)	(0.2)	–	–	(14.4)
Segment result	64.6	44.4	23.2	11.9	(12.0)	132.1
Net finance costs						(18.7)
Profit before taxation						113.4
Taxation						(24.5)
Profit for the year						88.9
Profit attributable to non-controlling interest						0.2
Profit attributable to owners of parent company						88.7
Capital expenditure	77.3	34.9	51.2	38.5	(3.9)	198.0
Depreciation (note 10)	62.9	28.3	46.1	31.9	(3.8)	165.4
Amortisation (note 9)	2.3	14.1	1.0	1.2	0.1	18.7

* In 2016 the group standardised its accounting policy, across the group, in respect of residual value income, arising on the termination of rental contracts, to ensure that all of this income is accounted for within revenue. Previously a portion of this income was shown as part of cost of sales. Accordingly revenue for the year ended 31 December 2015, £12.1 million has been re-presented to reflect the position had this policy been in operation during that year. There is no overall impact on operating profit in 2015 as a result of this change.

Sales between business line segments are carried out at arms-length.

The segment assets and liabilities at 31 December 2016 under the new Business Line structure are as follows:

	Workwear £m	**Facility £m**	**Healthcare £m**	**Hospitality £m**	**Unallocated £m**	**Group £m**
Operating assets	**436.4**	**373.0**	**278.9**	**147.3**	**19.2**	**1,254.8**
Operating liabilities	**(74.7)**	**(53.7)**	**(32.9)**	**(37.5)**	**(23.1)**	**(221.9)**

The segment assets and liabilities at 31 December 2015 restated under the new Business Line structure are as follows:

	Workwear £m	Facility £m	Healthcare £m	Hospitality £m	Unallocated £m	Group £m
Operating assets	364.9	299.3	264.9	143.2	17.8	1,090.1
Operating liabilities	(64.8)	(39.4)	(46.4)	(33.8)	(16.4)	(200.8)

Notes to the consolidated financial statements (continued)

1 Segmental information (continued)

Business line operating assets consist primarily of property, plant and equipment, intangible assets, inventories and trade and other receivables.

Business line operating liabilities consist primarily of trade and other payables and provisions.

Unallocated assets include operating assets relating to corporate segments.

Unallocated liabilities include operating liabilities for corporate segments.

	Year to 31 December 2016 £m	Restated Year to 31 December 2015 £m
Analysis of external revenue by category:		
Sale of goods	**40.6**	42.8
Provision of services	**1,069.4**	975.3
	1,110.0	1,018.1
Analysis of external revenue by country:		
UK	**392.3**	396.9
Sweden	**177.0**	151.9
Germany	**157.7**	134.3
Denmark	**146.8**	126.4
Holland	**91.0**	78.3
Norway	**50.1**	47.8
Other	**95.1**	82.5
	1,110.0	1,018.1
Analysis of non-current assets other than financial instruments, deferred tax assets and retirement benefit assets by country are:		
UK	**226.1**	220.2
Sweden	**129.0**	116.0
Germany	**174.7**	135.2
Denmark	**128.1**	93.1
Holland	**40.3**	35.3
Norway	**24.3**	19.4
Other	**286.7**	250.8
	1,009.2	870.0

2 Net finance costs

	Year to 31 December 2016 £m	Year to 31 December 2015 £m
Interest payable on bank borrowings	**(18.3)**	(19.1)
Other interest payable	**(2.3)**	(0.6)
Amortisation of issue costs of bank loans (note i)	**(0.5)**	(1.0)
Finance costs	**(21.1)**	(20.7)
Finance income	**0.7**	2.0
Net finance costs	**(20.4)**	(18.7)

(i) This relates to loan issue costs arising on the 2015 €510 million Revolving Credit Facility and on the 2009 $259 million and £25 million US Private Placements and 2015 DKK 654.8 million and €79.7 million US Private Placements. The costs have been capitalised and are being amortised over the shortest period of the loans being four years, seven years and ten years respectively. During 2016 the revolving credit facility was extended for a further year until March 2021.

3 Expenses by nature

	Year to 31 December 2016 £m	Year to 31 December 2015 £m
The following items have been included in arriving at operating profit before exceptional items:		
Staff costs (note 26)	**413.9**	390.1
Depreciation of property, plant and equipment (note 10):		
– Owned assets	**182.9**	163.9
– Under finance leases	**0.7**	1.5
Amortisation of intangible assets (included within other operating expenses) (note 9):		
– Customer contracts	**7.4**	14.4
– Computer software	**4.0**	4.3
Loss on sale of property, plant and equipment (note 23)	**1.0**	(2.8)
Cost of inventories recognised as an expense in 'cost of sales'	**7.1**	8.8
Net cost of inventories written off	**0.1**	0.1
Other operating lease rentals payable:		
– Plant and machinery	**18.1**	16.5
– Property	**8.4**	8.1
Services provided by the company's auditors and its associates		
Fees payable to the company's auditors' for the audit of the parent company and consolidated financial statements	**0.2**	0.2
Fees payable to the company's auditors and its associates for other services:		
– The audit of the company's subsidiaries	**0.8**	0.7
– Tax advisory services	**0.2**	0.2
– Tax compliance services	**0.1**	0.1
Total services	**1.3**	1.2

Notes to the consolidated financial statements (continued)

4 Exceptional items

Included within operating profit are the following items which the group considers to be exceptional:

	Year to 31 December 2016 £m	Year to 31 December 2015 £m
Strategy implementation costs:		
Professional fees and consultancy costs	**4.7**	0.7
Restructure and redundancy costs	**5.8**	0.2
Other exceptional costs/(income):		
Costs relating to merger and acquisition activity	**8.3**	–
Disposal of subsidiary	**(0.8)**	–
Goodwill impairment (note 8)	**–**	6.4
Curtailment gain (note 27)	**(5.1)**	–
Total	**12.9**	7.3

The group incurred net exceptional costs during the year of year of £12.9 million.

£4.7 million of exceptional costs were incurred relating to HR, legal and operational consultancy costs relating to the implementation of the group's strategic plans. The tax credit associated with these costs is £1.1 million.

£5.8 million of exceptional costs were incurred in respect of both reorganisation and organisational capability review costs, principally within the UK. The tax credit associated with these costs was £1.0 million

Included within merger and acquisition costs are the board's best estimate of the costs associated with the group's ongoing CMA investigation. The tax credit associated with these merger and acquisition costs is £0.6 million.

In August 2016 the group disposed of its direct sale business, Mitre, for net proceeds of £8 million (note 25). The tax charge associated with this sale was £nil.

During the year the group decided to freeze the liability in respect of its pension scheme in Sweden, see also note 27. The resulting curtailment gain under IAS 19 is shown as part of exceptional items above. The resulting tax charge associated with this gain is £1 million.

5 Taxation

	Year to 31 December 2016 £m	Year to 31 December 2015 £m
Analysis of tax charge for the year		
Current tax:		
Tax on profits for the current year	**21.5**	22.6
Adjustments in respect of previous years	**1.6**	(0.2)
	23.1	22.4
Deferred tax (note 19):		
Origination and reversal of temporary differences	**7.8**	4.0
Changes in statutory tax rates	**(0.4)**	(1.7)
Adjustments in respect of previous years	**(1.7)**	(0.2)
	5.7	2.1
Total tax charge	**28.8**	24.5

The amount of overseas tax included in the total tax charge is £29.2 million (2015: £22.4 million).

5 Taxation (continued)

The tax charge for the year is different from the effective UK statutory rate of 20.00% (2015: 20.25%). The difference is explained below:

	Year to 31 December 2016 £m	Year to 31 December 2015 £m
Profit before taxation	**120.3**	113.4
Multiplied by the effective rate of corporation tax in the UK of 20.00% (2015: 20.25%)	**24.0**	23.0
Effects of:		
Items not deductible for tax purposes	**1.5**	0.7
Non-taxable income	**(1.2)**	(0.9)
Taxable profit different to profit on disposal of assets	**–**	(0.1)
Overseas tax rate differences	**4.6**	2.6
Changes in statutory tax rates	**(0.4)**	(1.7)
Other	**0.4**	1.3
Adjustments in respect of prior years	**(0.1)**	(0.4)
Total tax charge	**28.8**	24.5

The main rate of corporation tax as at 31 December 2016 was 20%. Legislation to reduce the main rate of corporation tax by 1% to 19% from 1 April 2017 was substantively enacted on 26 October 2015, and by a further 2% to 17% from 1 April 2020 was substantively enacted on 6 September 2016.

The tax (charge) relating to components of other comprehensive income and equity is as follows:

	Year to 31 December 2016 £m	Year to 31 December 2015 £m
Revaluation of assets	**(0.2)**	–
Currency translation differences	**–**	(4.4)
Actuarial losses/(gains)	**10.4**	(1.2)
Cash flow hedges	**–**	(0.8)
Total credited/(charged) to comprehensive income	**10.2**	(6.4)
Tax (charge)/credit relating to share-based payments	**(0.2)**	0.2
Total credited/(charged) to equity	**10.0**	(6.2)
Analysed as:		
Current tax	**0.7**	2.1
Deferred tax (note 19)	**9.3**	(8.3)
	10.0	(6.2)

Notes to the consolidated financial statements (continued)

6 Dividends

	Year to 31 December 2016 £m	Year to 31 December 2015 £m
Equity dividends paid during the year		
Final dividend for the year ended 31 December 2015 of 21.5 pence per share (2014: 20.5 pence)	**36.8**	35.0
Interim dividend for the year ended 31 December 2016 of 10.5 pence per share (2015: 10.0 pence)	**18.0**	17.1
	54.8	52.1
Proposed final equity dividend for approval at the AGM		
Proposed final dividend for the year ended 31 December 2016 of 22.5 pence per share (2015: 21.5 pence)	**38.5**	36.7

The directors recommend a final dividend for the financial year ended 31 December 2016 of 22.5 pence per ordinary share to be paid on 5 May 2017 to shareholders who are on the register at 7 April 2017. This dividend is not reflected in these financial statements as it does not represent a liability at 31 December 2016.

7 Earnings per share

Basic earnings per ordinary share are based on the group profit for the year and a weighted average of 171,095,601 (2015: 170,852,995) ordinary shares in issue during the year.

Diluted earnings per share are based on the group profit for the year and a weighted average of ordinary shares in issue during the year calculated as follows:

	31 December 2016 Number of shares	31 December 2015 Number of shares
In issue	**171,095,601**	170,852,995
Dilutive potential ordinary shares arising from unexercised share options	**256,845**	429,842
	171,352,446	171,282,837

An adjusted earnings per ordinary share figure has been presented to eliminate the effects of exceptional items, amortisation of customer contracts and non-recurring tax items. This presentation shows the trend in earnings per ordinary share that is attributable to the underlying trading activities of the total group.

The reconciliation between the basic and adjusted figures for the group is as follows:

	Year to 31 December 2016		Year to 31 December 2015	
	£m	Earnings per share pence	£m	Earnings per share pence
Profit attributable to owners of parent company for basic earnings per share calculation	**91.2**	**53.3**	88.7	51.9
Exceptional items – goodwill impairment (after taxation)	**–**	**–**	4.5	2.6
Exceptional operating costs (after taxation)	**11.3**	**6.6**	0.7	0.4
Amortisation of customer contracts (after taxation)	**5.8**	**3.4**	11.1	6.5
Impact of tax rate reductions: UK, Sweden and other tax items	**(0.4)**	**(0.2)**	(1.7)	(1.0)
Adjusted earnings	**107.9**	**63.1**	103.3	60.4
Diluted basic earnings		**53.2**		51.8
Diluted adjusted earnings		**63.0**		60.3

8 Goodwill

	2016 £m	2015 £m
Cost		
At 1 January	**441.3**	460.0
Acquisitions (note 25)	**–**	0.8
Disposals (note 25)	**(12.1)**	–
Currency translation	**51.1**	(19.5)
At 31 December	**480.3**	441.3
Accumulated amortisation and impairment		
At 1 January	**74.3**	69.8
Impairment	**–**	6.4
Disposals (note 25)	**(7.6)**	–
Currency translation	**6.3**	(1.9)
At 31 December	**73.0**	74.3
Net book amount at 31 December	**407.3**	367.0

Composition of CGUs

Changes in composition of CGU's under the new Business Line structure.

With effect from 1 January 2016, the group's structure was reorganised into four Business Lines resulting in a change to the number of operating segments and the composition of the cash generating units (CGU's). The Business Lines are managed and controlled at the operating segment level and each of the operating segments has their own dedicated management team. The internal group reporting structure was also changed to align with this new Business Line structure. Going forward, management will monitor goodwill at this operating segment level and as a consequence goodwill has been reallocated on this basis. Goodwill that can be identified as specific to an operating segment has been included in the operating segment directly.

Under the new Business Line structure we have 46 CGU's which represent the smallest identifiable group of assets that generate independent cash flows from other groups of assets. In 2015 we had 23 CGU's under the previous Core and Manage for Value Business Line structure. For the purposes of goodwill impairment review, acquired goodwill has been allocated to 4 groups of CGU's being the operating segments. The operating segments are Workwear, Facilities, Hospitality and Healthcare. The operating segments identified in 2015 were Workwear, Facility, UK Flat Linen, Scandinavian Flat Linen, Germany and Austria Healthcare, Ireland, Direct Sales, Clinical Solutions and Decontamination. In 2016, Germany and Austria Healthcare and Clinical Solutions have been reallocated to Healthcare along with the proportion of Scandinavian Flat Linen that relates to Healthcare. The balance of Scandinavian Flat Linen has been reallocated to Hospitality whilst Ireland is now split across Hospitality, Healthcare and Workwear. UK Flat Linen has now been reallocated to Healthcare and Hospitality. The Direct Sale operating segment, reflecting the group's interest in Mitre was disposed of during the year (note 25).

For reporting purposes, the goodwill has been allocated to the operating segments as outlined below:

	2016		2015	
	Impairment charge £m	**Net book amount of goodwill £m**	Impairment charge £m	Restated Net book amount of goodwill £m
Core Growth:			–	
Workwear	**–**	**151.5**	–	132.3
Facility	**–**	**173.2**	–	152.4
Hospitality	**–**	**28.1**		30.8
Healthcare	**–**	**54.5**	(6.4)	51.5
Total	**–**	**407.3**	(6.4)	367.0

Notes to the consolidated financial statements (continued)

8 Goodwill (continued)

Impairment testing of goodwill

The group reviews at each reporting date whether there is an indication that any of the CGUs that contain the operating assets may be impaired in accordance with IAS 36 'Impairment of assets'. An annual goodwill impairment test is then carried out by comparing the carrying amount of the operating segments, being the group of CGU's, to which the goodwill relates to its recoverable amount. The recoverable amount of each operating segment is based on value-in-use calculations which management develop from forecast cash flows based on past performance, market data and its expectation of future market development. These calculations require the use of estimates and the pre-tax cash flow projections are based on the group's current three-year strategic plan. The key target assumptions within the strategic plan for each of the CGU's may be summarised as follows:

→ Sustainable revenue growth, prior to currency impacts, of at least GDP +3%;

→ Continued margin improvement; and

→ Targeted investment in plant and machinery for stability and growth in operations

Cash flows beyond the three-year period have been extrapolated using an estimated growth rate of 2% (2015: 2%) and are appropriate because these are long-term businesses. The growth rate of 2% (2015: 2%) is broadly in line with long-term GDP estimates for countries that the group operates within. Projected cash flows have been discounted using pre-tax discount rates of 11% (2015: 11%). The discount rates reflect market assumptions for the Risk Free-rates and Equity Risk Premiums and also take into account the net cost of debt. No reasonably foreseeable change in these assumptions would cause an impairment.

The annual impairment test carried out in the current year showed that the recoverable amount for all groups of CGU's to which goodwill is allocated exceeded the carrying amounts of the groups of CGU's. At the time of the reallocation of the goodwill an impairment test was carried out which showed that no impairment was required under the old Business Line structure.

9 Other intangible assets

	Computer software £m	Other intangible assets £m	Customer contracts £m	Total £m
Cost				
At 1 January 2016	**46.4**	**2.5**	**178.1**	**227.0**
Acquisitions (note 25)	**–**	**–**	**8.6**	**8.6**
Additions at cost	**4.5**	**–**	**0.2**	**4.7**
Disposals	**(0.1)**	**–**	**(1.3)**	**(1.4)**
Currency translation	**4.3**	**–**	**23.1**	**27.4**
At 31 December 2016	**55.1**	**2.5**	**208.7**	**266.3**
Accumulated depreciation				
At 1 January 2016	**36.2**	**1.4**	**163.5**	**201.1**
Charge for the year	**4.0**	**–**	**7.4**	**11.4**
Disposals	**(0.1)**	**–**	**(1.3)**	**(1.4)**
Currency translation	**3.6**	**–**	**21.5**	**25.1**
At 31 December 2016	**43.7**	**1.4**	**191.1**	**236.2**
Net book amount at 31 December 2016	**11.4**	**1.1**	**17.6**	**30.1**
Net book amount at 31 December 2015	**10.2**	**1.1**	**14.6**	**25.9**

	Computer software £m	Other intangible assets £m	Customer contracts £m	Total £m
Cost				
At 1 January 2015	42.9	1.4	184.8	229.1
Acquisitions (note 25)	–	–	2.8	2.8
Additions at cost	5.1	1.1	–	6.2
Disposals	(0.1)	–	–	(0.1)
Currency translation	(1.5)	–	(9.5)	(11.0)
At 31 December 2015	46.4	2.5	178.1	227.0
Accumulated depreciation				
At 1 January 2015	33.2	1.4	157.4	192.0
Charge for the year	4.3	–	14.4	18.7
Disposals	–	–	–	–
Currency translation	(1.3)	–	(8.3)	(9.6)
At 31 December 2015	36.2	1.4	163.5	201.1
Net book amount at 31 December 2015	10.2	1.1	14.6	25.9
Net book amount at 31 December 2014	9.7	–	27.4	37.1

All amortisation charges have been charged through other operating expenses.

Notes to the consolidated financial statements (continued)

10 Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Textile assets and washroom equipment £m	Total £m
Cost				
At 1 January 2016	228.3	447.6	534.2	1,210.1
Additions at cost	21.2	46.8	165.7	233.7
Acquisitions (note 25)	0.6	0.7	1.2	2.5
Reclassification within fixed assets	2.0	(2.0)	–	–
Disposals	(0.8)	(32.2)	(109.9)	(142.9)
Disposal of subsidiary undertaking	(1.1)	(0.1)	–	(1.2)
Currency translation	27.0	42.9	61.9	131.8
At 31 December 2016	277.2	503.7	653.1	1,434.0
Accumulated depreciation				
At 1 January 2016	100.7	320.0	312.3	733.0
Charge for the year	5.2	29.6	148.8	183.6
Reclassification within fixed assets	0.8	(0.8)	–	–
Disposals	(0.3)	(31.6)	(108.0)	(139.9)
Disposal of subsidiary undertaking	(0.2)	–	–	(0.2)
Currency translation	13.1	32.2	40.4	85.7
At 31 December 2016	119.3	349.4	393.5	862.2
Net book amount at 31 December 2016	157.9	154.3	259.6	571.8
Net book amount at 31 December 2015	127.6	127.6	221.9	477.1

	2016 £m	2015 £m
Plant and machinery net book amount includes:		
Assets held under finance leases	1.5	1.2
Finance lease additions	0.6	1.5
Split of depreciation:		
Owned assets	182.9	163.9
Leased assets	0.7	1.5
	183.6	165.4

10 Property, plant and equipment (continued)

	Land and buildings £m	Plant and machinery £m	Textile assets and washroom equipment £m	Total £m
Cost				
At 1 January 2015	238.7	462.8	674.6	1,376.1
Additions at cost	6.2	32.7	144.5	183.4
Acquisitions (note 25)	2.0	3.6	–	5.6
Disposals	(8.0)	(34.7)	(253.2)	(295.9)
Reclassified to inventory	–	–	(0.4)	(0.4)
Currency translation	(10.6)	(16.8)	(31.3)	(58.7)
At 31 December 2015	228.3	447.6	534.2	1,210.1
Accumulated depreciation				
At 1 January 2015	105.3	333.6	456.4	895.3
Charge for the year	6.8	28.1	130.5	165.4
Disposals	(6.2)	(28.7)	(250.7)	(285.6)
Currency translation	(5.2)	(13.0)	(23.9)	(42.1)
At 31 December 2015	100.7	320.0	312.3	733.0
Net book amount at 31 December 2015	127.6	127.6	221.9	477.1
Net book amount at 31 December 2014	133.4	129.2	218.2	480.8

11 Inventories

	As at 31 December 2016 £m	As at 31 December 2015 £m
Raw materials	**3.8**	4.0
Work in progress	**7.5**	8.0
Finished goods	**44.4**	38.2
	55.7	50.2

12 Trade and other receivables

	As at 31 December 2016 £m	As at 31 December 2015 £m
Current:		
Trade receivables	**149.1**	129.9
Less: Provision for impairment of trade receivables	**(3.9)**	(3.2)
	145.2	126.7
Other receivables	**7.1**	3.9
Prepayments and accrued income	**37.6**	39.3
	189.9	169.9

Trade receivables are non-interest bearing and generally have a 30-day term. Due to their short maturities, the fair value of trade and other receivables approximate to their book value. All other receivables are recorded at amortised cost.

The carrying amounts of trade and other receivables for financial assets are denominated in the following currencies, which in most instances are the functional currencies of the respective subsidiaries. We do not have any significant exposure to currency risk on these amounts.

	As at 31 December 2016 £m	As at 31 December 2015 £m
Sterling	**39.6**	37.7
Euro	**44.7**	37.1
Swedish krona	**31.8**	27.5
Danish krone	**21.7**	16.8
Other	**14.5**	11.5
	152.3	130.6

Provision for impairment of trade receivables

	As at 31 December 2016 £m	As at 31 December 2015 £m
At 1 January	**3.2**	3.4
Currency translation	**0.3**	(0.1)
Charge for the year	**0.6**	0.4
Uncollectable amounts written off, net of recoveries	**(0.2)**	(0.5)
At 31 December	**3.9**	3.2

The charge for the year is recognised as an expense in administrative expenses.

As at 31 December 2016, trade receivables of £43.7 million (2015: £46.4 million) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	As at 31 December 2016 £m	As at 31 December 2015 £m
Up to one month	**32.5**	36.7
One to three months	**8.2**	7.7
Over three months	**3.0**	2.0
	43.7	46.4

The other classes within trade and other receivables do not contain impaired assets.

13 Cash and cash equivalents

	As at 31 December 2016 £m	Restated As at 31 December 2015 £m
Cash at bank and in hand	**310.1**	157.0
	310.1	157.0

Cash at bank and in hand earns interest at floating rates based on bank deposit rates.

In March 2016, the IFRS Interpretations Committee (IFRS IC) issued an agenda decision regarding the treatment of offsetting and cash-pooling arrangements in accordance with IAS 32: 'Financial instruments: Presentation'. This provided additional guidance on when bank overdrafts in cash-pooling arrangements would meet the requirements for offsetting in accordance with IAS 32. Following this additional guidance, the Group has reviewed its cash-pooling arrangements and has revised its presentation of bank overdrafts. Comparatives at 31 December 2015 have been restated, increasing overdrafts and increasing cash balances by £30.3 million. At 31 December 2014 the comparative restatement would have been to increase overdrafts and increase cash in hand by £137.8 million. As this is considered a change in accounting policy the group and Company should present a third balance sheet to capture the opening position at 1 January 2015. However, having reviewed the guidance management has opted instead to present the impact of cash pooling in this note only, on the basis of materiality, as there is no impact on net assets.

14 Trade and other payables

	As at 31 December 2016 £m	As at 31 December 2015 £m
Non-current:		
Accruals and deferred income	**0.9**	1.1
	0.9	1.1
Current:		
Trade payables	**69.9**	61.3
Other tax and social security payable	**32.1**	29.9
Other payables	**6.9**	8.7
Deferred consideration payable on acquisitions	**–**	0.1
Accruals and deferred income	**104.6**	96.8
	213.5	196.8

15 Borrowings

	As at 31 December 2016 £m	As at 31 December 2015 £m
Current		
Private placement notes – unsecured	**–**	87.7
Bank loans – secured	**0.2**	–
	0.2	87.7
Finance lease obligations	**0.4**	0.4
	0.6	88.1
Non-current		
Private placement notes – unsecured	**433.9**	370.1
Bank loans – unsecured	**77.9**	38.7
	511.8	408.8
Finance lease obligations	**1.0**	0.7
	512.8	409.5

Bank loans are denominated in a number of currencies and bear interest based on LIBOR or foreign equivalents appropriate to the currency in which the borrowing is incurred together with a margin as appropriate.

Notes to the consolidated financial statements (continued)

15 Borrowings (continued)

The effective interest rates (EIR) for the group's bank borrowings (including interest rate swaps) by currency at the balance sheet date were as follows:

	As at 31 December 2016		As at 31 December 2015	
	£m	EIR %	£m	EIR %
Borrowings under the revolving credit facilities				
Euro	–	–	–	–
Danish krone	–	–	–	–
Swedish krona	79.0	0.04	40.1	0.18
	79.0	0.04	40.1	0.18
Borrowings under the private placement (2006)				
Euro	28.4	4.45	55.3	4.52
Danish krone	14.2	4.63	12.2	4.63
Swedish krona	27.8	4.40	56.5	4.49
Currency translation	10.7	–	11.1	–
	81.1	4.46	135.1	4.52
Borrowings under the private placement (2009)				
Sterling	25.0	5.74	25.0	5.74
Euro	130.2	5.28	127.3	5.22
Currency translation	55.3	–	47.6	–
	210.5	5.35	199.9	5.30
Borrowings under the private placement (2015)				
Euro	67.9	2.03	58.7	2.03
Danish krone	75.0	2.21	64.6	2.21
	142.9	2.12	123.3	2.12
Unamortised loan costs	(1.7)	–	(1.9)	–
Other bank borrowings				
Danish krone	0.2	–	–	–
Euro	–	–	–	–
Sterling	–	–	–	–
	512.0	3.24	496.5	3.72

On 19 March 2015, the group refinanced its existing revolving credit facility for €535 million to a new revolving credit facility for €510 million. During 2016, this facility was extended for a further year and expires on 19 March 2021.

On 19 February 2015, the group issued further private placement notes to existing US investors for DKK654.8 million and €79.7 million repayable in 2025 at fixed coupon rate.

In December 2009, the group issued private placement notes of US$259 million and £25 million. The US$259 million was immediately swapped into euros. In 2016, US$30 million and the equivalent Euro swaps were repaid.

In May 2006, the group issued private placement notes of US$250 million which were immediately swapped into a basket of Danish krone, Swedish krona and euros. In 2014, US$50 million private placement notes and the associated Danish krone swap were repaid, and a further US$100 million and associated Euro and Swedish krona swaps repaid in 2016.

For further details of the group's derivative financial instruments against its borrowings see note 16.

As underlying currencies have been swapped from US dollars via derivative contracts, the group has a gain on financial instruments (see note 16) which is offset by the currency translation loss on the underlying borrowings noted above. The borrowing under the US private placements (2006 and 2009) of £291.6 million reflects the £25 million and the US$329 million translated at the year end sterling to dollar rate.

15 Borrowings (continued)

Fair value of financial assets and liabilities

	As at 31 December 2016		As at 31 December 2015	
	Book value £m	**Fair value £m**	Book value £m	Fair value (restated) £m
Long-term borrowings	**(512.8)**	**(558.8)**	(409.5)	(471.1)
Fair value of other financial assets and liabilities:				
Short-term borrowings	**(0.6)**	**(0.6)**	(88.1)	(88.1)
Trade and other payables (note 14)	**(76.8)**	**(76.8)**	(70.1)	(70.1)
Trade and other receivables (note 12)	**152.3**	**152.3**	130.6	130.6
Cash at bank and in hand (note 13) including overdrafts	**84.0**	**84.0**	126.7	126.7

The fair value of the group's fixed rate loans are based on available market information at the balance sheet date and are calculated by discounting expected future cash flows using the appropriate yield curve. The book values of floating rate borrowings approximate their fair value.

The fair value of the borrowings has been restated for 2015 to present the comparative balance for updated assumptions in the year that management considers a more accurate reflection of the balance.

All financial instruments are in level 2 of the IFRS 13 fair value hierarchy. Fair value for financial instruments held at amortised cost has been estimated by discounting cash flows at prevailing interest rates and by applying year end exchange rates.

Maturity of financial liabilities

	As at 31 December 2016			As at 31 December 2015		
	Borrowings £m	**Finance leases £m**	**Total £m**	Borrowings £m	Finance leases £m	Total £m
Within one year	**0.2**	**0.4**	**0.6**	87.7	0.4	88.1
In more than one year but not more than two years	**81.0**	**0.8**	**81.8**	–	0.3	0.3
Over two years but not more than five years	**288.3**	**0.2**	**288.5**	218.4	0.4	218.8
Over five years	**142.5**	**–**	**142.5**	190.4	–	190.4
	512.0	**1.4**	**513.4**	496.5	1.1	497.6

Borrowing facilities

The group has the following undrawn committed borrowing facilities available at 31 December and on which it incurs commitment fees at market rates:

	As at 31 December 2016 £m	As at 31 December 2015 £m
Expiring in more than one year but not more than two years	**–**	–
Expiring in over two years but not more than five years	**355.6**	335.6
	355.6	335.6

The minimum lease payments under finance leases fall due as follows:

	As at 31 December 2016 £m	As at 31 December 2015 £m
Not later than one year	**0.4**	0.5
Later than one year but not more than five	**1.0**	0.7
	1.4	1.2
Future finance charges on finance leases	**–**	(0.1)
Present value of finance lease liabilities	**1.4**	1.1

Notes to the consolidated financial statements (continued)

16 Derivative financial instruments

The derivatives the group has used qualify for one or more hedge type designations under IAS 39. The fair values of the group's derivatives have been determined based on available market information at the balance sheet date and the following methodologies:

- the fair value of forward foreign exchange contracts are calculated by discounting the contracted forward values and translating at the balance sheet rates; and
- the fair value of cross-currency interest rate swaps are calculated by discounting expected future principal and interest cash flows derived from appropriate yield curves.

The fair value measurements of the derivatives are classified as Level 2 in the fair value hierarchy as defined by IFRS 13 'Fair value measurement':

The fair value and the notional amounts by designated hedge type are as follows:

	As at 31 December 2016			As at 31 December 2015		
	Assets fair value £m	Liabilities fair value £m	Notional £m	Assets fair value £m	Liabilities fair value £m	Notional £m
Cash flow hedges						
Cross-currency interest rate swaps	**68.9**	**–**	**266.5**	38.9	–	310.0
Forward foreign exchange contracts	**2.3**	**–**	**31.0**	0.6	–	31.7
	71.2	**–**	**–**	39.5	–	–
Net investment hedges						
Cross-currency interest rate swaps	**4.7**	**(14.9)**	**266.5**	28.2	(11.2)	310.8
	4.7	**(14.9)**	**–**	28.2	(11.2)	–
Total	**75.9**	**(14.9)**	**–**	67.7	(11.2)	–

The maturity of all derivative financial instruments is as follows (excluding break clauses):

	As at 31 December 2016							As at 31 December 2015						
	In one year or less £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	Over 5 years £m	Total £m	In one year or less £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	Over 5 years £m	Total £m
Cash flow hedges														
Asset	**2.3**	**24.6**	**25.4**	**–**	**18.9**	**–**	**71.2**	13.1	–	11.6	8.3	–	6.5	39.5
Liability	**–**	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–	–
Net investment hedges														
Asset	**(0.2)**	**–**	**3.2**	**–**	**1.7**	**–**	**4.7**	3.2	–	–	14.2	–	10.8	28.2
Liability	**(0.3)**	**(14.6)**	**–**	**–**	**–**	**–**	**(14.9)**	(5.3)	–	(5.9)	–	–	–	(11.2)
Total														
Asset	**2.1**	**24.6**	**28.6**	**–**	**20.6**	**–**	**75.9**	16.3	–	11.6	22.5	–	17.4	67.8
Liability	**(0.3)**	**(14.6)**	**–**	**–**	**–**	**–**	**(14.9)**	(5.3)	–	(5.9)	–	–	–	(11.2)

16 Derivative financial instruments (continued)

The group's derivative financial instrument contracts include break clauses which may be exercised at the discretion of the group's counterparties ahead of maturity. Were these break clauses to be enforced then the maturity of derivative financial instruments existing at the balance sheet date would be as follows:

	As at 31 December 2016							As at 31 December 2015						
	In one year or less £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	Over 5 years £m	Total £m	In one year or less £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	Over 5 years £m	Total £m
Cash flow hedges														
Asset	**12.0**	**24.6**	**34.6**	**–**	**–**	**–**	**71.2**	24.8	3.1	–	11.1	–	0.5	39.5
Liability	**–**	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–	–
Net investment hedges														
Asset	**0.8**	**–**	**3.9**	**–**	**–**	**–**	**4.7**	3.2	5.4	–	19.1	–	0.5	28.2
Liability	**(0.3)**	**(14.6)**	**–**	**–**	**–**	**–**	**(14.9)**	(11.2)	–	–	–	–	–	(11.2)
Total														
Asset	**12.8**	**24.6**	**38.5**	**–**	**–**	**–**	**75.9**	28.0	8.5	–	30.2	–	1.0	67.7
Liability	**(0.3)**	**(14.6)**	**–**	**–**	**–**	**–**	**(14.9)**	(11.2)	–	–	–	–	–	(11.2)

Background

At 31 December 2016 the group has in issue US$329 million long-term senior guarantee notes under private placements in the US which have been swapped into other currencies: Danish krone, Swedish krona and euro. In May 2006 the group placed US$250 million at fixed rates for periods between eight and twelve years, in 2014 US$50 million of this debt was repaid, and a further US$100 million repaid in 2016. In December 2009 the group undertook a further placement of US$259 million at fixed rates for periods between seven and twelve years. In 2016, US$30 million of this debt was repaid. In both placements the foreign currency amounts were immediately swapped into other currencies: Danish krone, Swedish krona and euros. This is to offset the foreign exchange rate exposure arising on the group's foreign currency assets.

The conversion from US dollars into currency was achieved in two stages. In the first stage swaps were taken out to convert US dollars to sterling. All of these swaps have been designated as cash flow hedges, with the exception of one swap from the 2006 placement, which has been designated as a fair value hedge, this swap was repaid in 2014. In the second stage further swaps were taken out to convert sterling to the required currencies. These have been designated as hedges of net investment in foreign subsidiaries.

The fixed interest rate cross-currency contracts entered into have options exercisable by either party to terminate after five years and ten years if relevant. The value of the swap at the time would then be cash settled.

During the year in accordance with group policy, the group entered into several forward foreign exchange contracts for the purchase of US dollars in the future at fixed rates. These forward contracts reduce the foreign exchange exposure on the procurement of textiles and capital equipment from Far East suppliers.

Cash flow hedges

The derivative asset recognised on these 12 instruments is £68.9 million. During the year there was a gain of £44.3 million, which has been accounted for within the statement of comprehensive income, and a loss of £1.7 million taken to the hedging reserve. The fair value will be continuously released to the income statement until the repayment of the private placement.

During the year, a gain of £4.8 million was recognised in the income statement in respect of maturing cash flow hedges.

The forward foreign exchange contracts have resulted in the recognition of a derivative asset of £2.3 million (2015: derivative asset of £0.6 million). During the year a net gain of £1.7 million (2015: gain of £0.2 million) was recognised in equity. Of this balance, a gain of £1.3 million was recycled in the income statement and a gain of £2.6 million was taken as a basis adjustment against inventory.

16 Derivative financial instruments (continued)

Net investment hedges

The second stage of the US private placement swaps results in sterling being exchanged into Danish krone, Swedish krona and euros. At 31 December 2016 the fixed rate borrowings vary between rates of 4.45% and 5.57% on the fixed European swaps.

These swaps are accounted for as hedges of the group's assets in the relevant countries. The movement on the derivative asset arising has been accounted for as a component part of currency translation (£28.8 million loss). During the year, a loss of £6.2 million was recognised within currency translation in retained earnings in respect of maturing net investment hedges.

The group's borrowings under its revolving credit facilities are designated as a hedge of its European operations. The carrying value of the borrowings as at 31 December 2016 was £79.0 million (2015: £40.1 million). The foreign exchange loss of £6.7 million on translation is taken to reserves as a component part of currency translation.

The further issue of US private placement notes in February 2015 for DKK654.8 million and €79.7 million are also designated as a hedge of its European operations. The carrying value of the borrowings as at 31 December 2016 was £142.9 million. The foreign exchange loss of £19.6 million on translation is taken to reserves as a component part of currency translation.

17 Financial risk management
17.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk; fair value interest rate risk; cash flow interest rate risk and price risk); credit risk and liquidity risk. The group's overall risk management programmes focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the group finance team under the supervision of the Chief Financial Officer under policies approved by the board of directors. The Chief Financial Officer identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board approves written principles for foreign exchange risk, interest rate risk and credit risk, and the use of derivative financial instruments and non-derivative financial instruments, and receives regular reports on such matters.

a) Market risk

i) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro, Swedish krona and Danish krone. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The majority of operations in the group bill their revenues and incur their costs in the same functional currency. The group faces some currency exposure in respect of the procurement of textiles and capital equipment from Far East suppliers. The group policy is to enter forward contracts to purchase US dollars based upon the expected purchases. These derivatives are classified as cash flow hedges.

17.1 Financial risk factors (continued)

The group's policy is not to hedge foreign currency exposures on the translation of its overseas profit to sterling. Where appropriate, borrowings are effectively arranged in currencies so as to provide a natural hedge against the investment in overseas net assets.

During 2016 and 2015, derivative financial instruments were used to manage foreign currency risk as follows:

	As at 31 December 2016						
	Sterling £m	**Euro £m**	**US dollar £m**	**Danish krone £m**	**Swedish krona £m**	**Other £m**	**Total £m**
Cash and cash equivalents (note 13)	**143.4**	**70.5**	**0.7**	**19.8**	**55.3**	**20.4**	**310.1**
Bank overdrafts	**(189.9)**	**(7.2)**	**–**	**(22.5)**	**(4.3)**	**(2.2)**	**(226.1)**
Net cash and cash equivalents	**(46.5)**	**63.3**	**0.7**	**(2.7)**	**51.0**	**18.2**	**84.0**
Borrowings, excluding finance lease liabilities (note 15)	**(23.3)**	**(67.9)**	**(266.6)**	**(75.2)**	**(79.0)**	**–**	**(512.0)**
Finance lease liabilities (note 15)	**(0.2)**	**(0.3)**	**–**	**–**	**(0.9)**	**–**	**(1.4)**
Pre-derivative net debt position	**(70.0)**	**(4.9)**	**(265.9)**	**(77.9)**	**(28.9)**	**18.2**	**(429.4)**
Derivative effect (note 16)	**1.7**	**(165.3)**	**266.6**	**(14.4)**	**(27.6)**	**–**	**61.0**
Post-derivative net debt position	**(68.3)**	**(170.2)**	**0.7**	**(92.3)**	**(56.5)**	**18.2**	**(368.4)**

	As at 31 December 2015 (restated)						
	Sterling £m	Euro £m	US dollar £m	Danish krone £m	Swedish krona £m	Other £m	Total £m
Cash and cash equivalents (note 13)	2.6	70.2	–	12.6	54.0	17.6	157.0
Bank overdrafts	(23.4)	(1.0)	–	–	(2.9)	(3.0)	(30.3)
Net cash and cash equivalents	(20.8)	69.2	–	12.6	51.1	14.6	126.7
Borrowings, excluding finance lease liabilities (note 15)	(23.1)	(64.6)	(310.0)	(58.7)	(40.1)	–	(496.5)
Finance lease liabilities (note 15)	(0.2)	(0.2)	–	–	(0.7)	–	(1.1)
Pre-derivative net debt position	(44.1)	4.4	(310.0)	(46.1)	10.3	14.6	(370.9)
Derivative effect (note 16)	0.6	(185.1)	310.0	(12.3)	(56.7)	–	56.5
Post-derivative net debt position	(43.5)	(180.7)	–	(58.4)	(46.4)	14.6	(314.4)

The exposure to euro, Swedish krona and Danish krone largely relate to our net investment hedge activities as described and shown in note 16.

ii) Price risk

The group is not exposed to any equity securities price risk. The group may from time to time be exposed to changes in the price of cotton. To mitigate against this risk the group may enter into forward contracts to buy cotton based textiles at a future date. Such contracts are not recognised as derivative financial instruments as they are held with the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements.

iii) Cash flow and fair value interest rate risk

The group's interest bearing assets include cash and cash equivalents which earn interest at floating rates. The group's income and operating cash flows are substantially independent of changes in market interest rates.

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. Group policy is to maintain a majority of its borrowings at fixed rate using interest rate swaps to achieve this when necessary. During 2016 and 2015, the group's borrowings at variable rate were denominated in sterling, euro, Swedish krona and Danish krone.

Notes to the consolidated financial statements (continued)

17.1 Financial risk factors (continued)

The following table sets out the carrying amount, by contractual repricing date (or maturity where there is no repricing), of fixed rate borrowings that are exposed to interest rate risk before taking into account interest rate swaps:

	As at 31 December 2016 £m	As at 31 December 2015 £m
Fixed interest rate borrowings		
In one year or less	**0.6**	88.1
In more than one year, but not more than two years	**81.8**	0.3
In more than two years but not more than five years	**209.5**	178.7
In more than five years	**142.5**	190.4
	434.4	457.5
Floating interest rate borrowings	**79.0**	40.1
Total borrowings	**513.4**	497.6

During 2016 and 2015, net debt was managed using derivative instruments to hedge interest rate risk as follows:

	As at 31 December 2016			As at 31 December 2015		
	Fixed-rate £m	Floating-rate £m	Total £m	Fixed-rate £m	Floating-rate £m	Total £m
Cash and cash equivalents including overdrafts	**–**	**84.0**	**84.0**	–	126.7	126.7
Borrowings	**(434.4)**	**(79.0)**	**(513.4)**	(457.5)	(40.1)	(497.6)
Pre-derivative net debt position	**(434.4)**	**5.0**	**(429.4)**	(457.5)	86.6	(370.9)
Derivative effect (i)	**58.7**	**–**	**58.7**	55.9	–	55.9
Post-derivative net debt position	**(375.7)**	**5.0**	**(370.7)**	(401.6)	86.6	(315.0)

(i) Excludes the forward foreign exchange contract derivatives.

b) Credit risk

Credit risk is managed on a group or local basis as appropriate. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

For banks and financial institutions, only independently rated parties with a strong credit rating are accepted. Trade receivables consist of a large number of customers spread across geographical areas. If there is no independent rating, management assesses the credit quality of the customer taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal ratings. Management monitors the utilisation of credit limits regularly.

Management believes there is no further credit risk provision required in excess of the normal provision for doubtful debts.

Treasury related credit risk

Counterparty risk arises from the investment of surplus funds and from use of derivative instruments.

As at 31 December 2016 and 31 December 2015, we had a number of exposures to individual counterparties. In accordance with our treasury policies and exposure management practices, counterparty credit exposure limits are continually monitored and no individual exposure is considered significant in the ordinary course of treasury management activity. Management does not expect any significant losses from non-performance by these counterparties.

The counterparty exposure under all financial assets including trade and other receivables, cash and cash equivalents and derivative financial contracts were £312.2 million (2015: £325.0 million). The group does not hold any collateral as security.

c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the group and is aggregated by group finance. Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 15) at all times so that the group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plans, covenant compliance, and compliance with internal balance sheet ratio targets.

17.1 Financial risk factors (continued)

The table below analyses the group's financial liabilities, excluding break clauses, which will be settled on a net basis into relative maturity groupings based on the remaining period at the balance sheet to the contract maturity date. The amounts disclosed in the table are contractual undiscounted cash flows using spot interest and foreign exchange rates at 31 December 2016. Balances due within 12 months equal their carrying balances as the impact of the discount is not significant.

	As at 31 December 2016				
	Due within one year £m	**Due between one and two years £m**	**Due between two and five years £m**	**Due five years and beyond £m**	**Total £m**
Non-derivative financial liabilities					
Borrowings, excluding finance lease liabilities	**0.2**	**70.3**	**234.2**	**142.9**	**447.6**
Interest payments on borrowings	**4.5**	**4.5**	**10.6**	**10.6**	**30.2**
Finance lease liabilities	**0.4**	**0.8**	**0.2**	**–**	**1.4**
Other non-interest bearing liabilities	**180.6**	**–**	**–**	**–**	**180.6**
Derivative financial liabilities					
Derivative contracts – payments	**10.0**	**8.4**	**12.9**	**–**	**31.3**
Total at 31 December 2016	**195.7**	**84.0**	**257.9**	**153.5**	**691.1**

	As at 31 December 2015 (restated)				
	Due within one year £m	Due between one and two years £m	Due between two and five years £m	Due five years and beyond £m	Total £m
Non-derivative financial liabilities					
Borrowings, excluding finance lease liabilities	76.8	–	190.4	172.5	439.7
Interest payments on borrowings	4.1	4.1	10.9	10.8	29.9
Finance lease liabilities	0.4	0.3	0.4	–	1.1
Other non-interest bearing liabilities	165.4	–	–	–	165.4
Derivative financial liabilities					
Derivative contracts – payments	10.5	8.7	15.6	2.6	37.4
Total at 31 December 2015	257.2	13.1	217.3	185.9	673.5

The analysis in 2015 has been restated to show the notional amounts of borrowings net of any cross-currency interest rate swaps.

d) Sensitivity analysis

Financial instruments affected by market risk include borrowings, deposits and derivative financial instruments. The following analysis is intended to illustrate the sensitivity to changes in market variables, being UK, euro, Swedish krona and Danish krone interest rates and sterling exchange rate on our financial instruments. We have excluded from this analysis the impact of movements in market variables on the carrying values of trade receivables and payables, since these are not exposed to risk from the market variables.

This analysis excludes the impact of movements in market variables on the carrying value of pension and other post-retirement obligations, provisions and on the non-financial assets and liabilities of overseas subsidiaries.

The sensitivity analysis has been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives portfolio and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2016 and 31 December 2015. As a consequence, this sensitivity analysis relates to the positions at those dates and is not representative of the years then ended, as all of these varied.

Notes to the consolidated financial statements (continued)

17.1 Financial risk factors (continued)

The following assumptions were made in calculating the sensitivity analysis:

- financial derivatives in net investment hedging relationship will not influence interest or foreign exchange sensitivity analysis;
- the sensitivity of accrued interest to movements in interest rates is calculated on net floating rate exposures on debt, deposits and derivative instruments;
- the sensitivity of accrued interest to movements in interest rates is recorded fully within the income statement; and
- changes in the carrying value of financial instruments from movements in exchange rates are recorded fully within equity.

The following table shows the group's exposure to foreign exchange risk as at 31 December 2016 and 31 December 2015, which is a result of increase/decrease of 10% movement in foreign exchange gains/losses on translation of foreign currency denominated borrowings. The foreign exchange risk is naturally hedged against the net assets of our operations in Continental Europe.
All foreign exchange on both the borrowings and net assets is taken to reserves where it will offset.

	As at 31 December 2016 Equity £m	As at 31 December 2015 Equity £m
Euro exchange rate + 10%	**15.5**	16.5
Euro exchange rate –10%	**(18.9)**	(20.2)
Danish krone exchange rate +10%	**8.4**	5.3
Danish krone exchange rate –10%	**(10.3)**	(6.5)
Swedish krona exchange rate +10%	**5.1**	4.2
Swedish krona exchange rate –10%	**(6.3)**	(5.2)

The table below shows the sensitivity of post-tax profit to interest rates as at 31 December 2016 and 31 December 2015, due to an increase/decrease in interest rates of 100 basis points (bp) with all other variables held constant. Post-tax profit for the year would have been mainly affected through interest expense on floating rate cash and cash equivalents and borrowings.

	As at 31 December 2016 Income statement £m	As at 31 December 2015 Income statement £m
UK interest rates +100bp	**(0.5)**	(0.2)
UK interest rates –100bp	**0.5**	0.2
Euro interest rates +100bp	**0.6**	0.7
Euro interest rates –100bp	**(0.6)**	(0.7)
Danish krone interest rates +100bp	**–**	0.1
Danish krone interest rates –100bp	**–**	(0.1)
Swedish krona interest rates +100bp	**(0.3)**	0.1
Swedish krona interest rates –100bp	**0.3**	(0.1)

17.2 Capital management

The group's objectives when managing its capital structure are to safeguard the group's ability to continue as a going concern, to provide appropriate returns for shareholders and benefits for other stakeholders.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or take other steps to increase share capital or reduce debt.

The group manages its capital structure using a number of measures and taking into account its future strategic plans. Such measures include its net interest cover and leverage ratios, which are included in its banking covenants. The group continues to remain compliant with all its banking covenants.

Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents.

	As at 31 December 2016 £m	As at 31 December 2015 £m
Total borrowings	**513.4**	497.6
Add overdrafts	**226.1**	30.3
Less cash and cash equivalents	**(310.1)**	(157.0)
Net debt	**429.4**	370.9
Total equity	**546.9**	519.0
Total capital	**976.3**	889.9

17.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method (see notes 15 and 16). The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the group's financial assets and liabilities that are measured at fair value at 31 December 2016:

	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
Assets				
Derivatives used for hedging				
Cross-currency interest rate swaps	**–**	**73.6**	**–**	**73.6**
Forward foreign exchange contracts	**–**	**2.3**	**–**	**2.3**
Total assets	**–**	**75.9**	**–**	**75.9**

	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
Liabilities				
Derivatives used for hedging				
Cross-currency interest rate swaps	**–**	**(14.9)**	**–**	**(14.9)**
Forward foreign exchange contracts	**–**	**–**	**–**	**–**
Total liabilities	**–**	**(14.9)**	**–**	**(14.9)**

Notes to the consolidated financial statements (continued)

17.3 Fair value estimation (continued)

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2015:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Derivatives used for hedging				
Cross-currency interest rate swaps	–	67.1	–	67.1
Forward foreign exchange contracts	–	0.6	–	0.6
Total assets	–	67.7	–	67.7

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Liabilities				
Derivatives used for hedging				
Cross-currency interest rate swaps	–	(11.2)	–	(11.2)
Forward foreign exchange contracts	–	–	–	–
Total liabilities	–	(11.2)	–	(11.2)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar instruments;
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value; and
- other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

17.4 Offsetting financial assets and financial liabilities
a) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements:

		Related amounts not set off in the balance sheet	
	Gross amounts of recognised financial assets	**Financial instruments**	**Net amount**
At 31 December 2016	£m	£m	£m
Derivative financial assets	**75.9**	**(14.9)**	**61.0**

		Related amounts not set off in the balance sheet	
	Gross amounts of recognised financial assets	Financial instruments	Net amount
At 31 December 2015			
Derivative financial assets	67.7	(11.2)	56.5

17.4 Offsetting financial assets and financial liabilities (continued)

b) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

		Related amounts not set off in the balance sheet	
	Gross amounts of recognised financial liabilities	**Financial instruments**	**Net amount**
At 31 December 2016	£m	£m	£m
Derivative financial liabilities	**(14.9)**	**14.9**	**–**

		Related amounts not set off in the balance sheet	
	Gross amounts of recognised financial liabilities	Financial instruments	Net amount
At 31 December 2015			
Derivative financial liabilities	(11.2)	11.2	–

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. Per the terms of each agreement, an event of default includes failure by a party to make payment when due; failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within a period of 30 to 60 days after notice of such failure is given to the party; or bankruptcy.

18 Provisions

	Restructuring £m	Regulatory and legal £m	Total £m
At 1 January 2016	**1.1**	**1.8**	**2.9**
Charged in the year	**1.9**	**4.8**	**6.7**
Utilised in the year	**(2.5)**	**–**	**(2.5)**
Currency translation	**0.1**	**0.3**	**0.4**
At 31 December 2016	**0.6**	**6.9**	**7.5**
Represented by:			
Non-current	**–**	**–**	**–**
Current	**0.6**	**6.9**	**7.5**
	0.6	**6.9**	**7.5**

Restructuring

Restructuring provisions comprise largely of employee termination payments and are not recognised for future operating losses.

Regulatory and legal

In an international group, a variety of claims arise from time to time. Such claims may arise due to litigation against group companies, as a result of investigations by fiscal and competition authorities, or under regulatory requirements including environmental. Provision against a number of such items has been made in these consolidated financial statements against those claims which the directors consider are likely to result in significant liabilities.

19 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using the tax rate applicable to the territory in which the difference arises.

(a) The movement on the net deferred tax account is as shown below:

	2016 £m	2015 £m
At 1 January	(58.5)	(49.5)
Acquisitions (note 25)	(1.8)	(0.2)
(Charged) to income (note 5)	(5.7)	(2.1)
Credited/ (charged) to equity (note 5)	9.3	(8.3)
Currency translation	(5.1)	1.6
At 31 December	**(61.8)**	(58.5)

The balance sheet presentation shown below is after the offsetting of deferred tax balances within the same tax jurisdiction. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Balance sheet presentation

	As at 31 December 2016 £m	As at 31 December 2015 £m
Deferred tax assets		
– due after more than one year	12.7	6.9
Deferred tax liabilities		
– due after more than one year	(74.5)	(65.4)
	(61.8)	(58.5)

(b) The individual movements in deferred tax assets and deferred tax liabilities, before the offsetting of balances within the same jurisdiction, are shown below:

Deferred tax liabilities

	Accelerated tax depreciation £m	Pensions £m	Derivatives £m	Other £m	Total £m
At 1 January 2016	(51.4)	(8.0)	(9.5)	(8.4)	(77.3)
Acquisition of subsidiary	(1.8)	–	–	–	(1.8)
(Charged)/credited to income	(5.5)	0.1	–	(0.2)	(5.6)
Credited/(charged) to equity	–	8.7	–	(0.2)	8.5
Transfer (to) deferred tax assets	–	(3.3)	–	(0.2)	(3.5)
Reclassification between categories	1.0	–	–	(0.4)	0.6
Currency translation	(7.2)	–	(0.3)	(0.4)	(7.9)
At 31 December 2016	**(64.9)**	**(2.5)**	**(9.8)**	**(9.8)**	**(87.0)**

19 Deferred tax (continued)

Deferred tax assets

	Provisions £m	Pensions £m	Tax losses £m	Derivatives £m	Other £m	Total £m
At 1 January 2016	1.1	2.4	4.6	–	10.7	18.8
(Charged)/credited to income	(0.1)	0.2	0.9	–	(1.1)	(0.1)
Credited/(charged) to equity	–	1.3	–	–	(0.5)	0.8
Transfer from deferred tax liabilities	–	3.3	0.2	–	–	3.5
Reclassification between categories	–	–	–	–	(0.6)	(0.6)
Currency translation	0.1	0.3	0.8	–	1.6	2.8
At 31 December 2016	**1.1**	**7.5**	**6.5**	**–**	**10.1**	**25.2**

Deferred tax assets have been recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets where it is considered probable that these assets will be recovered.

Deferred tax assets have not been recognised as follows:

	As at 31 December 2016 £m	As at 31 December 2015 £m
Unused tax losses	**1.6**	1.4

Included in unused tax losses is an amount of £0.5 million (2015: £0.4 million) which will expire between 2017 and 2025 if the relevant losses are not used.

No deferred tax is recognised on unremitted earnings from overseas subsidiaries.

20 Share capital

	Ordinary shares millions	Ordinary shares £m
Allotted and fully paid		
At 1 January 2016	172.6	51.8
Allotted in respect of share option schemes	–	–
At 31 December 2016	**172.6**	**51.8**

Fully paid ordinary shares have a par value of 30 pence.

Potential issues of ordinary shares

Share options

Options on 198,739 shares were exercised in 2016 (64,995 at an exercise price of £3.47 and 117,109 at an exercise price of £7.26 and 16,635 at an exercise price of £7.92). For arrangements granted since October 2002, which were exercised in the year, the weighted average market price at the time of exercise was £9.19. The number of shares subject to options is given below:

		Not exercised at 31 December 2016	Not exercised at 31 December 2015	Price per share pence
Berendsen Sharesave Plan 2006				
Date of grant	27 October 2011	**13,305**	78,900	347.0
	24 October 2013	**105,129**	235,483	726.0
	23 October 2014	**268,759**	321,266	792.0
		387,193	635,649	

Notes to the consolidated financial statements (continued)

20 Share capital (continued)

Share awards

As at 31 December 2016, the following conditional share awards granted to directors and staff remain outstanding:

		31 December 2016	31 December 2015
Performance Share Plan			
Date of grant	7 March 2013	–	319,494
	6 March 2014	190,194	222,004
	9 March 2015	131,236	161,492
	6 August 2015	50,700	50,700
	3 June 2016	383,786	–
Co-Investment Plan			
Date of grant	9 April 2013	–	447,292
	7 April 2014	266,280	310,816
	7 April 2015	183,732	226,092
Deferred Bonus Share Plan			
Date of grant	7 March 2013	–	92,726
	6 March 2014	24,691	57,645
	9 March 2015	20,005	51,548
	3 June 2016	27,240	–
Berendsen Long-term Incentive Plan (three years)			
Date of grant	7 March 2013	–	143,894
	6 March 2014	85,000	93,500
	9 March 2015	68,000	76,500
Berendsen Long-term Incentive Plan (two years)			
Date of grant	6 March 2014	–	174,800
	9 March 2015	204,900	218,500
		1,635,764	2,647,003

21 Share-based payments

The following share-based expenses charged in the year are included within administration expenses:

	Year to 31 December 2016 £m	Year to 31 December 2015 £m
Performance share plans	**0.3**	1.2
Co-Investment plan	**(1.1)**	1.5
Berendsen Long-term Incentive Plans	**(0.4)**	1.5
Executive and Sharesave option schemes	**0.2**	0.4
	(1.0)	4.6

Share options

During the year the group had five share-based payment arrangements granted since October 2011, outstanding with employees to grant share options. The schemes are equity settled. The details of the arrangements are set out below:

	Number of options originally granted	Contractual life	Exercise price (pence)	Share price at date of grant	Number of employees at grant	Expected volatility	Expected remaining life	Risk free rate	Expected dividend yield	Fair value per option (pence)
Berendsen Sharesave Plan 2006										
27 October 2011	118,964	5.5 years	347.0	433.2	92	27%	0.5 years	1.2%	4.2%	74.02
24 October 2013	225,323	3.5 years	726.0	907.0	585	23%	0.5 years	0.8%	4.3%	1.70
24 October 2013	98,475	5.5 years	726.0	907.0	140	25%	2.5 years	1.5%	4.3%	1.89
23 October 2014	242,528	3.5 years	792.0	990.0	573	20%	1.5 years	1.0%	4.8%	1.64
23 October 2014	124,268	5.5 years	792.0	990.0	121	22%	3.5 years	1.5%	4.8%	1.70

The group has used the Black-Scholes model to value its share option awards.

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the length of the option period.

The options granted under the Sharesave Plan are available to all permanent UK employees. The exercise price of the granted options is equal to the average market price of the shares less 20% at the date of invitation. Options are conditional on the employee completing three or five years service (the vesting period). There are no other conditions. The options are exercisable for a period of six months after vesting.

A reconciliation of movements in the number of share options for the group can be summarised as follows:

Berendsen Sharesave Plan 2006

		Number of shares					
	1 January 2016	**Granted**	**Exercised**	**Lapsed**	**31 December 2016**	**Exercise price (pence)**	**Exercise period**
27 October 2011	**78,900**	**–**	**(64,995)**	**(600)**	**13,305**	**347.0**	**Dec 2016 – May 2017**
24 October 2013	**161,434**	**–**	**(115,430)**	**(7,307)**	**38,697**	**726.0**	**Dec 2016 – May 2017**
24 October 2013	**74,049**	**–**	**(1,679)**	**(5,938)**	**66,432**	**726.0**	**Dec 2018 – May 2019**
23 October 2014	**212,754**	**–**	**(13,956)**	**(25,372)**	**173,426**	**792.0**	**Dec 2017 – May 2018**
23 October 2014	**108,512**	**–**	**(2,679)**	**(10,500)**	**95,333**	**792.0**	**Dec 2019 – May 2020**

		Number of shares					
	1 January 2015	Granted	Exercised	Lapsed	31 December 2015	Exercise price (pence)	Exercise period
29 October 2009	8,182	–	(8,182)	–	–	323.0	Dec 2014 – May 2015
27 October 2011	10,810	–	(10,189)	(621)	–	347.0	Dec 2014 – May 2015
27 October 2011	88,927	–	(5,171)	(4,856)	78,900	347.0	Dec 2016 – May 2017
24 October 2013	185,245	–	(2,936)	(20,875)	161,434	726.0	Dec 2016 – May 2017
24 October 2013	82,515	–	(335)	(8,131)	74,049	726.0	Dec 2018 – May 2019
23 October 2014	239,045	–	(405)	(25,886)	212,754	792.0	Dec 2017 – May 2018
23 October 2014	123,503	–	–	(14,991)	108,512	792.0	Dec 2019 – May 2020

Notes to the consolidated financial statements (continued)

21 Share-based payments (continued)

Share awards

During the year the group had 17 conditional share awards granted to directors and staff. The schemes are equity settled. The details of the arrangements are set out below:

	Number of options originally granted	Contractual life	Share price at date of grant	Number of employees at grant	Expected volatility	Average correlation	Expected life	Risk free rate	Expected dividend yield	Fair value per option (pence)
Performance Share Plan										
Date of grant 7 March 2013	319,494	3 years	712.0	7	24%	n/a	3 years	0.4%	–	712.0
6 March 2014	222,004	3 years	1035.0	7	23%	n/a	3 years	1.1%	–	1035.0
9 March 2015	212,392	3 years	1110.0	7	19%	n/a	3 years	1.0%	–	1110.0
6 August 2015	50,700	3 years	1035.5	1	19%	n/a	3 years	1.0%	–	1035.5
3 June 2016	458,720	3 years	1220.3	11	19%	n/a	3 years	0.4%	–	1220.3
Deferred Bonus Share Plan										
Date of grant 7 March 2013	92,726	3 years	712.0	7	24%	n/a	3 years	0.4%	–	712.0
6 March 2014	57,645	3 years	1035.0	7	23%	n/a	3 years	1.1%	–	1035.0
9 March 2015	51,548	3 years	1110.0	7	19%	n/a	3 years	1.0%	–	1110.0
3 June 2016	34,898	3 years	1220.3	5	19%	n/a	3 years	0.4%	–	1220.3
Co-Investment Plan										
Date of grant 9 April 2013	447,292	3 years	768.0	7	24%	n/a	3 years	0.3%	–	768.0
7 April 2014	310,816	3 years	1035.0	7	23%	n/a	3 years	1.1%	–	1035.0
7 April 2015	297,352	3 years	1124.0	7	19%	n/a	3 years	0.7%	–	1124.0
Berendsen Long-term Incentive Plan										
Date of grant 7 March 2013	143,894	3 years	712.0	11	24%	n/a	3 years	0.4%	5.8%	598.16
6 March 2014	93,500	3 years	1035.0	11	23%	n/a	3 years	1.1%	4.4%	907.07
6 March 2014	191,400	2 years	1035.0	94	19%	n/a	2 years	0.7%	4.4%	948.07
9 March 2015	76,500	3 years	1110.0	9	19%	n/a	3 years	1.0%	4.5%	971.27
9 March 2015	230,700	2 years	1110.0	98	19%	n/a	2 years	0.6%	4.5%	1015.5

The Performance Share Plan (PSP) provides for the grant of awards in the form of conditional free shares or nil costs options. Shares in relation to the award will be released to participants at the end of a three-year performance period, dependent upon the extent to which the performance conditions (adjusted EPS and ROIC) have been satisfied.

The Co-Investment Plan (CIP) provides for the grant of awards in the form of nil cost options. Under this scheme, certain senior executives can invest up to 35% of their salary in shares annually, which is then matched on a gross basis with a granted award. The awards will be released to participants at the end of a three-year performance period, dependent upon the extent to which the performance conditions (adjusted EPS and ROIC) have been satisfied. Awards granted before 2013 had a guaranteed match, where a proportion of the awards granted were not dependent upon performance conditions. Awards are no longer granted under this scheme.

The Deferred Bonus Share Plan (DBSP) provides for the grant of awards that equal a quarter of an executive director's annual bonus. Awards are conditional free shares which are dependent on the employee completing three years' service from the date of the grant.

The Berendsen Long-Term Incentive Plan (BLTIP) provides for the grant of awards in the form of nil cost options which are conditional on the employee achieving relevant, stretching three or two-year performance targets which are business unit specific.

The group has used the Black-Scholes model to value its share awards.

The volatility at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the length of the award period.

21 Share-based payments (continued)

A reconciliation of movements in the number of share awards for the group can be summarised as follows:

Performance Share Plan

	1 January 2016	Number of shares Granted	Vested	Lapsed	31 December 2016	Vesting period/date
7 March 2013	**319,494**	**–**	**(165,248)**	**(154,246)**	**–**	**7 March 2016 – 7 March 2020**
6 March 2014	**222,004**	**–**	**–**	**(31,810)**	**190,194**	**6 March 2017 – 6 March 2021**
9 March 2015	**161,492**	**–**	**–**	**(30,256)**	**131,236**	**9 March 2018 – 9 March 2022**
6 August 2015	**50,700**	**–**	**–**	**–**	**50,700**	**6 August 2018 – 6 August 2022**
3 June 2016	**–**	**458,720**	**–**	**(74,934)**	**383,786**	**3 March 2019 – 3 March 2023**

	1 January 2015	Number of shares Granted	Vested	Lapsed	31 December 2015	Vesting period/date
7 March 2012	450,639	–	(357,807)	(92,832)	–	7 March 2015 – 7 March 2019
7 March 2013	319,494	–	–	–	319,494	7 March 2016 – 7 March 2020
6 March 2014	222,004	–	–	–	222,004	6 March 2017 – 6 March 2021
9 March 2015	–	212,392	–	(50,900)	161,492	9 March 2018 – 9 March 2022
6 August 2015	–	50,700	–	–	50,700	6 August 2018 – 6 August 2022

Co-Investment Plan

	1 January 2016	Number of shares Granted	Vested	Lapsed	31 December 2016	Vesting period/date
9 April 2013	**447,292**	**–**	**(231,347)**	**(215,945)**	**–**	**9 April 2016 – 9 April 2020**
7 April 2014	**310,816**	**–**	**–**	**(44,536)**	**266,280**	**7 April 2017 – 7 April 2021**
7 April 2015	**226,092**	**–**	**–**	**(42,360)**	**183,732**	**7 April 2018 – 7 April 2022**

	1 January 2015	Number of shares Granted	Vested	Lapsed	31 December 2015	Vesting period/date
10 April 2012	707,572	–	(597,750)	(109,822)	–	10 April 2015 – 10 April 2019
9 April 2013	447,292	–	–	–	447,292	9 April 2016 – 9 April 2020
7 April 2014	310,816	–	–	–	310,816	7 April 2017 – 7 April 2021
7 April 2015	–	297,352	–	(71,260)	226,092	7 April 2018 – 7 April 2022

Deferred Bonus Share Plan

	1 January 2016	Number of shares Granted	Vested	Lapsed	31 December 2016	Vesting date
7 March 2013	**92,726**	**–**	**(92,726)**	**–**	**–**	**7 March 2016**
6 March 2014	**57,645**	**–**	**(25,074)**	**(7,880)**	**24,691**	**7 March 2017**
9 March 2015	**51,548**	**–**	**(24,092)**	**(7,451)**	**20,005**	**9 March 2018**
3 June 2016		**34,898**	**–**	**(7,658)**	**27,240**	**3 March 2019**

	1 January 2015	Number of shares Granted	Vested	Lapsed	31 December 2015	Vesting date
7 March 2012	84,208	–	(84,208)	–	–	7 March 2015
7 March 2013	92,726	–	–	–	92,726	7 March 2016
6 March 2014	57,645	–	–	–	57,645	7 March 2017
9 March 2015	–	51,548	–	–	51,548	9 March 2018

Notes to the consolidated financial statements (continued)

21 Share-based payments (continued)

Berendsen Long-term Incentive Plan

	1 January 2016	Number of shares Granted	Vested	Lapsed	31 December 2016	Vesting period/date
7 March 2013	**143,894**	**–**	**(57,827)**	**(86,067)**	**–**	**7 March 2016**
6 March 2014	**93,500**	**–**	**–**	**(8,500)**	**85,000**	**6 March 2017**
6 March 2014	**174,800**	**–**	**(75,270)**	**(99,530)**	**–**	**6 March 2016**
9 March 2015	**76,500**	**–**	**–**	**(8,500)**	**68,000**	**9 March 2018**
9 March 2015	**218,500**	**–**	**–**	**(13,600)**	**204,900**	**9 March 2017**

	1 January 2015	Number of shares Granted	Vested	Lapsed	31 December 2015	Vesting period/date
7 March 2012	186,356	–	(116,791)	(69,565)	–	7 March 2015
7 March 2013	143,894	–	–	–	143,894	7 March 2016
6 March 2013	309,821	–	(115,750)	(194,071)	–	7 March 2015
6 March 2014	93,500	–	–	–	93,500	6 March 2017
6 March 2014	186,400	–	–	(11,600)	174,800	6 March 2016
9 March 2015	–	76,500	–	–	76,500	9 March 2018
9 March 2015	–	230,700	–	(12,200)	218,500	9 March 2017

22 Principal subsidiary undertakings

Company	Class of shares held	Country of incorporation	Registered office
UK and Ireland			
Berendsen UK Limited[1]	Ordinary	England	4 Grosvenor Place, London, SW1X 7DL, United Kingdom
Berendsen Ireland Limited	Ordinary	Republic of Ireland	Pottery Road, Dun Laoghaire, Co. Dublin, Ireland
Berendsen Northern Ireland Limited	Ordinary	Northern Ireland	c/o Carson McDowell, Murray House, Murray Street, Belfast, Northern Ireland, BT1 6DN
IHSS Limited	Ordinary	England	4 Grosvenor Place, London, SW1X 7DL, United Kingdom
Berendsen Finance Limited[1,2]	Ordinary	England	4 Grosvenor Place, London, SW1X 7DL, United Kingdom
Berendsen Cleanroom Services Limited	Ordinary	England	4 Grosvenor Place, London, SW1X 7DL, United Kingdom
Continental Europe			
Berendsen A/S[1,2]	Ordinary	Denmark	Edvard Thomsens Vej 14, 2300, Copenhagen, Denmark
Berendsen Textil Service A/S[1]	Ordinary	Denmark	Tobaksvejen 22, DK-2860, Søborg, Denmark
Berendsen Textil Service AB	Ordinary	Sweden	Box 17143, 200 10, Malmö, Sweden
Berendsen Sourcing AB	Ordinary	Sweden	Exportgatan 26 , SE-422 46, HISINGS BACKA, Sweden
Berendsen Textil Service AB – Filial I Finland	Ordinary	Sweden	Box 17143, 200 10, Malmö, Sweden
Berendsen Tekstil Service AS	Ordinary	Norway	P.O. Box 6650 Etterstad, Oslo, 0609 , Norway
AS 'Berendsen Tekstila Serviss'	Ordinary	Latvia	9 Bukaišu Street, Riga, , LV-1004, Latvia
'Berendsen Textile Service', UAB	Ordinary	Lithuania	Jankiškių g. 52, Vilnius, Lithuania
Berendsen Beteiligungs GmbH	Ordinary	Germany	Stadtstraße 3-7, 25349 Glückstadt, Germany
Berendsen GmbH	Ordinary	Austria	Schäfferhofstraße 17, 6971 Hard, Austria
Berendsen Textiel Service BV	Ordinary	Holland	Pieter Calandweg 2, 6827 BK, Arnhem, Netherlands
Groene Team B.V.	Ordinary	Holland	Sluispolderweg 36, 1505HK, Zaandam, Netherlands
Berendsen Textile Service Sp.z.o.o.	Ordinary	Poland	ul. Duńska 1, Żukowo 83-330, Poland
Berendsen Textile Servis s.r.o.	Ordinary	Czech Republic	Hodonínská 1115/21, Velké Pavlovice, 69106, Czech Republic
Berendsen Textile Service A/S	Ordinary	Estonia	Lao 10 Nõo, Tartumaa, 61601, Estonia
AS Svarmil	Ordinary	Estonia	Kalevi 6, Kiviõli, 43122, Estonia

1 Owned directly by Berendsen plc. All principal subsidiary undertakings are 100% owned and consolidated.

2 The principal activity of these companies is that of a holding company. The principal activity of all other companies is that of textile maintenance.

Details of non-principal group undertakings are set out in note 32.

Notes to the consolidated financial statements (continued)

23 Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:

Cash generated from operations	Year to 31 December 2016 £m	Year to 31 December 2015 £m
Profit for the year	91.5	88.9
Adjustments for:		
Taxation	28.8	24.5
Goodwill impairment	–	6.4
Amortisation of intangible assets	11.4	18.7
Depreciation of property, plant and equipment	183.6	165.4
Loss/(profit) on sale of property, plant and equipment	1.0	(2.8)
Profit on sale of subsidiary	(0.8)	–
Finance income	(0.7)	(2.0)
Finance costs	21.1	20.7
Special pension contribution payments (note 27)	–	(3.7)
Curtailment gain	(5.1)	–
Other movements	(3.7)	3.7
Changes in working capital (excluding effect of acquisitions, disposals and exchange differences on consolidation):		
Inventories	(3.1)	(1.9)
Trade and other receivables	(7.3)	(11.5)
Trade and other payables	3.0	2.5
Provisions	2.6	–
Cash generated from operations	322.3	308.9

In the cash flow statement, proceeds from sale of property, plant and equipment (including assets held for sale) comprise:

	Year to 31 December 2016 £m	Year to 31 December 2015 £m
Net book amount	3.0	10.5
Loss on sale of property, plant and equipment	(1.0)	2.8
Proceeds from sale of property, plant and equipment	2.0	13.3

	Year to 31 December 2016 £m	Year to 31 December 2015 £m
Free cash flow	47.0	102.5
Analysis of free cash flow		
Net cash generated from operating activities	282.8	273.2
Add back special pension contribution payments	–	3.7
Purchases of property, plant and equipment	(233.1)	(181.5)
Proceeds from the sale of property, plant and equipment	2.0	13.3
Purchases of intangible assets	(4.7)	(6.2)
Free cash flow	47.0	102.5

24 Reconciliation of net cash flow to movement in net debt

	Year to 31 December 2016 £m	Year to 31 December 2015 £m
Net (decrease)/increase in cash	**(62.2)**	41.7
Cash outflow/(inflow) from movement in debt and lease financing	**51.5**	(19.3)
(Increase)/decrease in net debt resulting from cash flows	**(10.7)**	22.4
Net finance leases	**(0.6)**	(1.5)
Bank loans and lease obligations acquired with subsidiaries	**(2.8)**	–
Currency translation	**(44.4)**	(17.4)
(Increase)/decrease in net debt during the year	**(58.5)**	3.5
Net debt at beginning of year	**(370.9)**	(374.4)
Net debt at end of year	**(429.4)**	(370.9)

25 Acquisitions and disposals

a) Acquisitions

During the year the group made a small acquisition, HOLSTED – Express Måtte Service, a Facilities business in Denmark.

Details of the provisional fair values of the assets and liabilities are set out below:

	Total Provisional fair values £m
Intangible assets (note 9)	**8.6**
Property, plant and equipment (note 10)	**2.5**
Trade and other receivables	**0.2**
Trade and other payables	**(0.7)**
Bank loans	**(2.8)**
Deferred tax liabilities (note 19)	**(1.8)**
Net assets acquired	**6.0**
Consideration	**6.0**
Consideration satisfied by:	
Cash	**6.0**

Acquisition related costs of £0.3 million are included in the income statement.

Shown below is the revenue and profit for the year after tax as if the above acquisitions had been made at the beginning of the period. The information may not be indicative of the results of operations that would have occurred had the purchase been made at the beginning of the period presented or the future results of the combined operations.

	2016 £m
Revenue	**4.2**
Profit after tax	**1.0**

From the date of acquisition to 31 December 2016, the above acquisition contributed £1 million to revenue and £0.1 million to profit after tax for the year.

During the year the group paid deferred consideration on previous acquisitions. A reconciliation of the total net cash paid for acquisitions is provided:

	£m
Cash consideration, net of cash acquired	**6.0**
Deferred consideration paid for previous acquisitions	**0.2**
	6.2

Notes to the consolidated financial statements (continued)

25 Acquisitions and disposals (continued)

b) Disposal of a subsidiary

Financial performance and cash flow information up until date of disposal of Mitre, a UK subsidiary

	2016 £m
Revenue	10.0
Expenses	(8.5)
Profit before income tax	1.5
Income tax expense	(0.3)
Profit after income tax of discontinued operations	1.2
Gain on sale of subsidiary after income tax	0.3
Profit up to date of disposal	**1.5**

Net cash inflow from operating activities	1.6
Net cash inflow/(outflow) from investing activities	–
Net cash (outflow) from financing activities	–
Net increase in cash generated by the subsidiary	**1.6**

(c) Details of the sale of the subsidiary

	2016 £m
Consideration received or receivable:	
Cash	8.0
Total disposal consideration	8.0
Carrying amount of net assets sold	7.2
Gain on sale before income tax	**0.8**
Income tax expense on gain	–
Gain on sale after income tax	**0.8**

The carrying amounts of assets and liabilities as at the date of sale (31 August 2016) were:

	31 August 2016 £m
Goodwill	4.5
Property, plant and equipment	1.0
Inventories	2.0
Trade and other receivables	1.2
Total assets	**8.7**
Trade and other payables	(1.5)
Total liabilities	**(1.5)**
Net assets	**7.2**

26 Employees and directors

Staff costs for the group during the year:

	Year to 31 December 2016 £m	Year to 31 December 2015 £m
Wages and salaries	**355.9**	328.1
Social security costs	**49.1**	44.0
Other pension costs	**9.9**	13.4
Share-based payment (credit)/charge (note 21)	**(1.0)**	4.6
	413.9	390.1

Average monthly number of people (including directors) employed

	2016 Number	2015 Number
By business line:		
Workwear	**3,509**	3,479
Facility	**2,318**	2,251
Hospitality	**3,916**	3,990
Healthcare	**5,228**	5,280
Total Core	**14,971**	15,000
Central	**729**	667
Group	**15,700**	15,667

Key management compensation

	Year to 31 December 2016 £m	Year to 31 December 2015 £m
Salaries and short-term employee benefits	**4.9**	5.6
Post-employment benefit contributions	**0.7**	0.6
Compensation for loss of office	**1.3**	–
Share-based payments	**(1.1)**	2.8
	5.8	9.0

The key management compensation above includes eight (2015: eight) Berendsen plc directors and 11 (2015: five) Executive Board members who are not Berendsen plc directors.

Directors

	Year to 31 December 2016 £m	Year to 31 December 2015 £m
Salaries and short-term employee benefits	**1.8**	2.6
Share-based payments	**(0.3)**	0.9
	1.5	3.5

Further details of the directors' emoluments, including benefits received by the highest paid director, are disclosed in the Remuneration report on page 91.

27 Pension commitments

Defined contribution schemes

Pension costs for defined contribution schemes are as follows:

	Year to 31 December 2016 £m	Year to 31 December 2015 £m
Defined contribution schemes (note i)	**14.0**	12.2

i Total included within staff costs (note 26).

Defined benefit plans

The Group operates a number of defined benefit schemes and unfunded schemes. Of these, the principal schemes are the defined benefit plans in the UK and the unfunded scheme in Sweden. In 2016 the group has taken the opportunity to reduce its exposure to its ongoing pension deficit in Sweden by freezing the existing liability and funding future accruals through a multi-employer insurance plan linked to the scheme. This has resulted in a curtailment gain in relation to this scheme of £5.1 million, before a tax charge of £1 million, which is included within the group's exceptional costs for 2016 (see note 4).

Within the United Kingdom, the group now operates only one registered defined benefit pension scheme across its UK entities, the (Berendsen DB (UK) Retirement Benefits Scheme. A triennial valuation was carried out at 1 February 2016 and signed off by the Pension Scheme's Trustees in December 2016. As at the triennial date (1 February 2016) the Scheme was fully funded (on an ongoing basis) so there was no requirement for additional contributions relating to a recovery plan to be paid into the Scheme. The next valuation is due in February 2019.

The level of benefits provided under this scheme depends on each member's length of scheme membership and salary in the final years leading up to retirement. In the UK plan, the pensions in payment are generally increased by 5% in respect of pre-1 February 1999 membership, and by the retail price index for membership from that date. Benefit payments are made from trustee administered funds. Plan assets are governed by regulations in the UK, as is the nature of the relationship between the group and the trustees and their composition. Responsibility for governance of the plan, including investment decisions and contribution schedules, lies jointly with the company and the trustees. The trustees must comprise of representatives of the company and plan members in accordance with legislation. Overseas, there is a comparatively small defined benefit scheme operated in Ireland.

Along with the scheme in Sweden, further unfunded schemes exist within Germany, Norway and Poland. Under all unfunded schemes the group discharges its pension obligations through schemes administered by insurance companies or government agencies.

The overall deficit on the plans is £39.4 million of which £5.1 million is in respect of the UK. There is a deficit of £34.3 million on other funded and unfunded plans, of which £28.6 million relates to Sweden.

Where a defined benefit scheme is administered by an insurance company with a collective of other companies and the insurance company is unable to assess the share of the group's pension obligation, the pension scheme has been accounted for as a defined contribution pension scheme.

At the last valuation date the present value of the defined benefit obligation was comprised of 250 active employees, 1850 deferred members and 1395 members in retirement.

Expected contributions, including special contributions, to post employment benefit schemes for the year ended 31 December 2017 are £0.8 million (2016: £1.0 million).

The weighted average duration of the defined benefit obligation across all schemes is 19.0 years (2015: 17.6 years).

The actuarial valuations of the UK scheme, together with the other defined benefit schemes operated by the group have been updated as at 31 December 2016 by qualified actuaries using revised assumptions that are consistent with the requirements of IAS19. The principal assumptions made by the actuaries were:

	2016 %	2015 %
Rate of increase in pensionable salaries	**2.8**	2.8
Rate of increase in pensions in payment and deferred pensions	**3.0**	2.8
Discount rate	**2.6**	3.8
Inflation rate – RPI	**3.0**	2.8
Inflation rate – CPI	**2.0**	1.8

27 Pension commitments (continued)

Mortality rate

Assumptions regarding future mortality experience are set based on advice, published statistics and experience in each territory. The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date is as follows:

	2016	2015
Male	**22.7**	23.3
Female	**25.2**	24.3

The average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date, is as follows:

	2016	2015
Male	**23.9**	23.6
Female	**26.8**	26.2

	As at 31 December 2016 £m	As at 31 December 2015 £m
The amounts recognised in the balance sheet are determined as follows:		
Present value of obligations	**(395.8)**	(319.2)
Fair value of plan assets	**356.4**	335.0
Net (liability)/asset recognised in balance sheet	**(39.4)**	15.8
Analysed as:		
Pension scheme surplus	**–**	44.6
Pension scheme deficit and unfunded schemes	**(39.4)**	(28.8)
	(39.4)	15.8

The major categories of plan assets as a percentage of total plan assets are as follows:

	2016 %	2015 %
European equities	**14**	13
North American equities	**5**	5
Asia Pacific equities	**5**	5
European bonds	**44**	42
European gilts	**3**	3
Other	**29**	32
	100	100

Notes to the consolidated financial statements (continued)

27 Pension commitments (continued)

Other assets consist principally of investments in managed multi-asset growth funds. In the case of the funded plans, the group ensures that the investment position is managed within a framework that considers the Scheme's liability profile, funding position, expected return of the various asset classes and the need for diversification. Within this framework, the group's objective is to ensure that sufficiently liquid assets are available to meet benefit payments and the Scheme's assets achieve a return that is consistent with the assumptions made by the Trustees in determining the funding of the Scheme.

A large portion of assets in 2016 consists of equities and bonds, although the Scheme also invests in diversified growth funds and a small amount of cash. The majority of equities are invested in a globally diversified portfolio of international blue chip entities with a target of 35% UK and 65% overseas. The other growth assets are the diversified growth funds which have a target of 33% of the overall portfolio. The remainder of the Scheme's assets are invested in corporated bonds.

The trustees sought the employer's agreement to implement a Liability Driven Investment portfolio. This will use specialist assets that employ leverage, to match more of the Scheme's liabilities, for a given asset value, than a conventional bond. This portfolio will be implemented when market conditions become more favourable.

Funding levels are monitored on a quarterly basis and the current agreed contribution rate in respect of active members is 35% of pensionable salaries. These contribution rates were set following the completion of the latest triennial valuation of the scheme as at 1 February 2016. The next triennial valuation is due in 2019 after which further contribution rates will be assessed.

	Year to 31 December 2016 £m	Year to 31 December 2015 £m
The amounts recognised in the income statement are as follows:		
Current service cost	**1.8**	1.7
Interest cost	**11.9**	11.6
Return on plan assets	**(12.7)**	(12.1)
Curtailment gain	**(5.1)**	–
Total (credit)/charge included within staff costs (note 26)	**(4.1)**	1.2

	2016 £m	2015 £m
Changes in the present value of the defined benefit obligation are as follows:		
Present value of obligations as at 1 January	**319.2**	338.1
Current service cost	**1.8**	1.7
Interest cost	**11.9**	11.6
Actuarial loss/(gain)	**75.8**	(17.9)
Benefits paid	**(14.3)**	(11.8)
Contributions by members	**0.1**	0.1
Currency translation	**6.4**	(2.6)
Curtailment gain	**(5.1)**	–
Present value of obligations as at 31 December	**395.8**	319.2

	2016 £m	2015 £m
Changes in the fair value of the plan assets are as follows:		
Fair value of plan assets as at 1 January	**335.0**	339.1
Return on plan assets	**12.7**	12.1
Employer special contributions	**–**	3.7
Contributions – employee and employer	**0.8**	1.1
Benefits paid	**(13.4)**	(10.9)
Actuarial gain/(loss)	**18.3**	(9.0)
Currency translation	**3.0**	(1.1)
Fair value of plan assets as at 31 December	**356.4**	335.0

27 Pension commitments (continued)

Actuarial gains and losses in the year may be further analysed as follows:

	2016 £m	2015 £m
Return on plan assets	**18.3**	(9.0)
Loss from changes in demographic assumptions	**(6.5)**	–
(Loss)/gain from changes in financial assumptions	**(76.1)**	16.5
Experience gain	**6.8**	1.4
Net actuarial (loss)/gain recognised in the year	**(57.5)**	8.9

Cumulative actuarial gains and losses recognised in equity

	2016 £m	2015 £m
1 January	**(112.3)**	(121.2)
Net actuarial (loss)/gain recognised in the year	**(57.5)**	8.9
31 December	**(169.8)**	(112.3)

The actual return on plan assets was a gain of £31 million (2015: gain of £3.1 million).

Sensitivities

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is set out below for the defined benefit schemes and unfunded schemes. The tables set out the impact on the benefit obligation due to an increase or decrease in the key assumptions.

Defined benefit schemes

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	**0.5%**	**(9)%**	**10%**
Salary growth rate	**0.5%**	**–**	**–**
Pension growth rate	**0.5%**	**2%**	**(3)%**
Life expectancy	**Change by 1 year**	**4%**	**(4)%**

Unfunded schemes

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	**0.5%**	**(8)%**	**9%**
Salary growth rate	**0.5%**	**–**	**–**
Pension growth rate	**0.5%**	**9%**	**(8)%**
Life expectancy	**Change by 1 year**	**4%**	**(4)%**

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit to significant actuarial assumptions the same method has been applied when calculating the pension liability recognised within the statement of financial position.

Notes to the consolidated financial statements (continued)

28 Operating lease commitments – minimum lease payments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016		2015	
	Property £m	**Vehicles, plant and equipment £m**	Property £m	Vehicles, plant and equipment £m
Within one year	**6.6**	**13.4**	5.9	11.0
Later than one year and less than five years	**21.3**	**27.0**	18.4	19.6
After five years	**12.7**	**1.2**	10.0	0.5
	40.6	**41.6**	34.3	31.1

The group leases various offices and warehouses under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights.

29 Capital commitments

	As at 31 December 2016 £m	As at 31 December 2015 £m
Contracts placed for future capital expenditure not provided in the financial statements:		
Property, plant and equipment	**15.2**	31.7

30 Contingent liabilities

The group operates from a number of laundries across Europe. Some of the sites have operated as laundry sites for many years, and historic environmental liabilities may exist, although the group has indemnities from third parties in respect of a number of sites. The extent of these liabilities and the cover provided by the indemnities are reviewed where appropriate with the relevant third party. The company is currently defending a legal claim to the warranties received for any environmental damage that might have existed when it purchased laundry sites in Sweden. The company expects to have its warranties, which were contractually received, to be confirmed in full. The company does not expect to incur any significant loss in respect of these or any other sites.

In an international group, a variety of claims arise from time to time in addition to those in respect of environmental obligations discussed above. Such claims may arise due to litigation against group companies, as a result of investigations by fiscal and competition authorities, or under regulatory requirements. Provision has been made in these consolidated financial statements against those claims which the directors consider are likely to result in significant liabilities. There are no contingent liabilities which the directors consider require disclosure.

31 Related parties

There have been no material related party transactions in the year ended 31 December 2016 (2015: nil), except for key management compensation as set out in note 26.

32 Non-principal subsidiary undertakings

The following entities complete the full list of the company's subsidiary undertakings. See also note 22.

The following subsidiaries represent the company's non-principal subsidiary undertakings. The registered office of these subsidiaries is 4 Grosvenor Place, London, SW1X 7DL, United Kingdom ('4GP'), unless otherwise stated.

All subsidiaries are 100% owned and consolidated, unless otherwise stated.

Company	Class of shares held	Country of incorporation	Registered office
UK and Ireland			
Berendsen Workwear Limited	Ordinary	England	4GP
Berendsen Healthcare Limited	Ordinary	England	4GP
Berendsen Hospitality Limited	Ordinary	England	4GP
Acorn Services (North West) Limited (ii)	Ordinary	England	4GP
Berendsen Finance (DKK) Limited (i)	Ordinary	England	4GP
Berendsen Finance (Euro 2) Limited	Ordinary	England	4GP
Berendsen Finance (Euro) Limited (i)	Ordinary	England	4GP
Berendsen Nominees Limited (i)	Ordinary	England	4GP
Camborne-Redruth Laundry Company Limited	Ordinary	England	4GP
Cavendish Laundry Limited	Ordinary	England	4GP
Charnwood Laundry Limited	Ordinary	England	4GP
Combined Linen Service Limited	Ordinary	England	4GP
Davis (BIM) Limited (i)	Ordinary	England	4GP
Davis (FH) Limited	Ordinary	England	4GP
Davis (JH) Limited (i)	Ordinary	England	4GP
Eamont Vale Laundry and Cleaners Limited	Ordinary	England	4GP
Fabricare Limited	Ordinary	England	4GP
Fakenham Laundry Services Limited	Ordinary	England	4GP
Hall & Letts Limited (ii)	Ordinary	England	4GP
IH Decontamination Services (Cardiff) Limited	Ordinary	England	4GP
Lakeland Pennine Group Limited	Ordinary	England	4GP
Lakeland Pennine Limited	Ordinary	England	4GP
Laundrycraft Limited	Ordinary	England	4GP
Midland Laundry Group Holdings Limited	Ordinary	England	4GP
Midland Laundry Group Limited	Ordinary	England	4GP
National Sunlight Laundries Limited	Ordinary	England	4GP
M Furnishing (Ireland) Limited	Ordinary	England	4GP
M Furnishing Group Limited	Ordinary	England	4GP
Rocialle Limited	Ordinary	England	4GP
Salop Textile Solutions Limited	Ordinary	England	4GP
Society Linen Limited	Ordinary	England	4GP
Spring Grove Services Group Limited	Ordinary	England	4GP
Spring Grove Services Limited	Ordinary	England	4GP
St. Helens Laundry Limited	Ordinary	England	4GP
Sunlight (72078) Limited	Ordinary	England	4GP
Sunlight (Lyndale) Limited	Ordinary	England	4GP
Sunlight (New Era Linen) Limited	Ordinary	England	4GP
Sunlight (Newbury) Limited	Ordinary	England	4GP
Sunlight Clinical Solutions Limited	Ordinary	England	4GP
Sunlight Service Group (Shop Investments) Limited (ii)	Ordinary	England	4GP
Sunlight Services Limited	Ordinary	England	4GP
Sunlight Textile Services Limited	Ordinary	England	4GP

Notes to the consolidated financial statements (continued)

32 Non-principal subsidiary undertakings (continued)

Company	Class of shares held	Country of incorporation	Registered office
Sunlight Workwear Services Limited	Ordinary	England	4GP
The Lizard and District Hygienic Steam Laundry Company Limited	Ordinary	England	4GP
The Sunlight Group Limited	Ordinary	England	4GP
The Sunlight Service Group Limited	Ordinary	England	4GP
West Kent Laundry Limited	Ordinary	England	4GP
Berendsen Supply Chain (Northern Ireland) Limited	Ordinary	Northern Ireland	c/o Carson McDowell, Murray House, Murray Street, Belfast, Northern Ireland, BT1 6DN
Berendsen Finance Ireland (DKK) Limited (i)	Ordinary	Republic of Ireland	Pottery Road, Dun Laoghaire, Co. Dublin, Ireland
Berendsen Finance Ireland (Euro) Limited (i)	Ordinary	Republic of Ireland	Pottery Road, Dun Laoghaire, Co. Dublin, Ireland
Berendsen Finance Ireland (PLN) Limited (i)	Ordinary	Republic of Ireland	Pottery Road, Dun Laoghaire, Co. Dublin, Ireland
Berendsen Ireland Holdings Limited	Ordinary	Republic of Ireland	Pottery Road, Dun Laoghaire, Co. Dublin, Ireland
Nanoclean Limited	Ordinary	Republic of Ireland	Pottery Road, Dun Laoghaire, Co. Dublin, Ireland
Steri-tex Limited	Ordinary	Republic of Ireland	Pottery Road, Dun Laoghaire, Co. Dublin, Ireland
BDF Healthcare Ltd	Ordinary	Scotland	11 Ladywell Avenue, Grangestone, Girvan, Ayrshire, Scotland, KA26 9PL, United Kingdom
BDF Holdings Limited	Ordinary	Scotland	11 Ladywell Avenue, Grangestone, Girvan, Ayrshire, Scotland, KA26 9PL, United Kingdom
BDF Limited	Ordinary	Scotland	11 Ladywell Avenue, Grangestone, Girvan, Ayrshire, Scotland, KA26 9PL, United Kingdom
Dunfermline and West Fife Laundry Limited	Ordinary	Scotland	16 Randolph Place, Randolph Industrial Estate, Kirkcaldy, Scotland, KY1 2YX, United Kingdom
New Wave Laundries Limited	Ordinary	Scotland	16 Randolph Place, Randolph Industrial Estate, Kirkcaldy, Scotland, KY1 2YX, United Kingdom
Continental Europe			
Frederiksborg Linnedservice A/S	Ordinary	Denmark	Gydebakken 16, DK-3310, Ølsted, Denmark
Xtra Måtteservice A/S	Ordinary	Denmark	Energivej 10, DK-6670 Holsted, Denmark
Berendsen Textile Service Oy	Ordinary	Finland	Huurrekuja 5, Tuusuka, 4360, Finland
Askulta Nord Textilpflege GmbH & Co KG	Ordinary	Germany	Stadtstraße 3-7, 25349 Glückstadt, Germany
Berendsen GmbH	Ordinary	Germany	Stadtstraße 3-7, 25349 Glückstadt, Germany
Berendsen GmbH Füssen	Ordinary	Germany	Stadtstraße 3-7, 25349 Glückstadt, Germany
Berendsen GmbH Glückstadt	Ordinary	Germany	Stadtstraße 3-7, 25349 Glückstadt, Germany
Berendsen GmbH Meßkirch	Ordinary	Germany	Stadtstraße 3-7, 25349 Glückstadt, Germany
Berendsen GmbH Nordost	Ordinary	Germany	Lindenstraße 61, 15517, Fürstenwalde, Germany
Berendsen GmbH Schleswig	Ordinary	Germany	Heinrich-Hertz-Straße 17, 24837, Schleswig, Germany
Berendsen GmbH West	Ordinary	Germany	Pettenkoferstraße 23, 58097, Hagen, Germany
Berendsen Group Services GmbH	Ordinary	Germany	Stadtstraße 3-7, 25349 Glückstadt, Germany
Berendsen Textilservice GmbH	Ordinary	Germany	Sachsenkamp 5, 20097 Hamburg, Germany
Decontam GmbH	Ordinary	Germany	Hofmannstraße 13-19, 91438 Bad Windsheim, Germany

32 Non-principal subsidiary undertakings (continued)

Company	Class of shares held	Country of incorporation	Registered office
Glückstadter Textilservice GmbH & Co oHG	Ordinary	Germany	Stadtstraße 3-7, 25349 Glückstadt, Germany
Klarner-Textilservice GmbH	Ordinary	Germany	Auf der Weiß 8, 57074 Worms, Germany
PTS Pinneberger Textil-Service GmbH	Ordinary	Germany	Stadtstraße 3-7, 25349 Glückstadt, Germany
Saniwo Textil-Gesellschaft mbH	Ordinary	Germany	Sachsenkamp 5, 20097 Hamburg, Germany
TSL Textilservice – und Logistik GmbH	Ordinary	Germany	Lindenstraße 61, 15517 Fürstenwalde, Germany
S Berendsen (Netherlands) BV	Ordinary	Holland	Pieter Calandweg 2, 6827 BK, Arnhem, Netherlands
S Berendsen AB	Ordinary	Sweden	Box 17143, 200 10, Malmö, Sweden
Berendsen Textil Servis s.r.o	Ordinary	Slovakia	Drietoma 920, Drietoma, 913 03, Slovakia
OOO Berendsen	Ordinary	Russian Federation	Volgogradskij Prospect 42 Korpus 5 second floor, 109316, Moscow, Russian Federation

The following non-principal undertakings are not owned 100% but are included within the group's consolidated results unless otherwise stated.

Company	Class of shares held	% of shares held	Country of incorporation	Registered office
Continental Europe				
Washa ApS	Ordinary	15%	Denmark	Kirstinehøj 3, 2770, Kastrup, Denmark
Jysk Linnedservice A/S	Ordinary	70%	Denmark	Fuglemosevej 1E, DK-8620, Kjellerup, Denmark
AKK-Service GmbH	Ordinary	10%	Germany	Bleickenallee 38, 22763 Hamburg, Germany
Jentex GmbH	Ordinary	49%	Germany	Bachstraße 18, 07743 Jena, Germany

Notes:
(i) Owned directly by Berendsen plc.
(ii) Acorn Services (North West) Limited, Hall & Letts Limited and Sunlight Service Group (Shop Investments) Limited were dissolved on 17 January 2017.

Independent auditors' report to the members of Berendsen plc

Report on the parent company financial statements

Our opinion

In our opinion, Berendsen plc's parent company financial statements (the 'financial statements'):

- give a true and fair view of the state of the parent company's affairs as at 31 December 2016;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Report and Accounts (the 'Annual Report'), comprise:

- the parent company balance sheet as at 31 December 2016;
- the parent company statement of changes in equity for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law (United Kingdom Generally Accepted Accounting Practice).

Other required reporting

Consistency of other information and compliance with applicable requirements

Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the parent company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)') we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the parent company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities for the financial statements set out on page 115, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we consider whether those reports include the disclosures required by applicable legal requirements.

Other matter

We have reported separately on the group financial statements of Berendsen plc for the year ended 31 December 2016.

Matthew Mullins (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
London

2 March 2017

Parent company balance sheet

The parent company statements are prepared under FRS101 and relate to the company and not to the group. The statement of accounting policies which have applied to these accounts can be found on pages 186 to 189 and a separate independent auditors' report on page 182.

Company balance sheet

	Notes	As at 31 December 2016 £m	Restated As at 31 December 2015 Note 5, 6 £m
Assets			
Investments	2	**952.7**	894.4
Intangible assets	3	**0.4**	–
Property, plant and equipment	4	**0.2**	0.1
Deferred tax assets	7	**0.2**	0.9
Derivative financial instruments		**73.8**	51.4
Pension scheme surplus	8	**14.1**	40.2
Other receivables	5	**46.4**	64.8
Total non-current assets		**1,087.8**	1,051.8
Derivative financial instruments		**2.1**	16.3
Other receivables	5	**88.5**	71.4
Cash and cash equivalents		**20.1**	56.0
Total current assets		**110.7**	143.7
Liabilities			
Overdrafts		**(1.7)**	–
Borrowings	9	**–**	(87.7)
Derivative financial instruments		**(0.3)**	(5.3)
Trade and other payables	6	**(85.0)**	(81.3)
Total current liabilities		**(87.0)**	(174.3)
Net current assets/(liabilities)		**23.7**	(30.6)
Non-current liabilities			
Borrowings	9	**(511.8)**	(408.8)
Derivative financial instruments		**(14.6)**	(5.9)
Deferred tax liabilities	7	**(12.1)**	(16.9)
Provisions	10	**(4.3)**	–
Other payables	6	**(0.8)**	–
Total non-current liabilities		**(543.6)**	(431.6)
Net assets		**567.9**	589.6
Equity			
Share capital	11	**51.8**	51.8
Share premium		**99.7**	99.5
Other reserves		**14.7**	17.0
Capital redemption reserve		**150.9**	150.9
Retained earnings		**250.8**	270.4
Total equity		**567.9**	589.6

Retained profit for the year was £62.4 million (2015: £174.9 million).

The financial statements on pages 184 to 197 were approved by the board and signed on its behalf by:

James Drummond
Chief Executive Officer

Kevin Quinn
Chief Financial Officer

2 March 2017

Berendsen plc
Registered no. 1480047

Parent company statement of changes in equity

Parent company statement of changes in equity

Attributable to the shareholders of the company

	Share capital £m	Share premium £m	Other reserves £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
At 1 January 2015 as previously reported	51.8	99.4	13.5	150.9	155.5	471.1
As at 1 January 2015 under FRS101	51.8	99.4	13.5	150.9	155.5	471.1
Profit for the financial year	–	–	–	–	174.9	174.9
Dividends paid*	–	–	–	–	(52.1)	(52.1)
Actuarial gain/(loss) recognised in pension scheme net of deferred tax	–	–	–	–	1.5	1.5
Issue of share capital in respect of share option schemes*	–	0.1	–	–	–	0.1
Purchase of own shares by the Employee Benefit Trust*	–	–	–	–	(14.2)	(14.2)
Hedging reserve net of deferred tax	–	–	3.5	–	–	3.5
Value of employee service in respect of share options*	–	–	–	–	4.8	4.8
At 31 December 2015	51.8	99.5	17.0	150.9	270.4	589.6
Profit for the financial year	**–**	**–**	**–**	**–**	**62.4**	**62.4**
Dividends paid*	**–**	**–**	**–**	**–**	**(54.8)**	**(54.8)**
Actuarial (loss)/gain recognised in pension scheme net of deferred tax	**–**	**–**	**–**	**–**	**(22.7)**	**(22.7)**
Issue of share capital in respect of share option schemes*	**–**	**0.2**	**–**	**–**	**–**	**0.2**
Purchase of own shares by the Employee Benefit Trust*	**–**	**–**	**–**	**–**	**(3.6)**	**(3.6)**
Hedging reserve net of deferred tax	**–**	**–**	**(2.3)**	**–**	**–**	**(2.3)**
Value of employee service in respect of share options*	**–**	**–**	**–**	**–**	**(1.2)**	**(1.2)**
Corporation tax charged through equity	**–**	**–**	**–**	**–**	**0.3**	**0.3**
At 31 December 2016	**51.8**	**99.7**	**14.7**	**150.9**	**250.8**	**567.9**

The company has an Employee Benefit Trust to administer the share plans and to acquire company shares, using funds contributed by the entity, to meet commitments to the employees of the group. At 31 December 2016, the Trust held 1,390,393 (2015: 1,715,142) shares.

Within retained profit for the year, there is a loss of £2.7 million (2015: loss of £9.4 million) relating to a fair value hedge net of deferred tax.

* Transactions with owners.

Accounting policies to the parent company financial statements

Basis of preparation

These financial statements relate to Berendsen plc, a publicly traded company incorporated and domiciled in England and Wales. The registered address is 4 Grosvenor Place, London, SW1X 7DL.

These financial statements present the results of the Company as an individual entity and are prepared on the going concern basis, in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS101') and the Companies Act 2006.

The company has not presented its own income statement or statement of comprehensive income as permitted by section 408 of the Companies Act 2006.

These financial statements have been prepared in accordance with the accounting policies, set out below, which have been consistently applied to all the years presented except where the company has elected to take the following exemptions under FRS101:

- The requirements of *IAS 7 Statement of Cash Flows*
- The requirements of paragraph 17 of *IAS 24 Related Party disclosures* in respect of key management personnel
- Requirements of *IAS 24 Related Party Disclosures* to disclose transactions between wholly owned members of the Berendsen Group (see note 14)
- The requirements of *IAS 1 Presentation of Financial Statements* to present comparative information as at the transition date, being 1 January 2015
- The requirements of *IFRS7 Financial Instruments: Disclosures*, as equivalent disclosures are provided in the consolidated financial statements of the group to which the Company belongs
- The requirements of *IFRS2 Share-based Payment*
- The requirements of paragraphs 91 to 99 of *IFRS 13 Fair Value Measurement*, as equivalent disclosures are presented in the consolidated financial statements.

Changes in accounting policies and disclosures

In addition to those standards adopted as detailed on pages 128 to 135 in the group financial statements, the entity has adopted FRS101 for the first time for the financial year beginning on or after 1 January 2016.

Adoption of FRS101 has not led to any changes in accounting policies, the net assets position or reserves, with the 2015 balance sheet restated for ageing classifications of balances as required by the Companies Act 2006, resulting in net current liabilities of 30.6 million compared to 26.3 million reported under IFRS. See note 5 and note 6.

Key assumptions and sources of estimation uncertainty

The preparation of financial statements in conformity with FRS101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies and reported amounts of assets, liabilities, income, expenses and related disclosures. The estimates and underlying assumptions are based on historical evidence and other relevant factors. This approach forms the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based, or as a result of new information. Such changes are recognised in the period in which the estimate is revised.

The key assumptions about the future and key sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying value of assets and liabilities within the next 12 months that have not already been described as part of the consolidated financial statements, are included below.

a) Investments

The entity has investments with a carrying value of £952.7 million (note 2). Investments are held at cost less provision for permanent impairment. There have been no impairment triggers during the year.

Foreign currency translation

(a) Functional and presentation currency

The financial statements are presented in sterling, which is the company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised within profit, except when deferred in equity as qualifying cash flow hedges.

Translation differences on non-monetary financial assets and liabilities such as foreign equity investments held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

Investments

Investments are initially stated at cost. Investments denominated in foreign currencies are translated at the rates prevailing on the balance sheet date, only to the extent that they are hedged by foreign currency borrowings. All such exchange differences are offset directly in the income statement. Investments are tested for impairment when an event that might affect asset value has occurred. An impairment loss is recognised to the extent that the carrying amount cannot be recovered either by selling the asset or by the discounted future cash flows from the investment.

Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (not exceeding three years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Property, plant and equipment

Property, plant and equipment are shown at cost less depreciation. Costs include the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation and Amortisation

Depreciation is provided at rates calculated to write-off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

	Straight-line %
Plant and machinery	20–33
Short leasehold property	16.7
Amortisation of intangible assets	33

Deferred taxation

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the individual financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that the temporary differences can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Tax is recognised within profit except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Dividend distribution

Final dividend distribution to the company's shareholders is recognised as a liability to the company's financial statements in the period in which the dividends are approved by the company's shareholders. Interim dividends are recognised when paid.

Pension obligations

The company participates in a defined benefit scheme with a subsidiary undertaking and also has a defined contribution plan. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employees' service in the current and prior periods.

The net asset recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the company's share of the defined benefit obligation at the balance sheet date less the fair value of the company's share of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The company recognises the surplus arising on its identifiable share of the deferred benefit scheme to which it belongs, to the extent that it has a legal right to do so under the scheme rules.

Accounting policies to the parent company financial statements (continued)

Cash and cash equivalents

Cash and cash equivalents are stated net of bank overdrafts, where the company has a legal right of set off, and includes cash in hand and bank deposits repayable on demand.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal course of the business cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Other receivables

Other receivables are recognised initially at fair value less provision for impairment. They are subsequently held at amortised cost less any provision for impairment. The amount of change in provision for impairment is included within the income statement.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Commitment and borrowing fees are capitalised as part of the loan and amortised over the life of the relevant agreement. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Borrowings are classified as non-current liabilities where the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged.

The company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities (fair value hedge): or hedges of a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction (cash flow hedge).

The company documents at the inception of the transaction the relationship between hedging instruments and hedged items and its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in the hedging transactions are highly effective in offsetting changes in fair values of hedged items.

The fair values of various derivative instruments used for hedging purposes are shown in note 16 to the group financial statements. The company holds no trading derivatives.

(a) Fair value hedge

In note 16 to the group financial statements, 'Net Investment hedging' arrangements applied and disclosed within the consolidated financial statements, are 'Fair value hedges' at the entity level and accounted for within the parent company financial statements per the policy described below (see note 2 to the parent company financial statements). Changes in the fair value of the derivatives that are fully designated and qualify as fair value hedges are recorded in the income statement together with any changes in fair value of the hedged asset or liability that are attributable to the hedged risk.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated to qualify as cash flow hedges are recognised in equity. The company's cash flow hedges which are in respect of cross-currency interest rate swaps and forward foreign exchange contracts result in the recognition in either profit and loss, reflecting the foreign currency translation element, or in the hedging reserve which forms part of other reserves.

When a hedging instrument expires or is sold, or when the hedge no longer meets the criteria for hedge accounting any cumulative gain or loss in equity at that time remains in equity and is recognised when the forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity will be transferred to the income statement.

(c) Derivatives that do not qualify for hedge accounting.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

Share capital

Ordinary shares are classified as equity and are recorded at par value of proceeds received, net of direct issue costs. Where shares are issued above par value, the proceeds in excess of par value are recorded in the share premium account.

Share-based payments

In accordance with FRS101, an expense is recognised in the profit and loss account for the award to employees of shares in the company's UK HMRC approved Sharesave Scheme.

The company operates an Employee Benefit Trust to hold shares in the company for certain of the group's employees. These employees, who are members of the group's various share-based schemes are entitled to receive shares as compensation for their performance. The trust ensures that the obligation of these share issuances to employees through the purchase of the shares with finance provided by Berendsen plc or the employee.

The company accounts for share-based payments as set out on page 134. Detail of the company's share-based payments schemes are set out in full in note 21 of the consolidated financial statements.

Operating leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Notes to the parent company financial statement

1 Employees and directors

Staff costs for the entity during the year:

	Year to 31 December 2016 £m	Year to 31 December 2015 £m
Wages and salaries	**5.6**	6.2
Social security costs	**0.7**	0.9
Other pension costs	**0.7**	0.6
Share-based payment charges	**(0.4)**	1.7
	6.6	9.4

As at 31 December 2016 the average number of full time equivalent employees the company had was 49 (2015: 51).

Directors remuneration

Details of the remuneration received by the directors of Berendsen Plc are included in the remuneration report on page 91.

2 Investments

	Interests in group undertakings 2016 £m	Interests in group undertakings 2015 £m
Cost or valuation		
As at 1 January	**900.8**	834.3
Additions	**–**	0.1
Capitalisation of intercompany loan	**–**	93.3
Currency translation	**58.3**	(26.9)
At 31 December	**959.1**	900.8
Amounts provided		
At 1 January	**(6.4)**	(6.4)
Provided in the year	**–**	–
At 31 December	**(6.4)**	(6.4)
Net book amount		
At 31 December	**952.7**	894.4

Disclosure of the company's subsidiaries is given in notes 22 and 32 of the group financial statements.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

A portion of investments in overseas subsidiaries are hedged using foreign currency borrowings and derivatives. The foreign exchange adjustment applied represents the fair value hedge adjustment applied as a result of hedging activities.

3 Intangible assets

	Computer Software £m	Total £m
Cost		
At 1 January 2016	**0.4**	**0.4**
Additions	**0.4**	**0.4**
At 31 December 2016	**0.8**	**0.8**
Depreciation		
At 1 January 2016	**0.4**	**0.4**
Charge	**–**	**–**
As at 31 December 2016	**0.4**	**0.4**
Net book value		
As at 31 December 2016	**0.4**	**0.4**
As at 31 December 2015	–	–

4 Property, plant and equipment

	Short leasehold property £m	Plant and machinery owned £m	Total £m
Cost			
At 1 January 2016	**0.3**	**0.6**	**0.9**
Additions	**–**	**0.2**	**0.2**
At 31 December 2016	**0.3**	**0.8**	**1.1**
Depreciation			
At 1 January 2016	**0.3**	**0.5**	**0.8**
Charge	**–**	**0.1**	**0.1**
At 31 December 2016	**0.3**	**0.6**	**0.9**
Net book value			
At 31 December 2016	**–**	**0.2**	**0.2**
At 31 December 2015	–	0.1	0.1

5 Other receivables

	As at 31 December 2016 £m	Restated As at 31 December 2015 £m
Current assets:		
Amounts due from group undertakings	**80.3**	64.2
Other receivables	**0.8**	0.4
Taxation	**6.6**	6.2
Deferred tax asset	**0.1**	0.2
Prepayments	**0.7**	0.4
	88.5	71.4
Non-current assets:		
Amounts due from group undertakings	**46.4**	64.8
	46.4	64.8

2015 has been restated to reclassify balances under FRS101 totalling £60.4 million from non-current assets to current liabilities.

6 Trade and other payables

	As at 31 December 2016 £m	Restated As at 31 December 2015 £m
Current liabilities:		
Trade payables	**2.5**	0.2
Amounts owed to group undertakings	**76.7**	73.5
Other creditors	**1.2**	2.7
Other tax and social security payable	**0.3**	0.2
Accruals and deferred income	**4.3**	4.7
	85.0	81.3
Non-current liabilities		
Amounts owed to group undertakings	**0.8**	–
	0.8	–

All creditors are unsecured. Full disclosures relating to bank loan maturities are given in note 15 of the group financial statements.

2015 has been restated to reclassify balances under FRS101 totalling £64.7 million from non-current liabilities to current liabilities.

Notes to the parent company financial statement (continued)

7 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using the tax rate applicable to the territory in which the difference arises.

(a) The movement on the net deferred tax account is as shown below:

	2016 £m	2015 £m
At 1 January	(16.0)	(9.7)
Charged to income statement	(0.2)	(5.2)
Credited/(charged) to equity	4.3	(1.1)
At 31 December	**(11.9)**	(16.0)

The balance sheet presentation shown below is after the offsetting of deferred tax balances within the same tax jurisdiction. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Balance sheet presentation

	As at 31 December 2016 £m	As at 31 December 2015 £m
Deferred tax assets		
– due after more than one year	0.2	0.9
Deferred tax liabilities		
– due after more than one year	(12.1)	(16.9)
	(11.9)	(16.0)

(b) The individual movements in deferred tax assets and deferred tax liabilities, before the offsetting of balances within the same jurisdiction, are shown below:

Deferred tax liabilities

	Share options £m	Derivatives £m	Other £m	Total £m
At 1 January 2016	(0.2)	(9.4)	(7.3)	(16.9)
Charged to income statement	–	–	0.1	0.1
Charged/(credited) to equity	–	(0.1)	4.8	4.7
At 31 December 2016	**(0.2)**	**(9.5)**	**(2.4)**	**(12.1)**

Deferred tax assets

	Share options £m	Derivatives £m	Other £m	Total £m
At 1 January 2016	0.9	–	–	0.9
Charged to income	(0.3)	–	–	(0.3)
Charged to equity	(0.4)	–	–	(0.4)
At 31 December 2016	**0.2**	**–**	**–**	**0.2**

Other includes deferred tax balances related to pensions. Deferred tax assets have been recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets where it is considered probable that these assets will be recovered.

8 Pension commitments

Defined contribution schemes

Pension costs for defined contribution schemes are as follows:

	Year to 31 December 2016 £m	Year to 31 December 2015 £m
Defined contribution schemes	**0.4**	0.3

Defined benefit plans

The company participates in a defined benefit scheme with a subsidiary undertaking and a defined contribution plan. The following describes the UK defined benefit scheme, of which the company is part. Where separately identifiable, the company's share of the assets and liabilities and other related pension information are separately identified.

Within the United Kingdom, the group now operates only the one registered defined benefit pension scheme (Berendsen DB (UK) Retirement Benefits Scheme (formerly known as the Davis Service Group Retirement Benefits Scheme)), following a merger with the one other smaller scheme on 1 February 2013. A triennial valuation was carried out at 1 February 2016 and signed off by the Pension Scheme's Trustees in December 2016. As at the triennial date (1 February 2016) the Scheme was fully funded (on an ongoing basis) so there was no requirement for additional contributions relating to a recovery plan to be paid into the Scheme. The next valuation is due in February 2019.

The level of benefits provided depends on each member's length of scheme membership and salary in the final years leading up to retirement. In the UK plan, the pensions in payment are generally increased by 5% in respect of pre-1 February 1999 membership, and by the retail price index for membership from that date. Benefit payments are made from trustee administered funds. Plan assets are governed by regulations in the UK, as is the nature of the relationship between the group and the trustees and their composition. Responsibility for governance of the plan, including investment decisions and contribution schedules, lies jointly with the company and the trustees. The trustees must comprise representatives of the company and plan members in accordance with legislation.

At the last valuation date the present value of the defined benefit obligation was comprised of 83 active employees, 1,548 deferred members and 1,339 members in retirement.

Expected contributions by the company, including special contributions, to post employment benefit schemes for the year ended 31 December 2017 are £nil (2016: £nil).

The weighted average duration of the defined benefit obligation in the UK scheme is 19 years (2015: 17 years).

The actuarial valuation of the UK scheme has been updated as at 31 December 2016 by qualified actuaries using revised assumptions that are consistent with the requirements of IAS 19. The principal assumptions made by the actuaries were:

	2016 %	2015 %
Rate of increase in pensionable salaries	**3.1**	2.8
Rate of increase in pensions in payment and deferred pensions	**3.1**	2.9
Discount rate	**2.7**	3.9
Inflation rate – RPI	**3.2**	3.0
Inflation rate – CPI	**2.2**	2.0

Mortality rate

Assumptions regarding future mortality experience are set based on advice, published statistics and experience in each territory. The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date is as follows:

	2016	2015
Male	**22.7**	23.3
Female	**25.2**	24.3

The average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date, is as follows:

	2016	2015
Male	**23.9**	23.6
Female	**26.8**	26.2

Notes to the parent company financial statement (continued)

8 Pension commitments (continued)

	PLC share as at 31 December 2016 £m	Scheme Total as at 31 December 2016 £m	PLC share as at 31 December 2015 £m	Scheme Total as at 31 December 2015 £m
The amounts recognised in the balance sheet are determined as follows:				
Present value of obligations	**(189.2)**	**(339.3)**	(152.2)	(272.7)
Fair value of plan assets	**203.3**	**334.2**	192.4	316.5
Net asset recognised in balance sheet	**14.1**	**(5.1)**	40.2	43.8

The major categories of plan assets as a percentage of total plan assets are as follows:

	2016 %	2015 %
European equities	**13**	13
North American equities	**5**	5
Asia Pacific equities	**5**	5
European bonds	**45**	45
Other	**32**	32
	100	100

Other assets consist principally of investments in managed multi-asset growth funds. The company ensures that the investment position is managed within a framework that considers the Scheme's liability profile, funding position, expected return of the various asset classes and the need for diversification. Within this framework, the company's objective is to ensure that sufficiently liquid assets are available to meet benefit payments and the Scheme's assets achieve a return that is consistent with the assumptions made by the Trustees in determining the funding of the Scheme.

A large portion of assets in 2016 consists of equities and bonds, although the Scheme also invests in diversified growth funds and a small amount of cash. The majority of equities are invested in a globally diversified portfolio of international blue chip entities with a target of 35% UK and 65% overseas. The other growth assets are the diversified growth funds which have a target of 32% of the overall portfolio. The remainder of the Scheme's assets are invested in corporate bonds.

The trustees sought the employer's agreement to implement a Liability Driven Investment portfolio. This will use specialist assets that employ leverage, to match more of the Scheme's liabilities, for a given asset value, than a conventional bond. This portfolio will be implemented when market conditions become more favourable.

8 Pension commitments (continued)

	PLC share as at 31 December 2016 £m	Scheme Total as at 31 December 2016 £m	PLC share as at 31 December 2015 £m	Scheme Total as at 31 December 2015 £m
The amounts recognised within profit for the year are as follows:				
Current service cost	**–**	**0.6**	–	0.6
Interest cost	**5.8**	**10.4**	5.8	10.3
Return on plan assets	**(7.4)**	**(12.2)**	(7.2)	(11.8)
Total included within profit	**(1.6)**	**(1.2)**	(1.4)	(0.9)

	PLC share as at 31 December 2016 £m	Scheme Total as at 31 December 2016 £m	PLC share as at 31 December 2015 £m	Scheme Total as at 31 December 2015 £m
Changes in the present value of the defined benefit obligation are as follows:				
Present value of obligations as at 1 January	**152.2**	**272.7**	159.1	284.2
Current service cost	**–**	**0.6**	–	0.6
Interest cost	**5.8**	**10.4**	5.8	10.3
Actuarial loss/(gain)	**38.2**	**67.9**	(7.1)	(12.6)
Benefits paid	**(7.0)**	**(12.4)**	(5.6)	(9.9)
Contributions by members	**–**	**0.1**	–	0.1
Present value of obligations as at 31 December	**189.2**	**339.3**	152.2	272.7

	PLC share as at 31 December 2016 £m	Scheme Total as at 31 December 2016 £m	PLC share as at 31 December 2015 £m	Scheme Total as at 31 December 2015 £m
Changes in the fair value of the plan assets are as follows:				
Fair value of plan assets as at 1 January	**192.4**	**316.5**	193.7	319.9
Return on plan assets	**7.4**	**12.2**	7.2	11.8
Employer special contributions	**–**	**–**	2.5	3.8
Contributions – employee and employer	**–**	**0.5**	–	0.7
Benefits paid	**(7.1)**	**(12.4)**	(5.6)	(9.9)
Actuarial loss/(gain)	**10.6**	**17.4**	(5.4)	(9.8)
Fair value of plan assets as at 31 December	**203.3**	**334.2**	192.4	316.5

Notes to the parent company financial statement (continued)

8 Pension commitments (continued)

Actuarial gains and losses in the year may be further analysed as follows:

	PLC share as at 31 December 2016 £m	Scheme Total as at 31 December 2016 £m	PLC share as at 31 December 2015 £m	Scheme Total as at 31 December 2015 £m
Return on plan assets	**10.6**	**17.4**	(5.4)	(9.6)
Gain from changes in demographic assumptions	**3.6**	**6.5**	–	–
(Loss)/gain from changes in financial assumptions	**(41.8)**	**(74.4)**	7.1	12.4
Net actuarial (loss)/gain recognised in the year	**(27.6)**	**(50.5)**	1.7	2.8

Cumulative actuarial gains and losses recognised in equity

	PLC share as at 31 December 2016 £m	Scheme Total as at 31 December 2016 £m	PLC share as at 31 December 2015 £m	Scheme Total as at 31 December 2015 £m
1 January	**(21.0)**	**(27.6)**	(22.7)	(30.4)
Net actuarial (loss)/gain recognised in the year	**(27.6)**	**(50.5)**	1.7	2.8
31 December	**(48.6)**	**(78.1)**	(21.0)	(27.6)

The actual return on plan assets was a gain of £29.5 million (2015: gain of £2.1 million).

The pension surplus is recognised in the balance sheet as the company has the right to any surplus after settlement of all liabilities under the terms of the trust deed.

Sensitivities

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is set out below for the defined benefit schemes and unfunded schemes.

Defined benefit scheme

		Impact on scheme liability	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	**0.5%**	**(9%)**	**(10%)**
Salary growth rate	**0.5%**	**2%**	**(3%)**
Pension growth rate	**0.5%**	**no change**	**no change**
Life expectancy	**Change by 1 year**	**4%**	**(4%)**

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit to significant actuarial assumptions the same method has been applied when calculating the pension liability recognised within the statement of financial position.

9 Borrowings

Maturity of financial liabilities

	As at 31 December 2016 Borrowings £m	As at 31 December 2015 Borrowings £m
Within one year	–	87.7
In more than one year but not more than two years	81.0	–
Over two years but not more than five years	288.3	218.4
Over five years	142.5	190.4
	511.8	496.5

10 Provisions

	2016 £m	2015 £m
As at 1 January	–	–
Provided in the year	4.3	–
As at 31 December	4.3	–

As a listed company, a variety of claims arise from time to time. Such claims may arise due to litigation against the company, as a result of investigations by fiscal or competition authorities, or under regulatory requirements. Provision against a number of such items has been made in these financial statements against those claims which the directors consider are likely to result in significant liabilities against the company.

11 Share capital

	Ordinary shares millions	Ordinary shares £m
Allotted and fully paid		
At 1 January 2016	172.6	51.8
Allotted in respect of share option schemes	–	–
At 31 December 2016	172.6	51.8

12 Contingent liabilities

The company has guaranteed the liabilities of its subsidiaries, Berendsen Ireland Holdings Limited, Berendsen Ireland Limited and Steri-Tex Limited pursuant to Section 17 of the Irish Companies (Amendment) Act 1986.

The company has considered the fair value of this arrangement under IAS 39 and assessed the value to be nil. This is due to the profitable nature of the underlying business and a considerable financial deposit held by the company from the Irish subsidiaries.

13 Other financial commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Land and buildings	2016 £m	2015 £m
Within one year	–	0.2
	–	0.2

14 Related party transactions

Other than for key management compensation and transactions with group undertakings, there are no related party transactions. See note 26 to the consolidated financial statements.

Group five year record

	2016 £m	2015** Restated £m	2014 £m	2013 £m	2012* Restated £m
Revenue	**1110.0**	1,018.1	1,038.6	1,054.2	985.1
Operating profit	**140.7**	132.1	137.2	135.0	117.3
Analysed as:					
Operating profit before exceptional items and amortisation of customer contracts	**161.0**	153.8	158.7	158.9	142.4
Exceptional items	**(12.9)**	(7.3)	–	1.8	–
Amortisation of customer contracts	**(7.4)**	(14.4)	(21.5)	(25.7)	(25.1)
Operating profit	**140.7**	132.1	137.2	135.0	117.3
Finance costs	**(21.1)**	(20.7)	(23.1)	(25.0)	(27.8)
Finance income	**0.7**	2.0	2.9	2.4	2.2
Profit before taxation	**120.3**	113.4	117.0	112.4	91.7
Taxation	**(28.8)**	(24.5)	(27.1)	(27.2)	(21.3)
Profit for the year	**91.5**	88.9	89.9	85.2	70.4
Profit attributable to non-controlling interest	**0.3**	0.2	0.3	0.5	0.5
Profit attributable to owners of parent company	**91.2**	88.7	89.6	84.7	69.9
	91.5	88.9	89.9	85.2	70.4
Shareholders' equity	**546.9**	519.0	500.2	526.2	489.2
Earnings per share expressed in pence per share:					
– Basic	**53.3**	51.9	52.6	49.8	41.3
– Adjusted	**63.1**	60.4	62.1	59.8	50.7
Dividend per ordinary share expressed in pence	**33.0**	31.5	30.0	28.0	25.5
Dividend times covered:					
– on profit attributable to owners of parent company	**1.6**	1.6	1.8	1.8	1.6
– on adjusted earnings	**1.9**	1.9	2.1	2.1	2.0

* 2012 restated for impact of IAS19 Employee Benefits reducing EPS by 1.5p. Earlier years have not been restated.

** 2015 restated for residual value income as set out in note 1 to the Consolidated Financial Statements.

Shareholder information

Advisers

Stockbrokers	J.P. Morgan Cazenove
	HSBC
Solicitors	Ashurst LLP
Auditors	PricewaterhouseCoopers LLP
Registrars	Equiniti

Financial calendar – 2017

Final results announced	3 March
Annual General Meeting	27 April
Interim results announced	28 July

Dividend calendar – 2017

	Final dividend:	Interim dividend:
Ex-Dividend date	6 April	7 September
Record date	7 April	8 September
Dividend paid	5 May	6 October

Shareholder information

Enquiries relating to shareholders, such as queries concerning notification of change of address, dividend payments and lost share certificates, should be made to the company's registrars. The company has a share account, management and dealing facility for all shareholders via Equiniti Limited. This offers shareholders secure access to their account details held on the share register to amend address information and payment instructions directly, as well as providing a simple and convenient way of buying and selling the company's ordinary shares. For internet services visit www.shareview.co.uk.. The Shareview Dealing service is also available by telephone on +44 (0) 3456 037037 between 8.00 am and 4.30 pm, Monday to Friday (excluding UK Bank Holidays).

The best way to ensure that dividends are received as quickly as possible is to instruct the company's registrars to pay them directly into a bank or building society account; tax vouchers are then mailed to shareholders separately. This method also avoids the risk of dividend cheques being delayed or lost in the post. Dividend mandate forms are available from the registrars, either from their website www.shareview.co.uk or by telephone on the Equiniti General Shareholder Helpline number below.

Calling from the UK: 0371 384 2179 or if calling from overseas: +44 (0) 121 415 7047 Lines are open 8.30am to 5.30pm, Monday to Friday (excluding Bank Holidays).

Website

Financial information about the company, including Annual Reports, public announcements and share price data, is available from the company's website at www.berendsen.com, which also contains further information about the group and links to the websites of its subsidiaries.