Berendsen plc
Report and Accounts 2012

BERENDSEN

We are shaped to meet our customers' needs, by sharing ideas, working smarter and operating more efficiently. We are shaped for growth.

In this year's report...

Shaped for...

...strong performance

Read more on our financial performance:
Pages 18—20

Revenue £m

2010	986.1
2011	992.0
2012	**985.1**

+2% underlying
(At constant exchange rates and excluding acquisitions)

Adjusted operating profit* £m

2010	123.9
2011	139.8
2012	**145.6**

+8% underlying

Adjusted profit before tax* £m

2010	97.1
2011	111.8
2012	**120.0**

+7%

Adjusted earnings per share* pence

2010	41.7
2011	48.4
2012	**52.2**

+8%

Free cash flow £m

2010	75.5
2011	93.1
2012	**125.1**

+34%

Dividend per share pence

2010	21.2
2011	23.4
2012	**25.5**

+9%

Profit before taxation £m

2010	34.6
2011	79.3
2012	**94.9**

+20%

Basic earnings per share pence

2010	12.9
2011	33.8
2012	**42.8**

+27%

Return on invested capital %

2010	7.4
2011	7.9
2012	**8.5**

+8%

*Before exceptional items and amortisation of customer contracts

An introduction to Berendsen

With 15,000 employees across Europe, we are Europe's leading textile service business.

Operating under the Berendsen and Sunlight brands, we have successfully implemented new initiatives across the group and are shaped for growth both now and in the long term...

Read our case studies throughout this report to find out how reshaping the business has positioned us for growth

Chairman's introduction

A strong performance in 2012.

I am pleased to report that the business delivered a strong set of results in 2012. As the table below identifies, the underlying financial performance improved on all fronts and as a board we believe that further opportunities remain to continue the momentum towards fully achieving our strategic objectives.

"We are pleased to report a strong set of results for the year. Our new business line structure is delivering the benefits we identified in our Strategic Review and further opportunities remain to continue the momentum towards fully achieving our strategic objectives"

Iain Ferguson
Chairman

The group's balance sheet and funding remains strong, with excellent free cash flow available after paying our dividend to reinvest in bolt-on acquisition opportunities as they arise and at the right price. We are also reducing our net debt, which at the end of 2012 was £463.7 million, down from £513.6 million at the start of the year.

Our funding has a good balance of bank funding and longer term debt. The group's bank facilities extend to July 2016 and amount to £438 million, of which £250 million was undrawn at the year end. At current exchange rates we have total private placement notes of £342 million with maturities between 2014 and 2021.

Key financial highlights (£m)	2012	2011	Change	Underlying growth**
Revenue	**985.1**	992.0	-1%	+2%
Adjusted operating profit*	**145.6**	139.8	+4%	+8%
Adjusted operating margin*	**14.8%**	14.1%	+70bps	
Adjusted profit before tax*	**120.0**	111.8	+7%	
Adjusted earnings per share*	**52.2p**	48.4p	+8%	
Free cash flow	**125.1**	93.1	+34%	
Return on invested capital*	**8.5%**	7.9%	+60bps	
Dividend per share	**25.5p**	23.4p	+9%	
Statutory				
Profit before tax	**94.9**	79.3	+20%	
Basic earnings per share	**42.8p**	33.8p	+27%	

* Before £nil (£8.5 million) exceptional items and £25.1 million (£24.0 million) amortisation of customer contracts
**Underlying (at constant exchange rates and excluding acquisitions)

Update on strategy

We have benefited from the initiatives we identified in our Strategic Review in November 2010. In particular, our new business line structure provides a more focused and consistent approach to the market opportunities in each business line. This allows our business line management to transfer best practices faster and capture the opportunities they see. At the same time there are a number of group-wide programmes where we are targeting resources to capture the opportunities of scale and leverage of our resources. These front-line initiatives are supported by a strengthening of our central and support capabilities.

We have further differentiated our business for capital allocation between those deemed to be core growth, where the opportunities for higher revenue growth and returns is greatest, and those which we will manage for value, where the focus is on cash generation and margin improvement.

We remain committed to increasing value from both portfolios and to ensuring that they receive the level of investment necessary to build better businesses in line with the strategy.

We have reiterated our strategic goals, which in the medium term will result in revenue growth above GDP by 1% to 2% annually, improve operating margins and deliver earnings per share growth in the high single digits. We intend to convert this growth to cash resulting in a post-tax Return on Invested Capital of at least 10%.

Our commitment to good governance

On pages 50 to 68, I set out Berendsen's commitment to good governance through an effective and diverse board. I am pleased to welcome Lucy Dimes who has joined the board in the last year and to thank Per Utnegaard for his contribution over eight years of service.

We believe that active engagement with the executive management of the business is a key part of the role of the board and I am pleased to report that this has again been a full and exciting year. We have also taken steps to ensure an ongoing and effective communication with our shareholders is in place.

Employees

On behalf of the board, I would like to express our sincere thanks to all our colleagues across the business for their commitment and hard work through an exceptionally busy year. It is very much appreciated.

Dividend

The board is recommending a final dividend of 17.5 pence, which together with the interim dividend of 8.0 pence, brings the total dividend to 25.5 pence compared to 23.4 pence last year, an increase of 9%. The final dividend will be paid, subject to shareholder approval, on 3 May 2013 to shareholders on the register at the close of business on 12 April 2013.

Outlook

The board expects trading trends in 2013 to be similar to last year and for Berendsen to achieve another year of good progress.

Shaped for…

…opportunities

There are many reasons why customers buy our services, including cost control, improved quality, consistency of service and regulation. While individual needs vary across our business lines, what we offer to all is peace of mind, day in, day out. We see no diminishing in the opportunities for developing the outsourced textile services market even further in the future.

Business overview

A focused organisation.

We deliver textile services through the following business lines...

Our structure focuses on our core growth areas: Workwear; Facility, which includes our mats, washroom and cleanroom services; and UK Flat Linen, which includes our hotels and healthcare services. At the same time, we have a different way to manage our Flat Linen business outside the UK, and our Clinical Solutions and Decontamination businesses in order to maximise value across the group.

Workwear

29%
of group revenue

£288.0m
Revenue

£51.2m
Adjusted operating profit

Workwear

We rent, launder, maintain and deliver workwear to a wide range of private and public organisations across Europe. Our service meets the needs of customers in many sectors, allowing them to focus on their core business while we handle their workwear requirements.

Operating business units:
Denmark; Finland; Germany; Netherlands; Sweden; UK.

Read more on Workwear:
Pages 22—23

Facility

22%
of group revenue

£212.8m
Revenue

£54.1m
Adjusted operating profit

Mats

We provide floor protection mats for commercial users, reducing the dirt and moisture brought into their premises and delivering a saving on overall cleaning costs.

Operating business units:
Czech Republic; Denmark; Estonia; Latvia; Lithuania; Netherlands; Norway; Poland; Sweden.

Washroom

We enable commercial washrooms to achieve the highest standards of hygiene via a comprehensive range of market-leading products and services.

Operating business units:
Denmark; Latvia; Netherlands; Norway; Sweden.

Cleanroom

We deliver and service our cleanroom customers with the highest expertise on a wide range of cleanroom products. They rely on our expert knowledge to maintain the highest of hygiene standards where they are most needed. Our cleanroom business operates across many industries, including high-tech companies, universities and research facilities, pharmaceutical and medical device companies, as well as food businesses.

Operating business units:
Denmark; Netherlands; Sweden; Germany.

Read more on Facility:
Pages 24—27

UK Flat Linen

20%
of group revenue

£196.7m
Revenue

£26.2m
Adjusted operating profit

Hotels

We are a leading supplier of rental linen and laundering services to the hospitality sector, where our customers depend on us to deliver great service and value. In addition to hotel groups and independent hotels, we also supply restaurants, holiday parks, educational and training establishments, contract accommodation providers and shipping companies.

Operating countries:
UK.

Healthcare

We are the partner of choice for public and private sector healthcare organisations looking for high quality rental linen and textile services. Our solutions encompass a dedicated service for hospitals, including a complete range of reusable scrub suits, as well as a linen service that delivers both patient comfort and protection.

Operating countries:
UK.

Read more on UK Flat Linen:
Pages 28—29

and two operating brands.

Our group delivers products and services through two of our sector's best-known and respected operating brands: Berendsen and Sunlight. Both brands have a proud history built on a track record of innovation, performance, value and customer satisfaction.

Manage for value

Flat Linen outside UK

We have a strong and in some cases market-leading presence in several non-UK Hotel and Healthcare markets, where we provide high quality rental linen and laundering services.

Operating countries:
Austria; Denmark; Germany; Ireland; Sweden.

22%
of group revenue

£218.0m
Revenue

£21.0m
Adjusted operating profit

Clinical Solutions and Decontamination

We deliver a complete solution to theatres across the UK Healthcare market. Our strengths include reusable and single use surgical drapes and gowns, procedure packs and trays, as well as decontamination services.

Operating countries:
UK.

7%
of group revenue

£69.6m
Group revenue

£2.9m
Adjusted operating profit

Read more on Manage for value:
Pages 30—31

Berendsen

Berendsen is a market leader in Denmark, Sweden and Norway. It has a leading position in the workwear and industrial-wipers market in the Netherlands, a strong position in the German hospital and nursing home market and is targeting an increase of market share in workwear in Germany. It has established operations in the emerging markets of Poland, Latvia, Lithuania, Estonia and Czech Republic. Berendsen has over 6,300 employees at 77 service centres in 13 countries.

Sunlight

Sunlight is the UK's leading supplier of textile rental and laundering services and a major provider of clinical products and services to the healthcare industry in the UK and overseas. The company operates through three main divisions with almost 8,600 employees at over 50 service centres.

How we add value.

Our vision.

"We take pride in doing what we're best at, delivering unsurpassed levels of service, so our customers can do what they're best at."

Our business model.

Our business model is focused on delivering solutions for our customers' textile needs. We purchase and deliver textiles and hygiene articles, and handle laundry, maintenance and delivery, offering full solutions tailored to the specific needs of the customer.

The move towards outsourcing is a key driver for the business, and is motivated by the associated benefits for the customer. Outsourcing textile management to Berendsen offers significant benefits to the customer, saving costs, freeing up time, space, staff and capital, and allowing them to concentrate on their core business.

Our business is structured along focused business lines

Core growth	Manage for value
Workwear Facility UK Flat Linen	Flat Linen outside UK Clinical Solutions and Decontamination

We retain contracts by focusing on our customers – putting them at the heart of everything we do

We maximise contract value by:

- Leveraging our buying power
- Operating efficiently and sustainably
- Drawing on our know-how
- Focusing on commercial terms and pricing

We aim to grow our contract base through	**We aim to maintain the high volume and broad spread of our contract base**
Effective sales and marketing Focusing on opportunities in undeveloped markets Acquisitions	

Our emphasis is to improve our operations and generate value across our business lines:

Core growth	Manage for value
High-value, organic growth and high-margin returns	Stable margins and strong cash generation

A long-term business model

Our business model aims to deliver sustainable growth by providing our customers a consistent service, building on an environment where the outsourcing of all non-core operations is continuously increasing. Berendsen is in business for the long term. We value the enduring relationships we have built with customers and work hard to ensure that our mutual benefit and respect continues into the future.

Focused business lines

Our structure based on business lines allows us to focus on our core growth areas of Workwear, Facility and UK Flat Linen. Our Flat Linen outside the UK, and our Clinical Solutions and Decontamination businesses are managed in a different way to maximise value across the group.

Retain contracts

Across all of our business lines we retain contracts by focusing on our customers – putting them at the heart of everything we do. Our experienced management teams understand our customers, markets and service operations, and have a strong knowledge of managing customers throughout the life cycle. Although we have a business line structure, our plants remain local which underpins the local approach that our customers value.

Service quality is key to contract retention. We focus on delivering service solutions, and we continue to innovate and improve our customer service.

Our success is demonstrated by excellent customer retention across the business. On average, we achieve a customer retention rate of 94%. This not only provides a stable base for the business but also reduces our risk profile.

Maximise contract value

We actively seek to maximise contract value across our business lines by:

Leveraging our buying power

Our scale is a competitive advantage when procuring products, allowing us to deliver value to the customer while maximising cash generation. We are currently reviewing our procurement strategies and processes, and this will lead to further opportunities for savings.

Operating efficiently and sustainably

Although we manage our operations efficiently, we are working to leverage the further benefits of sharing of best practice, expertise and resources, and through the standardisation of processes.

Drawing on our know-how

We apply our significant experience and expertise to deliver services for our customers that are more cost-effective than their in-house solutions. This considerable know-how is in evidence across our business lines.

Focusing on commercial terms and pricing

All of our teams are focused on delivering optimal prices that are appropriate to the benefits we deliver, enabling the growth that customers and shareholders expect. A contract and commercial terms management programme is being rolled-out across the group, and this will identify opportunities to manage our contract base with appropriate returns.

Grow our contract base

Effective sales and marketing

Our sales force plays an essential role in winning new contracts. Following our Strategic Review we are focusing on improving our sales efficiency and enhancing our sales processes and support.

Focusing on opportunities in undeveloped markets

Our core growth areas present opportunities for growth by improving our market share of the currently outsourced market. However, there are significant opportunities to penetrate the non-outsourced sector in most of our Workwear and Facility core growth businesses. While the non-outsourced segment of UK hotels and healthcare is a lesser proportion, good growth opportunities remain. We also see significant potential in less developed markets in Eastern Europe.

Acquisitions

We believe there are opportunities for continued growth through bolt-on acquisitions, and we seek to play an active role in the consolidation of our industry.

Maintain the high volume and broad spread of our contract base

Our manage for value business lines attract lower investment. We seek to maintain our contract base across these areas with a focus on strong cash generation. The high volume and broad spread of this contract base ensures that we are not reliant on any one contract and therefore delivers reduced risk. We will maintain capital that they need but we will not allocate significant growth capital here.

Value across our business lines

The investment in capital efficiency, pricing and commercial terms and procurement initiatives is adding value across our business by improving cash management, achieving a commercial mindset, sharing best practices and by improving sourcing and supply chain.

A broad mix of attributes.

We have a strong business model, which we set out on pages 6 to 7. Below we demonstrate the attributes we have as a company to maximise on the opportunities this provides.

Experience and expertise

Our experienced management teams understand their customers, markets and their service operations. They are commercially focused in order to capture the longer term opportunities for organic growth. Our sales teams understand how to translate the value of our service into a sales proposition based on 'peace of mind'. Over our many years of experience of these markets we have captured, documented and trained our sales people in the disciplines needed to be effective.

A key objective of our move to a business line structure is to drive further focus on the support, training, coaching and management of our sales forces to deliver outstanding results. By organising along business lines we can differentiate how we manage our sales effort, aligning the products we supply, our service concepts and our sales models for maximum delivery.

For Workwear and Facility customers, our service propositions are strong, but they do need to be communicated in the right way by a well trained and motivated sales force as these services are important but not strategic to our customer operations. For the larger contracts, peace of mind develops from relationship and trust in the security of supply: if you are a hotel or hospital, you cannot operate without having clean linen available.

Our business teams continually drive for efficiency using our scale, investment and experience. We believe in investing in experienced management that is capable of managing the detail of our industry. We also continue to innovate and improve our customer service, moving the focus from product supply to delivering service solutions. Service quality is an essential component of both winning and retaining contracts with significant benefits arising from a stable contract base. As a market leader we are focused on constantly building our reputation of trust to our existing and prospective customers.

Innovation

This is a business where the most effective changes come in incremental steps. These are founded in the experience and expertise discussed above. Innovation is at every level of our operations. We are an organisation that thrives on finding solutions to our own and our customers' business needs.

We are able to use our financial strength to invest resources to deliver the potential for innovation that differentiates the service to our customers. This may be in building strong relationships with suppliers to direct the product development we need or leveraging our customer knowledge in IT solutions which plays an increasingly important part in our communication with customers.

We provide them with ease of access to our service but also management information to better understand their own activities. We have invested in our core operating systems in recent years.

Scale and location

Investment in sales and distribution and the capital needed to make investments in production plant and textiles provide barriers to entry against those looking to enter established markets and develop the scale needed to deliver the higher margins and returns. Our well invested capital base and breadth of contract portfolio underpins the returns we seek from the business.

Our footprint places us close to the major centres of commercial activity in our markets. This is important in our business where management of the distribution and service responsiveness tend to be optimised within a radius of 100km around a plant.

We believe that it is important to build market leading positions as this provides scale for our operations and creates the opportunity to win new business at attractive margins and to deliver the benefits of bolt-on acquisitions of what are typically owner-managed businesses. We believe that attractive returns can be delivered from the right opportunities to invest in bolt-on acquisitions where we can leverage our market leading position and scale to deliver higher levels of operational efficiency to the acquisitions that we have made. As a leader in our markets, we have the appropriate management contacts and can demonstrate the processes, expertise and financial resources to deliver these transactions.

Our marketplace

Well positioned.

Understanding the business environment and the market trends is key to our success. Below we set out a summary of the business environment in which we operate; our position in the market; market trends; and opportunities for growth.

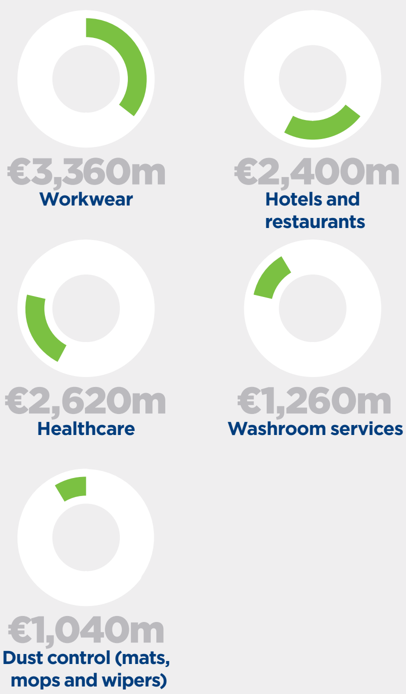
Market characteristics

Our business provides service solutions to source, clean and maintain the textiles that our customers need to keep their businesses running. In many cases, these solutions are non-core to their activities, and they turn to us for textile rental services. Across Europe, the market for such services is estimated at €10.7 billion per year as shown in the graph below.

The competitive landscape

Our markets across Europe are characterised by both a small number of major players – including Berendsen – which operate across national boundaries and niche operators who compete in specific marketplaces.

European textile rental market



Source: ETSA 2011 Survey

Our position in the marketplace

Our business is a focused European textile service business with leading positions in most of the countries in which we operate.

We are the market leader in Denmark, Sweden and Norway. We also have a leading position in the workwear and industrial wipers market in the Netherlands. In Germany, we have a strong position in the hospital and nursing home sector and are targeting increased market share in workwear.

In addition, we have established operations in the emerging markets of Poland, Latvia, Lithuania, Estonia and the Czech Republic.

In the UK we are leading the supply of textile rental and laundering services. It is also a major provider of clinical products and services to the healthcare sector, both in the UK and elsewhere in Europe.

Market trends

The market experiences a continued increase in the outsourcing of textile services by organisations seeking to achieve efficiency gains in their non-core operations. This trend is further accelerated by companies merging to become global players with centralised sourcing processes and by some companies expanding into new geographic territories.

In addition, the introduction of greater hygiene-related regulation coupled with greater awareness of the importance of hygiene, resource efficiency and environmental responsibility among many organisations has expanded the market for our services.

Opportunities for growth

Looking ahead, although growth is likely to remain moderate and subject to the fallout of the Eurozone crisis, we see significant opportunities in our strong offerings in Workwear, Facility and UK Flat Linen. Our success will be enabled and supported by our business model based on a business line structure and our continued emphasis on four further key group actions: focus on sales effectiveness; improvement in capital efficiency; active management of our portfolio; and the development of our expansion and consolidation strategies.

While the highest returns are available where we have density and scale, there are good market opportunities both within and beyond European markets. We expect our core geographies will drive the group forward, but anticipate that the emerging markets will play an increasingly important role.

Workwear

There is an increasing need for organisations to ensure the hygiene and protection of their personnel; to the importance given to the employee's image; and to the increase in outsourcing non-core operations which leads to an increase of the Workwear market.

Facility

The general outsourcing trend in the market as well as the stricter hygiene legislation is leading to a consistent increase of the Facility market.

UK Flat Linen

New hotel build continued in 2012 and more will be opened in 2013 in the UK. Hotel construction remains healthy with further new hotels opening throughout 2013 and 2014. Additionally, the closure of NHS laundries in 2012 and further closures in 2013 could lead to a potential increase in revenue available to the private sector operators.

Read more detail:
Workwear: Page 22—23
Facility: Page 24—27
UK Flat Linen: Page 28—29

Strategy and performance

In this section:

Our strategy

Moving forward together.

Our business model is underpinned by our long-term strategic objectives, which are in turn supported by a series of medium-term focus areas and key actions at both group and business line level.

Our consistent strategic objectives...

In order to deliver long-term success, we continue to focus on seven strategic objectives.

1. Delivering sustainable organic growth

We have very strong offerings in Workwear, Facility (including mats, washroom and cleanroom) and in UK Flat Linen. We believe the opportunities for volume growth and winning new contracts remain in the medium and longer term, and there are significant virgin market opportunities within our European markets.

2. Improving capital efficiency

We are a cash generative business with a solid capital structure. We believe there is scope for improved margins and returns. Our historic five-year cash conversion range was 80% to 120%, and we are targeting at least 100% over the medium term. We are targeting double-digit return on invested capital (ROIC) over the medium term.

3. Maintaining a sound financial position

We believe in maintaining a sound financial position and working with our key banking relationships and other sources of finance, in particular our private placement investors. The majority of our financing requirements are available beyond 2016 at fixed rates of 5.1%. We operate well within our financial covenants (net debt to EBITDA <3x; EBITDA to net interest >3x).

4. Improving financial returns by leveraging operational efficiency

The highest returns are available where we have density and scale. Our experienced business teams drive for efficiency and to be the lowest cost provider in their markets. By further leveraging operational efficiency and widening the application of best practice, we will be able to achieve high single-digit earning per share (EPS) growth and a progressive dividend policy.

5. Maintaining health and safety as a priority

The board and senior management prioritise the importance of maintaining a safe and healthy working environment for all of our employees and those others who work with us. The number of incidents reported remains relatively low but we continue to strive for the highest standards.

6. Maintaining a motivated workforce driven by an experienced management team

The responsibility for staff training and recruitment lies with our business line unit management but we are also developing group-wide programmes to support this. We focus on induction training at all levels, individual development plans and, where appropriate, cross-border transfers.

7. Reducing our impact on the environment

We understand the risks and opportunities associated with the environmental impact of our operations. Areas of particular importance to us include water use, energy consumption (including our CO_2 emissions), transport, and the use and disposal of detergents.

See how our key performance indicators are measuring progress against our strategic objectives
Pages 16—17

See how we are managing the risks to achieve our strategic objectives
Pages 32—38

Our targets and areas of focus...

Following a strategic review in 2010, we identified a series of targets and have focused the business into two categories: Core Growth and Manage for Value. We are concentrating on these to achieve growth in the medium term.

- → Realise full potential in areas of existing core competence within existing markets
- → Seek expansion into new higher-growth markets (medium term)
- → Sustain organic revenue growth rates of GDP +1%-2% pa
- → Cash conversion of at least 100% and post-tax ROIC in double-digits
- → Achieve underlying EPS growth in high single-digit
- → Pursue progressive dividend policy

Our key actions...

To achieve our objectives and meet our targets, we have identified six key actions at group level and five at business line level.

Across the group:

- → Focus on sales effectiveness
- → Move to business line structure
- → Actively manage our portfolio
- → Develop our expansion/consolidation strategies
- → Improve capital efficiency
- → Promote a one-company vision

+ Read more about our progress:
Pages 13—15

Within business lines:

- → Accelerate top-line growth in core business lines
- → Improve cash deliveries
- → Leverage operational efficiency and widen application of best practice
- → Improve support from shared services
- → Develop our expansion/consolidation strategies

+ Read more about our progress:
Pages 13—15 and 22—31

Implementation of our key actions...

Below we set out a summary of the progress made on the implementation of activities related to the six key actions that will support the achievement of our objectives.

Short term

Group	
Name change	Completed
Group-wide capital efficiency review	Completed
Realignment of organisation and management in place	Completed

Business lines	
Building of sales and business development capabilities	Completed
Remuneration systems tied to strategic targets and appropriately rewarding different levels of achievement	Completed
Clear examples of faster execution and delivery of results	Completed
Changed priorities in 'manage for value' businesses	Completed
Improved capital efficiency showing through in cash flow	Completed

Medium term

Group	
More integrated group with strong interaction between constituents	Completed
First businesses established in new developing countries	In progress

Business lines	
Market leadership in core business areas in key European markets	In progress
Organic growth of GDP +1%-2% pa	In progress
Underlying EPS growth: targeting high single-digit % growth	In progress
ROIC achieving double-digits (post-tax)	In progress

Long term

Group	
Pool of strong management across the group with identified senior succession	In progress

Business lines	
Clear leader in European Textile Services with a targeted footprint outside Europe	In progress
Sales growth momentum at sustainable returns	In progress
High performance sales organisation supported by strong operational base	In progress

Completed   In progress

Over the next few pages Chief Executive Officer Peter Ventress looks back on a year of significant progress in terms of delivering on our strategy, and outlines our priorities for the year ahead...

Chief Executive Officer's review

Positive momentum.

We grew our underlying revenue by 2% and underlying adjusted operating profit by 8% to £145.8 million (2011: £139.0 million) in 2012. We delivered another year of adjusted operating margin improvement, up 70bps to 14.8% and an all-time high. As a result, adjusted earnings per share were 52.2 pence compared with 48.4 pence last year.

"Momentum is good and our progress in 2012 has been excellent. The most encouraging thing however is the opportunity and potential that lies ahead"

Peter Ventress
Chief Executive Officer

Our free cash flow was 34% higher than last year at £125.1 million (£93.1 million) a conversion of 142% of our adjusted profit after tax, which is an excellent performance. As a consequence our net debt was reduced to £463.7 million compared with £513.6 million as at 31 December 2011. We also improved our return on invested capital by 60bps from 7.9% in 2011 to 8.5%. Increasing these returns towards double digit remains a key objective of our Strategic Review.

Progress implementing our strategic plan

Business line structure

2012 was the first full year we operated under our new business line structure. In keeping with expectations the organisation was more clearly focused, benchmarking and best practice sharing were easier and there was a higher pace in the implementation of our key plans and initiatives. The response from our people was positive and external feedback indicates that people like the improved clarity our organisation brings and find it easier to understand the complexities of our business.

Self help in a tough economic environment

Against a backdrop of difficult economic circumstances across Europe we have performed well. Much of the explanation of our success is to be found in the work that has been done within the company to improve processes and develop new approaches to customer service. The resilience of the company's business model has once again been demonstrated and the ingenuity and dedication of our employees has again helped us to deliver a strong performance.

Sales momentum

The past 12 months saw a more intense focus on sales capability and efficiency across the company. A well planned reduction in the sales force helped to galvanise the company to achieve greater sales efficiency. 2012 was a good year for new sales achievement. Particularly pleasing was the proportion of new sales which came from previously non-outsourced parts of the market. Our sales pipeline has never been stronger.

Shaped for...

...service excellence

We serviced more than 200,000 contracts in 2012, and experience shows us that 94% of these customers will stay with us in 2013. Service excellence is at the heart of our business. That means we deliver approximately 130 million garments each year and 10 million mats, and wash 840 tonnes of flat linen laundry each day in the UK alone, all to make sure our customers have the textiles they need in the right place at the right time.

Manage for Value businesses make progress

In those businesses where we do not see the opportunity for strong growth or where market positions inhibit good margin generation we have set new priorities. We continue to invest in these businesses but management focus is strongly on margin improvement and cash generation. 2012 was a good year for our Manage for Value businesses. New management in some areas helped us to take a fresh look at the challenges we face and deliver improvements.

One Berendsen

A great deal of effort was applied to ensure that we capitalise on the scale of the group and the wealth of knowledge and experience we possess. A number of group-wide programmes were successfully launched and results are encouraging. Our Capital Efficiency programme delivered excellent results reflected in the year's strong cash generation. In Procurement savings were made by taking a more coordinated approach to what we buy and where with many more opportunities in the pipeline. We launched a Pricing and Commercial Terms initiative which will see over 300 managers and commercial staff trained in techniques and process designed to enhance margins in all parts of the business. Operating models from one part of the business have been transferred to others with great success and we see more opportunity for similar initiatives. Our Vision and Values have been well communicated internally and while local autonomy is vital to our business model, we sense a growing culture of 'One Berendsen'.

Management capability

During 2012 we invested heavily in management development. A coordinated programme of training, performance management, coaching and support helped to develop an integrated approach to the way we build our capabilities for the future. Where we recruited we ensured that we were not merely filling a post but rather hiring with an eye firmly on our future development as a business. We set out a policy of diversity with the goal of ensuring that in future our company better reflects the communities in which we operate.

We do what we're best at...

Our Vision clearly puts our customers at the heart of everything we do. Our purpose is to provide unsurpassed service so that our customers can concentrate on what they are best at. We provide peace of mind to thousands of customers every day, enabling them to carry out their core tasks knowing that they are fully supported by our services. All of our 15,000 employees accept responsibility for the customer and feedback from our customer surveys tells us that we are doing a good job.

The year ahead

It is only a year since we changed our organisation. While a great deal has been achieved as reflected in our results, there is a real sense that we have only just got going. Throughout the business we have yet to see the full results of the changes we have made. In every part of the business there are plans for further improvements in processes and performance. Our sales pipeline is at its best level ever and we see a strong momentum in our sales performance. Across the company there is a great desire to achieve more.

2013 will see us continue to build on the good work started in 2012. We do not anticipate further major organisational changes. Like the GB Olympic Team we subscribe to the view that "Better Never Stops". By making hundreds of small improvements in all parts of our business and by continuing to focus strongly on what really matters we anticipate delivering further growth on both top and bottom lines. Our relentless pursuit of a strong Return on Invested Capital colours all our key decision making and the choices we make.

Momentum is good and progress in 2012 has been excellent. The most encouraging thing however is the opportunity and potential that lies ahead. The year ahead will see us continue to make progress towards our strategic goals through delivering unsurpassed service in a focused and disciplined manner.

Continued progress.

We have set growth targets and assessed the key performance indicators which we use to measure progress against our objectives.

1. Delivering sustainable organic growth

Target: GDP +1%–2%

We have very strong offerings in workwear, facilities (including mats, washroom and cleanroom) and in UK hotels and healthcare. We believe the opportunities for volume growth and winning new contracts remain in the medium and longer term, and there are significant virgin market opportunities within our European markets and potentially beyond in the longer term.

Performance in 2012
Although organic revenue growth remains at 2% for the group as a whole, we increased to 3.5% (2011: 3%) the underlying revenue growth in our Core Growth businesses following a stronger second half.

Organic revenue growth

%

Definition: Revenue excluding the impact of foreign exchange and acquisition

2010	0%
2011	2%
2012	**2%**

Maintained at 2%

2. Improving capital efficiency

Target: Double-digit in ROIC (post-tax)

Target: Cash conversion of at least 100%

Berendsen plc is a cash generative business with a solid capital structure. We believe there is scope for improved margins and returns. Our five-year cash conversion range is 80% to 142%, targeting at least 100%. We are targeting double-digit ROIC over the medium term.

Performance in 2012
2012 saw us grow our revenue organically, increase our operating margin to an all-time high of 14.8% and convert much of this growth to free cash flow. These elements are delivering the improvement in return on invested capital.

Return on invested capital

%

2010	7.4
2011	7.9
2012	**8.5**

+8%

Free cash flow/adjusted profit for the year

%

2010	107.0
2011	114.0
2012	**142.0**

+25%

3. Maintaining a sound financial position

Target: Within covenant level of 3.0 times

We believe in maintaining a sound financial position and working with our key banking relationships and other sources of finance, in particular private placement investors. The majority of our financing requirements are available beyond 2016 at fixed rates of 5.1%. We operate well within our financial covenants (net debt to EBITDA <3x; EBITDA to net interest >3x). We successfully refinanced our revolving credit facilities with a new €535 million revolving credit facility in July 2011. This extends to July 2016.

Performance in 2012
Our strong free cash flow generation has allowed us to reduce net debt from £513.6 million at the end of 2011 to £463.7 million in 2012.

Net debt to EBITDA

times

Definition: Revenue excluding the impact of foreign exchange and acquisition

2010	1.85
2011	1.66
2012	**1.48**

+0.18 times

4. Improving financial returns by leveraging operational efficiency

Target: High single-digit % EPS growth

Target: Progressive dividend policy

The highest returns are available where we have density and scale. Our experienced business teams drive for efficiency and to be the lowest cost provider in their markets. By further leveraging operational efficiency and widening the application of best practice, we will be able to achieve high single-digit EPS growth and a progressive dividend policy.

Performance in 2012
We grew our adjusted earnings per share by 8% in 2012 and increased by 9% our proposed dividend per share.

Adjusted earnings per share* pence

*Before exceptional items and amortisation of customer contracts (as defined on page 81)

2010	41.7
2011	48.4
2012	**52.2**

+8%

Dividend per share pence

2010	21.2
2011	23.4
2012	**25.5**

+9%

5. Maintaining health and safety as a priority

Target: Zero deaths or major injuries

The board recognises the importance of maintaining a safe and healthy working environment for all of our employees and those others who work with us. The number of incidents reported remains relatively low but we continue to strive for the highest standards.

Performance in 2012
We have a well established internal reporting system whereby health and safety related incidents are promptly reported to management. Read more on page 46.

Major injury rate %

Definition: (Number of major injuries/ total hours worked) x 1,000,000)

2010	0.70
2011	0.57
2012	**0.51**

-10.5%

6. Maintaining a motivated workforce driven by an experienced management team

Target: Senior management retention rate of more than 90%

The responsibility for staff training and recruitment lies with our business unit management. We focus on induction training at all levels, individual development plans and, where appropriate, cross-border transfer.

Performance in 2012
Our strong 'Senior Management Retention rate of 98%' reflects our commitment on maintaining the strength of our senior management teams. In 2012 we strengthened our focus on performance management through the 'Performance and Development Review' process; the development of future talent with identified succession for the most senior positions; and rewarding and recognising people performance.

Senior management retention rate %

Definition: Percentage of senior management positions retained in the year, excluding promotion and retirement

2010	95.0
2011	92.0
2012	**98.0**

+7%

Read more about how we motivate our people:
Pages 40—42

7. Reducing our impact on the environment

Target: Ongoing reductions in the use of water, electricity, chemicals and fuel/oil/gas

We understand the risks and opportunities associated with the environmental impact of our operations. Areas of particular importance to us include water use, energy consumption including transport, and the use and disposal of detergents.

Performance in 2012
We continue to invest in projects to reduce our carbon footprint. This is important as a responsible organisation but also makes commercial sense. Read more on page 47.

Group CO_2 emissions %

Definition: (Kg of CO_2 per tonne of laundry shipped)

2011	434.0
2012	**410.0**

-5.5%

Read more about our progress:
Pages 44—48

Improving our financial returns.

Kevin Quinn
Chief Financial Officer

This financial review should be read in conjunction with the Chairman's statement and the Chief Executive Officer's review which sets out the comments on revenue, profits, earnings and dividends. The group's key financial performance indicators are set out on pages 16 and 17.

Committed funding	As at 31 Dec 2012 £m	As at 31 Dec 2011 £m
€535m revolving credit facility	**437**	448
$250m US private placement notes 2014–2018	**157**	162
$259m and £25m private placement notes 2016–2021	**185**	193
Total	**779**	803

Capital expenditure on tangible assets*	2012 £m	2011 £m
Textile assets and washroom equipment	**127.8**	131.3
Plant, machinery and vehicles	**24.4**	26.6
Land and buildings	**5.4**	5.5
Total	**157.6**	163.4

* Based on note 10 of the group financial statements and includes finance lease additions

Cash flow

We continue to generate strong cash flow, converting as much as possible of our profits to cash. We achieved free cash flow of £125.1 million (2011: £93.1 million) which represents 142% (114%) of our adjusted profit for the year. Cash generated by our operations was £317.7 million compared with £286.6 million last year, reflecting our higher adjusted operating profits and working capital inflows from the initiatives we have taken as part of our Capital Efficiency programme. Interest and tax payments combined were £42.9 million, £3.0 million lower than 2011. Overall net cash generated from operating activities was £274.8 million (£240.7 million). We used £191.8 million in our investing activities compared to last year when we invested £172.9 million.

The net cash spend on bolt-on acquisitions was £37.1 million compared to £13.7 million in 2011. This relates to 13 bolt-on acquisitions, the largest of which were in Germany and Holland and related to the further development of our Facilities business.

Capital expenditure on tangible and intangible assets was £158.6 million (£164.0 million) and disposal of assets realised £3.9 million (£4.8 million). Our investment in textiles and other rental assets was £127.8 million (£131.3 million) and at 107% of depreciation, supports the higher underlying volumes and new contract wins. Expenditure on plant and equipment was below last year at £29.8 million (£32.1 million) but we have continued to target investment towards the higher growth areas of the business such as the conversion of plant in UK Workwear to the model we operate in Continental Europe, and investment in our cleanroom site in Holland.

Cash used from financing activities was £99.4 million compared to £47.9 million in 2011, reflecting the reduction we have been able to make in our debt financing. Dividends paid to shareholders amounted to £40.6 million compared to £37.3 million in 2011. In 2012 we purchased Berendsen plc shares for £5.4 million (£nil) for the Employee Benefit Trust. These shares will be used to satisfy the potential settlement of share incentive awards that have been or are expected to be granted in the near term. Free cash flow as set out in note 23 of the Financial Statements, as highlighted above, was significantly higher at £125.1 million (£93.1 million).

Return on invested capital

The group uses return on invested capital (ROIC) to measure its efficiency at using its capital allocations. We have increased our ROIC from 7.9% to 8.5% in 2012 as a result of the improvement in the adjusted operating profit and focused capital allocation. Increasing these returns towards double digit remains a key objective of our Strategic Review.

Return on invested capital (average)*	**2012 £m**	2011 £m
Total equity	**466.3**	475.6
Add back:		
Net debt	**491.0**	527.2
Derivative financial instruments	**(14.1)**	1.2
Retirement benefit obligations	**26.7**	17.8
Goodwill previously written off intangibles amortisation, and other	**267.9**	243.8
Average invested capital	**1,237.8**	1,265.6
Adjusted operating profit	**145.6**	139.8
Add back: Pension interest less returns on investment	**(3.8)**	(4.1)
Less tax at effective rates	**(37.0)**	(35.8)
NOPAT return	**104.8**	99.9
Return on invested capital	**8.5%**	7.9%

* Based on 12 month average

Finance costs

Net finance costs for the year were £25.6 million compared with £28.0 million in 2011 notwithstanding the full year effect of a modest uplift in the pricing of the five-year €535 million revolving credit facility, which we signed in July 2011 and this reflects the strong cash flow generation.

Taxation

The tax charge of £22.0 million on profit before taxation compares with £21.8 million in 2011. Our effective rate on adjusted profit before tax was 26.1% (26.4%). We will benefit from the planned reduction in country rates in the UK and Sweden in 2013 and therefore our effective tax rate should be closer to 25.5% in 2013.

Borrowings

We manage the group on a sound financial footing with a majority of our gross borrowings at fixed interest rates using interest rate swaps to achieve this where necessary. We currently have most of our gross borrowings in Continental European currencies which act as a hedge against the net assets of our operations in Continental Europe.

At the year end we had drawn down £187.7 million of our revolving credit facility. At year end exchange rates we have total private placement notes of £342 million with maturities between 2014 when £31 million equivalent is due for payment and 2021.

Fixed borrowings totalled approximately £381.2 million or 72% of gross borrowings with an average rate of currency of our debt as provided in note 15. Net debt at year end was £463.7 million (£513.6 million). Exchange rates reduced net debt by £14.5 million. Our ratio of net debt to earnings before interest, tax, depreciation and amortisation (EBITDA) was 1.48 times compared to 1.66 times in 2011. This compares with a covenant level of not more than 3.0 times. Interest cover was 12.9 times EBITDA compared to 11.1 times in 2011 and this is well above our covenant level of not less than 3.0 times.

Exceptional items

There were no exceptional items in the year. Net exceptional charges of £8.5 million were incurred in 2011. Of these, £8.5 million were incurred in relation to the restructuring under the new Business Lines, of our German Healthcare, Irish and Scandinavian flat linen businesses, which we are managing for value, and in rationalising the sales force in our Core Growth business. Costs of £2.4 million were also incurred in managing the change programmes identified in our Strategic Review, such as the capital efficiency and procurement review programmes. Net costs of £1.2 million were incurred in relation to acquisitions. Exceptional credits of £3.1 million were recognised last year for changes to long-term employee benefits and a profit of £0.5 million was realised on property disposals.

Shaped for…

…value

We seek to create value by increasing our Return on Invested Capital (ROIC). Our strategic objectives summarise how we will achieve this aim: increasing our returns by growing revenues and increasing margins; and managing our invested capital by converting our growth to cash. In 2012 we increased our ROIC from 7.9% to 8.5%.

Pensions

Actuaries to the group's defined benefit pension schemes in the UK, Ireland, Sweden and Germany continued to advise the respective Trustees on the required funding rates. In total the group has charged £11.9 million for the year in respect of all pension arrangements for staff.

The principal UK Plan had its triennial valuation in February 2010. This showed a deficit of £23.0 million on an ongoing basis. We contributed £5 million to the principal UK pension fund in the year and a further £5 million is planned in 2013, in line with the funding plan agreed following the 2010 triennial valuation. In 2013, we will therefore undertake our next triennial valuation. We expect the results of this to be agreed later in the year and for the funding plan for the next three years to commence from the start of 2014. We ended the year with net retirement benefit obligation liabilities for the Group of £20.5 million (£28.2 million) reflecting the decrease we have seen in discount rates following the lowering of bond yields offset and by improved asset performance. The main UK pension fund shows an asset of £18.8 million (£10.3 million) on an IFRS accounting basis but a deficit at the triennial valuation for funding purposes, while our overseas pension funds show a liability of £40 million (£38.5 million). These overseas plans are unfunded in line with local practice. As indicated on page 94 of the financial statements, the company will adopt IAS19 – "Employee Benefits", with effect from 1 January 2013 in line with required practice.

As this is a change of accounting policy, the 2012 accounts presented here will be restated with effect from 1 January 2012. Had the new accounting standard been adopted in 2012, then we estimate that pension costs would have been £3.3 million higher than reported this year under the existing accounting standard and adjusted earnings per share 1.5 pence lower.

Treasury policy

The group uses foreign currency borrowings and financial instruments to finance its operations and to manage the interest rate and currency risks arising from those operations and sources of finance. The group's strategy for financing its operations and managing risk is summarised below.

Financing

The group finances its operations primarily through its banking facilities, private placement notes and cash generated from its operations. In planning the maturity of debt, the group's policy is to seek a balance between continuity of funding and flexibility. In addition the group has overdraft facilities with certain clearing banks.

The group's UK current accounts are subject to set-off arrangements covered by cross guarantees and there is also a cash pooling arrangement taking in the cash generated by the Berendsen businesses. All the group's borrowings are unsecured. The group evaluates potential sources of funding on a continuous basis with a view to obtaining alternative sources when and where appropriate. The group was in compliance with its banking covenants. The main financial covenants relate to net debt to EBITDA and EBITDA to net interest.

Interest rates

The interest rate exposure of the group arising from its bank borrowings has been managed by the use of derivative instruments as described above. The group's policy is not to use derivatives for trading purposes. Transactions are only undertaken if they relate to underlying exposures and are not speculative.

Currency rates

The majority of operations in the group invoice their revenues and incur their costs in the same functional currency. The group does face some currency exposure in respect of the procurement of textiles and capital equipment in non-functional currency by certain trading companies. These transactions are undertaken to capture purchase savings. A forward foreign exchange contract may be entered into by that company and this would be dependent upon the certainty of the exposure as to timing and the exchange rate at the relevant time. Details of the group's foreign exchange forward contracts can be found in note 16 of the financial statements. It continues to be the group's policy 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 investments in overseas net assets

Business line review

Business line review

Workwear.

The Workwear business line delivers and maintains workwear to many private and public organisations across Europe. Our service meets the needs of customers in many sectors allowing them to focus on their core business.

Market overview

The European Textile maintenance market is very fragmented with only a small number of large players. The essence of our business is serving customers with a trouble-free supply of garments for their employees. Our plants operate in focused geographical areas in order to guarantee a local approach towards our customers. For our customers, outsourcing of this service means that we take complete responsibility for all activities regarding workwear from the start to the end of the cycle. The advantage for our customers is that they can save costs, free up time, space, personnel and capital resources. All these resources can be used by the customer to focus on their core business activities. To deliver the service we promise, we use both internal and external logistics solutions.

Drivers and trends

The core determinant of demand for workwear from our actual and potential customer base is economic activity. However, the trend towards outsourcing drives the maintenance segment of the market at a faster pace and the factors behind this conversion to rental are:

- Corporate image – Presenting a consistent and identifiable image to customers.
- Health & Safety compliance – Specialist garments to meet the regulatory requirements of different industries (EN/ISO standards).
- Operational efficiency – Outsourcing non-core activities including laundering and maintenance.
- Free-up capital – Allowing customers to invest in their own business.
- Economics – The scale of larger and specialist operations (purchase and maintenance) drives lower unit costs.
- Product specification – Technical support and tailor made innovations.

Shaped for...

...sharing knowledge

Our CL2000 production concept of lean production and self-managed teams is delivering real benefits in our Workwear plants in continental Europe. Now we are looking to give our UK based Workwear plants a similar upgrade. A team from our Rainhill plant visited our facility in Göteborg to learn more about CL2000. Rainhill has subsequently been chosen and re-built to incorporate the concept, and is already experiencing great results.

Peter Havéus Managing Director, Workwear

"The new Workwear business line has contributed strongly with increased customer focus, delivering a clearer organisation and improved organic growth across Europe."

Performance	2012	2011**
Revenue	**£288.0m**	£286.5m
Adjusted* operating profit	**£51.2m**	£49.7m
Adjusted* operating margin	**17.8%**	17.3%

* Before exceptional items and amortisation of customer contracts

**Workwear 2011 operating profit has increased by £0.5 million from the amounts previously disclosed to present a more consistent allocation of management charges in line with 2012

Shaped for...

...embracing innovation

Our Berendsen sourcing team has developed two new collections to fill a gap in the UK market: the UK Motion and the UK Next generation. UK Motion is truly innovative in the UK market, and the feedback from customers is very positive – a great boost for our Workwear business as around 25% of new contracts are found in field sales.

Strategic priorities

We plan to build on our heritage of market innovation, customer service and operational excellence. We will focus the resources we have in our country teams and enhance best practice across the business line. We have confirmed that the addressable market for us is substantial.

- → Substantial addressable market confirmed
- → Attractiveness of sectors determined
- → Focus on customers' solutions
- → Extending best practice in operations

Contracts

We typically supply rental workwear garments to a customer's own specification based upon three-year contractual agreements with provision for annual cost increases and residual value payments in the event of early contract termination. The billing of workwear services is usually determined by the following factors:

- → Specification of garment
- → Size of workforce/number of users
- → Frequency of cleaning/replacement
- → Delivery locations
- → Length of contract

Operational highlights

Revenue grew 1% in the year to £288.0 million (£286.5 million), which excluding exchange represented a 4% underlying growth. The underlying growth rate was slightly stronger in the second half of the year than in the first half. Margins increased 50 bps to 17.8%, and adjusted operating profits were up 3% to £51.2 million (£49.7 million). The adjusted operating profit growth was 8% on an underlying basis.

We are pleased with the development of our sales operations with important changes being made market by market.

In Sweden, customer demand was strong, particularly in the first half, and in Holland we are improving market share. Denmark had a more difficult year because of the slower economy but we ended the year with more momentum. These are the countries with good market positions where our business model is well developed. The average operating margin for these is almost 10% higher than in the UK and Germany, where we are focusing our transfer of best practice.

In the UK, we have started the process of improving our market offerings and the new garment ranges we introduced in the first half continue to sell well, representing almost a quarter of new sales and reflecting the improved quality of our offering. We also completed in August the conversion of our plant in Rainhill, near Liverpool, to the proprietary production model we use in Continental Europe.

We are already seeing benefits in productivity, with greater employee engagement, opportunities to improve service further and building customer interest in the initiatives we have introduced. The UK market is not easy in this economic climate but we did see revenue growth in 2012, which we aim to build on in 2013.

We have made strong progress in Germany. Our revenue was up 6% year-on-year and 10% in the second half as we started up the new contract wins we referred to in August 2012 in our first half Statement. In addition, we have seen an improvement in field sales to smaller and medium sized companies. Our retention rate, which has been below the average for the Business Line in recent years, improved significantly, with Germany ending the year among our top performers in this area. The increased revenue has yet to convert fully into an increase in operating profit, primarily because of the textile investment we have made for new contracts, but we expect margin improvement in 2013.

Plans for 2013

In 2013 we will build on the achievements of the second half of 2012 and capture the benefits of the improvements and innovations the Business Line management team has introduced.

Facility.

Our Facility business line provides the opportunity for higher growth with superior margins and returns. It covers our mat and washroom operations addressing the needs of a very broad customer base and our cleanroom operations focused on ensuring that our customers within the pharmaceutical and hi-tech sectors meet the highest quality standards.

Mats

Market overview

The mats business addresses a very broad customer base which includes retailers, wholesalers, restaurants, garages and all kinds of offices, industrial premises and government facilities. The average customer size is relatively small.

The largest customers are typically cleaning companies and other facility companies where we are engaged in different forms of partnerships. In general the cost of mat services is relatively low and therefore price sensitivity is more limited than in some other sectors.

Drivers and trends

A mat service is sold rather than bought. Few customers know of the service and most have managed to operate without it. An active and efficient field sales force is the determining factor in growing the market.

The key factors in marketing the concept are:

Corporate image – presenting a consistent and identifiable image to customers.

Health & Safety compliance – preventing accidents and maintaining a good environment for users including clean floors.

Market development – up-selling of higher specification products over time.

Economics – the benefits of outsourcing non-core activities.

Washroom

Market overview

As every kind of business requires washroom facilities, the market has very few limits. Customers include retailers, restaurants, garages and the full range of offices, public sector organisations and industry, with the average customer size being relatively small. In general, the average cost of outsourced washroom facilities is higher.

The chosen segments are all 'away from home' washrooms where normal hand washing/hygiene standards are required. The largest customers are typically cleaning companies or other facility service companies where Berendsen is engaged in various commercial agreements.

Drivers and trends

Serviced washroom solutions are sold rather than bought. Potential customers will invariably have an existing solution or be managing their own sourcing and supplies.

The key factors in marketing the concept are:

Hygiene standards – research indicates that hygiene standards in shared washrooms are an increasing concern for users. Our products and services are designed to secure 'personal hygiene in a shared washroom'.

Health & Safety compliance – almost 80% of all bacteria spreads from the washroom due to poor sanitation or lack of washroom products, and low levels of hand washing.

Product innovation – washroom solutions are not only the logical hygienic choice; many of our products are also designed to combine industrial practice with exclusive design. We want to give our customers the opportunity to personalise their washrooms.

Cleanroom

Market overview

Whereas ordinary workwear relates to protecting people against the working environment, cleanroom is also about protecting the environment against people. The particles associated with humans can harm products and production processes, and the businesses of many Berendsen customers depend on meeting the highest quality standards.

Many customers need a combination of cleanroom services and regular workwear services to meet hygiene requirements, such as those stipulated by ISO certification. A cleanroom supplier is typically a vital part of a quality management system that meets the needs of external regulation, and therefore difficult to replace. This has resulted in high profitability in this segment to provide the necessary returns for our investments in technology.

Drivers and trends

The core drivers are similar to those of our workwear business. Factors include:

The international expansion of pharmaceutical and high-tech companies into BRIC countries.

Stricter hygiene legislation.

Product specification – technical support and tailored innovations.

Economics – larger and specialist operations (purchase and maintenance) drive lower unit costs.

Corporate image – presenting a consistent and identifiable image to customers.

Christian Ellegaard Managing Director, Facility

"Facility delivered well with strong revenue growth and increased margins. We are focused on delivering on the opportunities available in our markets and all areas are contributing with good performances."

Performance	**2012**	2011**
Revenue	**£212.8m**	£207.3m
Adjusted* operating profit	**£54.1m**	£48.3m
Adjusted* operating margin	**25.4%**	23.3%

* Before exceptional items and amortisation of customer contracts

** Facility operating profit has been increased by £0.5 million from the amount previously disclosed to present a more consistent allocation of management charges in line with 2012

Strategic priorities

Facility offers our largest opportunity for the higher margin and return from each incremental sale. It is a sales intensive business and we seek to lead the market in terms of the effectiveness and efficiency of our sales force. In cleanroom, we are a leader in customer driven solutions, with the opportunity to extend existing propositions to new customers. Underpinning our market development is our expertise in operations and distributions.

→ Extend our market leading positions in Mats and Washroom with product innovation

→ Drive performance improvement in sales in Mats and Washroom

→ Extend propositions to new customers in Cleanroom

→ Best practice development in operations and distribution

Shaped for...

...new and emerging opportunities

For two years, our commercial relationship with ISS has contributed to the good performance of our Scandinavian markets. The acquisition of Groene Team in the Netherlands has strengthened our position in this market also, and further developed our ISS partnership. We have made excellent progress in implementing our strategic growth plan through strengthening our commercial relationships.

Contracts

Mats

We typically supply mat services to a customer's specific requirements based upon one to three-year contractual agreements with provision for annual cost increases and self-renewing contracts. Billing typically reflects a low invoice value and is usually determined by the following factors:

→ Frequency of service provided
→ Number of products served
→ Range of products served
→ Length of contract

Washroom

We typically supply washroom services to a customer's specific requirements based upon three to five-year contractual agreements with provision for annual cost increases and self-renewing contracts.

Billing typically reflects:

→ Frequency of service provided
→ Supply of consumables and other maintenance services
→ Some contracts are all inclusive with full service while others charge services separately
→ There are a broad range of products that can be used to service the washroom

Cleanroom

We typically supply rental workwear garments to a customer's own specification based upon three-year contractual agreements with provision for annual cost increases and residual value payments in the event of early contract termination. The billing of workwear services is usually determined by the following factors:

→ Specification of garment
→ Size of workforce/number of users
→ Frequency of cleaning/replacement
→ Delivery locations
→ Length of contract

Shaped for...

...leveraging

Our cleanroom business shares its best practice tools and processes across the group via our internal knowledge-sharing platform, Berendsen Universe. The 'Cleanroom Toolbox' can be accessed in all local languages, further leveraging our knowledge-sharing and helping all our operations adopt best practice.

Shaped for...

...sales excellence

We want to guide our customers, helping them choose the Berendsen Washroom solutions that best meet their needs. To this end, we have now introduced a new Washroom concept featuring customised product packages based on our popular Berendsen line. Our sales representatives have been trained to accurately identify customer needs and recommend a single tailored solution, instead of the large palette of products that customers are traditionally asked to choose from.

Operational highlights

Facility

Revenue of Facility was £212.8 million, up 3% on last year (£207.3 million). Excluding the impact of the acquisitions and currency, organic revenue growth was 4%. Adjusted operating profit grew 12% from £48.3 million to £54.1 million, which on an underlying basis was a growth of 17%. Our adjusted operating margin improved from 23.3% to 25.4%.

Our mat and washroom businesses delivered higher new contract sales with fewer salespeople following the reorganisation last year. This delivered the sales efficiency we targeted with higher quality salespeople supported by a better ratio of sales coaches and managers.

We are also focusing on our service and distribution model as we believe we have further opportunity to improve and increase our retention rates through service improvements.

In Scandinavia, we did see some reductions in mat usage per customer in the second half, primarily in Denmark where the economy is still weak, but made good progress overall. We also improved our market position in Holland with the acquisition of Groene Team in December 2012, which has annual revenues of £14 million. This further strengthens our capability in washroom services, an area which we believe provides significant opportunity for us, particularly in Scandinavia.

In Poland, we have returned to double digit revenue growth, primarily from new contract wins of virgin customers and as a result our margin increased to close to 20%. In our smaller countries in the Baltics and Czech Republic we have also made good progress, also with double digit revenue growth.

Our Cleanroom business is clearly benefiting from the added focus and exposure that the new business line structure brings. Denmark, Holland and Sweden performed very well in the year and we are pleased with the acquisition we made in Germany to extend our footprint. This has delivered to expectation in its first year. We have delivered underlying double digit revenue and profit growth through a combination of service extensions and new customers in cleanroom this year, which is an excellent performance.

Plans for 2013

Looking ahead Facility has good growth opportunities. The business is now our most profitable, growing well and remains a very attractive segment for us.

UK Flat Linen.

Our UK Flat Linen business (so called because a large part of the offering are the sheets, pillowcases, tableclothes etc. that are ironed flat) cover hotel and healthcare customers where we hold the market-leading position.

Hotels

Market overview

Large hotel groups are attractive customers, as lower unit prices are offset by the larger unit size, economies of volume and reduced seasonality. On average, a large group site equates to seven small independents, which are characterised by higher transport and service costs, greater seasonality and some in-house capabilities. Large independents also offer scale advantages.

Sunlight is the UK leader in hotel linen provision and the only truly national provider, although regional firms unite in associations to compete for national business.

Drivers and trends

The London Hotel Development Monitor identified that 6,988 new hotel bedrooms had opened in London by the end of October 2012, with another 1,329 expected by the year end. In 2013, a further 3,474 bedrooms are expected to open in London. Across the United Kingdom, a further approximately 5,000 bedrooms are under construction and scheduled to open during 2013. Current indications are that the hotel construction pipeline remains healthy with continued new hotel openings expected throughout 2014.

Healthcare

Market overview

For the NHS, purchasing of linen and laundry services has been simplified by National Frameworks that set core prices and run 'mini-competitions' for those suppliers eligible for the individual Strategic Health Authority regions. This structure has significantly reduced the timelines from the issue of documentation to the implementation of new contracts.

Although the business is not seasonal, activity can fall during peak holiday periods due to a reduction in elective surgery and outpatient appointments.

Drivers and trends

Following the closure of three NHS laundries in 2012, we expect at least a further three to close in 2013, leading to a potential increase in revenue available to private sector operators of approximately £2 million per annum. We do not expect significant volume growth through investment in hospital capacity in 2012. A continuation of the trend for the NHS to outsource to FM providers is anticipated and we continue to strengthen our relationships with these organisations.

Shaped for...

...strategic partnerships

UK Flat Linen entered a strategic partnership with Compass Group, UK and Ireland, in 2011 that includes co-ordinating and sharing the KPIs of both parties. Since then, we have consistently delivered a service that exceeds contractual requirements and demonstrate ongoing and sustained improvements. We are proud that Compass honoured us with their 'Non-food Supplier 2012' award in recognition of our commitment.

Steve Finch Managing Director, UK Flat Linen

"In 2012 we have focused on commercial and operating efficiency and this has contributed to the further improvement of our business, positioning us well for the future."

Performance	2012	2011
Revenue	**£196.7m**	£195.2m
Adjusted* operating profit	**£26.2m**	£26.1m
Adjusted* operating margin	**13.3%**	13.4%

*Before exceptional items and amortisation of customer contracts

Shaped for...

...delivering on promises

The Aloft London Excel hotel in the London Docklands has limited space for linen storage. To meet this challenge, our UK Flat Linen team designed a low-tech system using trolley bags to collect and classify soiled linen on each floor. Full bags are continuously replaced by empty bags and stored at the despatch bay ready for collection – and furthermore we provide this service seven days a week.

Strategic priorities

We plan to develop our strategic customer relationships through innovation, quality and service to further differentiate our offering. As market leader we also seek to be the supplier of choice for tenders or new outsourcing especially in Healthcare.

- → Growing strategic relationships
- → Supplier of choice for new outsourcing
- → Service innovation
- → Managing operational excellence

Contracts

Hotels

A typical contractual agreement lasts for two or three years and imposes an exit penalty on the customer together with a requirement to use a set percentage of allocated stock on a weekly basis. It permits price increases at unspecified intervals, typically exercised annually. Some larger clients have bespoke terms in their contracts.

Healthcare

NHS contracts are typically set for a period of three to five years, with occasionally the possibility of gaining extension periods of up to two years. This is longer than the contract period in the private sector, which tends to be nearer three years.

Operational highlights

Revenue and adjusted operating profit were similar to last year with £196.7 million (£195.2 million) and £26.2 million (£26.1 million) respectively. Revenue growth is impacted by the extra week in 2011, which we referred to in our first half statement and adjusting for this, underlying revenue was up 2%.

We saw higher levels of growth in the Healthcare business as like-for-like volumes increased 2% in the year and we have won a number of our target contracts for new outsourcing. Our success against competition has been encouraging. We remain well placed to capture any further outsourcing in the Healthcare market, where about a quarter of hospitals in England still operate their own on-premise laundries: in Wales and Scotland most hospitals still operate this way. Our operational management is performing particularly well, improving efficiency in our plants but importantly developing our service with innovation for our customers.

Like-for-like volumes in our group hotel business were broadly in line with last year with, as expected, the additional demand from the Olympics offset by the events taking place in a normally busy period for this Business Line. New contract wins were higher than last year, however, and we have yet to see the full benefit of these in the results. We are building our capabilities in customer relationship management and we are encouraged at the level of add-on services which are delivering value to our existing customers. We are also seeing a broader spread than in recent years of new sales in different parts of the country and to hotels of different sizes.

Plans for 2013

The outlook for our UK Flat Linen business is for further progress in Healthcare, where we expect to benefit from the full year effect of wins in 2012 and new outsourcing opportunities to come through. Our hotel business is dependent upon a stable economy through the year but we remain strategically well-placed in this market.

Manage for value.

We operate Flat Linen businesses in Austria, Denmark, Germany, Ireland and Sweden. Our Clinical Solutions and Decontamination business is based in the UK. Our focus is on the tight management of capital investment, the maximisation of cash deliveries and the adjustment of our cost base to reflect the change towards 'managing for value'.

Flat Linen outside UK

Market overview

Although our hotels and healthcare businesses outside the UK are relatively strong in their own markets, with many operating as market leaders, we do not expect significant growth or to achieve higher levels of return. End markets are more challenging but our management teams remain focused on improving their businesses.

Value drivers

- These businesses are well invested with a strong contract base
- Operational efficiencies and contract management to increase margins
- Cash conversion in excess of 100%

Actions

- We manage our non-UK Flat Linen businesses under a separate management structure, combining hotels in Sweden and Denmark
- We will drive for operational efficiencies and undertake restructuring to ensure competitiveness

Clinical Solutions and Decontamination

Market overview

The outsourcing of integrated linen, consumables and instrument decontamination services for the operating theatre provides opportunity for the UK health service to meet its current challenges and objectives.

Value drivers

- Greater volume to leverage our well established infrastructure
- Further contract wins

Actions

- We engage with our customers to deliver the returns anticipated by the two decontamination contracts
- We are tendering for new contracts and volumes in sterile consumables
- We drive for service improvements and efficiencies in our reusable linen contracts

Shaped for...

...capital efficiency

We have a long track record of balancing our investment to improve performance. and build capacity for the future. For example, when we commissioned our decontamination services plants, we made sure that they would be able to handle contract growth and new customers – and are now able to accommodate that growth with a lower level of incremental investment.

Peter Havéus Austria and Germany Flat Linen		
Christian Ellegaard Denmark and Sweden Flat Linen		
Steve Finch Clinical Solutions and Decontamination, Ireland Flat Linen and UK Direct Sales		

Performance

Flat Linen outside UK	2012	2011**
Revenue	**£218.0m**	£234.0m
Adjusted* operating profit	**£21.0m**	£20.7m
Adjusted* operating margin	**9.6%**	8.8%
Clinical Solutions and Decontamination		
Revenue	**£69.6m**	£69.0m
Adjusted* operating profit	**£2.9m**	£3.3m
Adjusted* operating margin	**4.2%**	4.8%

* Before exceptional items and amortisation of customer contracts.

**Flat Linen outside UK operating profit has been reduced by £1.0 million from the amounts previously disclosed to present a more consistent allocation of management charges in line with 2012.

Operational highlights

Flat Linen outside the UK

Our flat linen business outside the UK saw revenues down at £218.0 million (£234.0 million) and adjusted operating profit was £21.0 million compared with £20.7 million last year. Adjusting for exchange, revenue was down 2% but adjusted operating profit was up 6%. The margin increased from 8.8% to 9.6%.

Our operating margins benefited from the restructuring we undertook last year, with all of our businesses contributing.

Clinical Solutions and Decontamination

Revenue was similar to last year at £69.6 million (£69.0 million) with adjusted operating profit of £2.9 million compared to £3.3 million last year.

The operational issues we experienced in the first half in our sterile consumables business have been positively addressed by new management, improving the level of sales to existing contract relationships and improving pricing and commercial terms in contracts with low profitability as well as delivering operational efficiencies. Our re-usable sterile textile business continues to perform well. As a result, we increased our profits by £0.9 million in the second half of 2012 compared to the first six months of the year.

Losses on our decontamination contracts, for which we made provision at the end of 2010, were reduced from £4.4 million last year to £2.2 million. Our customers recognise the quality of our service and have worked with us to make the number of changes identified in our turnaround plan. We remain on track with our turnaround plan and our focus is now on expanding this business using its existing footprint.

Plans for 2013

We have seen some price pressure coming through in the second half in Sweden with a number of unusually large contract renewals in our Healthcare business and we have a number of tenders outstanding in Germany. These will challenge our top line in flat linen outside UK in 2013 but our management teams are focused on capturing the opportunities to build stronger businesses, as demonstrated in 2012, and they have much to contribute to the success of the group. Within Clinical Solutions we expect to build upon the progress made in the second half of 2012 whilst in Decontamination we are planning for transition to our service of both new volume from our existing contracts and volume from a significant new contract. A number of opportunities are being discussed with potential customers.

Shaped for...

...operational effectiveness

The healthcare sector in Sweden is challenging, with a tough market characterised by competitive tenders. Throughout 2012 we worked intensively to improve our production efficiency. For example, we drew on the experience and new expertise that exists elsewhere in the group to significantly reduce costs by optimising the various steps in the production flow and by further eliminating consumption of water and electricity.

Risk

In this section:

Principal risks and uncertainties

Robust risk management.

The identification of the most significant risks that face the group is the responsibility of the board. Risk identification procedures take into account each of the group's strategic objectives. The development of mitigation plans and actions to manage these risks is delegated to the executive board and other senior management.

Mitigation plans and actions required are communicated to business unit management who are responsible for their implementation. Business unit management teams are responsible for the identification, evaluation and management of local risks, so that, where possible, risks are reduced to acceptable levels.

David Lawler
Company Secretary

The board

Sets strategic objectives
Agrees key risk appetite, identifies key risks and ensures they are appropriately managed
Sets delegation of authority
Approves group policy and procedures

Executive board

Monitors performance and changes in key risks facing the business, and provides regular reports to the board
Agrees key actions to manage risks

Business line and business unit management

Management and employees are responsible for the identification, assessment, management and reporting of local risks
Maintenance of local risk registers
Implementation of key risk mitigation plans

Risk management assistance

Guidance and advice to business line and business unit management to help them with the following:
Risk, identification procedures, quantification and mitigation plans
Health and Safety
Fire Management
Insurance

Audit committee

Monitors assurance and risk management arrangements

Effectiveness of risk and control processes

Reviews of the effectiveness of key risk management and control processes including:
Internal Audit
External Audit
Group Insurer Property Risk Surveys

Assurance lines of defence

1	2	3
Business line and business unit management	Group support	Independent assurance

Principal risks and uncertainties

Our focus in 2012

We have devoted significant time to supporting the business with the implementation of the revised risk management processes introduced for the new organisational structure. The board has been updated throughout the year on the progress being made.

We carried out a further desktop scenario-based review of our business continuity planning arrangements at a key location in the UK. A number of opportunities for improvement were identified which management are implementing.

In the final quarter of 2012 we updated key operational group policies on health and safety (including fire management), business continuity planning and building asset management. These were presented to the executive board for their approval in January 2013, and will be implemented at all businesses in the group during 2013.

In March 2013, an external independent review of the group's risk management systems was performed. Findings will be discussed by the board on 25 April 2013 and actions agreed to implement any agreed improvements.

Risk identification, evaluation and management

The board is responsible for determining the nature and extent of significant risks it is willing to take to achieve its strategic objectives. At the February, June and December 2012 board meetings the board reviewed the most significant risks facing the group.

Shaped for...

...managing risk in our supply chain

We recognise the inherent risks associated with the use of non-European textile suppliers. In order to better manage these risks, we have recently engaged a specialist independent assurance provider who will regularly assess suppliers on a range of issues including wages, working hours, discrimination and child labour. Their shared online database will log any issues identified and actions required, improving our ability to monitor supplier performance.

Culture

The group maintains an open style of communication. This is designed to identify any problems and issues early so that appropriate action is taken quickly to minimise any impact on the business. The characteristics of our group culture have been further enhanced with the development this year of our new group intranet, the Berendsen Universe. This provides an extensive platform for our employees to keep updated with the latest news, the key group policies and procedures and to share best practice with others. Our new vision and values complement the characteristics of our culture.

Ongoing process for risk identification, evaluation and management

Throughout 2012 and up to the date of the approval of these financial statements there has been an ongoing process for the identification, evaluation and management of the most significant risks faced by the group. This process has included the following:

- → Appropriate delegation of authorities approved by the board that include formal authorisation procedures for all investments (as well as clear guidelines on appraisal techniques);
- → Clear responsibilities of line and financial management for the maintenance of good financial controls and the production and review of detailed, accurate and timely financial management information;
- → A comprehensive financial review cycle, which includes a rolling three-year planning process, an annual budget approved by the board, review of monthly variances against budget and quarterly re-forecasting of annual performance;
- → Provision to management and the board of relevant, accurate and timely information, including key performance indicators, based on reliable management information systems which are regularly improved and updated;
- → Monthly reports to the board from the Chief Executive Officer, Finance Director and the Managing Directors of the Workwear, Facility and UK Flat Linen business lines;
- → Regular business line management board meetings (for principal business units these are often attended by either the Chief Executive Officer or the Chief Financial Officer), executive board meetings and company board meetings. At these meetings existing, new and emerging operational, financial and other risks are discussed, together with appropriate actions to manage these risks are agreed and followed up;
- → Monthly performance reviews by the Chief Financial Officer and the Group Financial Controller with the Managing Directors of the UK Flat Linen, Facility and Workwear business lines, often attended by the Chief Executive Officer;
- → Discussion of any identified significant issues or control weaknesses and, if considered necessary, their inclusion in reports to the executive board and the board;
- → Maintenance of business unit risk registers;
- → Maintenance of a group risk register and schedule of key controls which sets out the most significant risks facing the group and the actions being taken in mitigation, which is regularly updated and reviewed by the board; and
- → A structured and approved programme of internal audit visits with the implementation of recommendations made being monitored as part of a continuous programme of improvement.

Internal control

The board also has responsibility for establishing, maintaining and reviewing the effectiveness of the group's risk management and internal control systems.

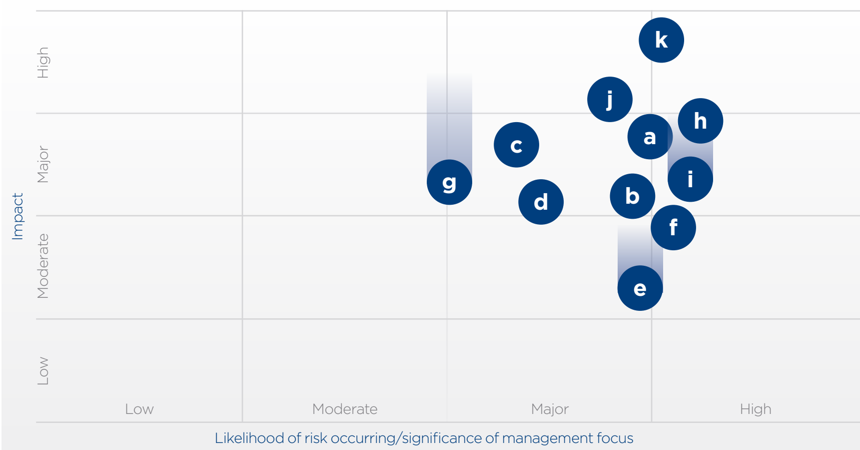
These internal control systems are designed to manage rather than eliminate the risk of failing to achieve a business objective. They can therefore only provide reasonable and not absolute assurance against material misstatement or loss.

Read more about the board's annual assessment of the effectiveness of internal control systems on page 62.

Risks to achieving our strategic objectives.

Detailed below are the principal risks and uncertainties facing the group for the next 12 months. The change in the significance of each risk is also shown. The board believes that the risks associated with cotton price volatility have reduced. We are making improved progress with the management of our decontamination contracts in the UK, as well as talent management, recruitment and retention processes.

How we see our principal risks



For a full description of each risk please see the tables below

As well as narrative description of the principal risks and uncertainties facing the group, we use a risk mapping technique to inform the board of the potential impact and likelihood/significance of management focus of each risk. These are assessed using established criteria and metrics. This allows the board to focus their discussions on those risks regarded as potentially having the most significance, and also to identify risks where their significance is potentially increasing or decreasing.

The table below details the risks shown in the risk map above, the key performance indicators (KPI) likely to be affected, the mitigation in 2012 and further progress planned for 2013.

1. Delivering sustainable organic growth

Risk	Mitigation in 2012	Further progress planned for 2013	Change
a. New sales model fails to deliver the necessary new contract wins to drive targeted organic growth **Potential impact** → Reduction in future profitability and cash flow. → Failure to deliver targeted growth in revenue. **KPI likely to be affected** → Revenue growth Read more detail: **Page 16**	→ New organisational structure implemented from 1 January 2012 which has given more focus on growth areas. → Appointment of central sales directors for Workwear, Cleanroom, Mats and Washroom and UK Flat Linen (core growth areas). These will 'target' local country sales directors to add focus and speed of response. → Pricing managers appointed for each business unit, business line and the group. → Berendsen Sales Academy established. All sales managers across core growth areas extensively trained in Berendsen Sales Model. → Sales remuneration analysis completed. → Monthly management accounts distributed to the board include key performance indicators on organic revenue growth, contract gains and customer losses.	→ Start-up of group-wide sales development work. → Sales director group to follow up and improve sales processes. → Group-wide sales pay scheme gradually being implemented. → Commencement of commercial terms and pricing education programme for managers and frontline personnel across the group. → Pricing network to be implemented. → New reporting system to provide monthly progress against business line budgets, including key performance indicators.	NEW

Risks to achieving our strategic objectives.

2. Improving capital efficiency/ 3. Maintaining a sound financial position

Risk

b.Further economic downturn (low or negative GDP growth in Europe)

Potential impact

- Reduction in future profitability and cash flow.
- Adverse pressure on pricing and margins.
- Revenue growth below expectations.
- Limit to ability to complete strategy.

KPI likely to be affected

- Return on invested capital
- Free cash flow/adjusted profit for the year
- Net debt to EBITDA

Read more detail: **Page 16—17**

Mitigation in 2012

- Long range plans for business lines to 2015 prepared.
- Tight and closely monitored controls over capital expenditure and working capital including capital efficiency review.
- Monitoring of various lead indicators against experience in 2008/9, including hotel and workwear volumes.

Further progress planned for 2013

- Continued monitoring of lead indicators, including hotel and workwear volumes.
- Continued tight and closely monitored controls over capital expenditure and working capital.

Change

Stable

Risk

c.Movements in exchange rates adversely affect the translation of our group results into UK sterling

Potential impact

- Unexpected variations in group net earnings.

KPI likely to be affected

- Adjusted earnings per share

Read more detail: **Page 16**

Mitigation in 2012

- Borrowings in currencies to provide hedge against the cashflows of majority of overseas net assets in euro, DKK and SEK (no exposure to investments in Greece, Italy, Turkey, Spain or Portugal).

Further progress planned for 2013

- High level of balance sheet hedging will continue (no plans for income statement hedging at this stage).

Change

Stable

Risk

d.Return on Invested Capital (ROIC) is not sufficiently greater than the group's cost of capital

Potential impact

- Lack of funds for future investments.
- Reduction in future profitability and cash flow.

KPI likely to be affected

- Return on invested capital

Read more detail: **Page 17**

Mitigation in 2012

- ROIC target set at 10% for the medium term. Reported monthly by business line to the board in group management accounts.
- Delegations of authority reviewed and updated in January 2012.
- Post-acquisition procedure to monitor returns on investments made, compared to those targeted.
- Ongoing Capital Efficiency Programme to reduce levels of working capital.

Further progress planned for 2013

- Continued focus on generation of free cash flow.
- ROIC targets for senior management now extended beyond members of the executive board and cascaded down the organisation.
- Continuation of Capital Efficiency Programme.

Change

Stable

Shaped for...

...focusing on what matters

Fire is a significant risk to our business. Over the last four years independent property surveys have been completed at all key locations. These surveys assess the quality of our fire protection, fire management and business continuity planning arrangements. Compliance with all recommendations is regularly monitored by the board.

4. Improving financial returns by leveraging operational efficiency

Risk

e. Failure to improve the performance of the Decontamination business during 2013

Potential impact

- Reduction in future profitability and cash flow.
- Need for further provisions for losses on contracts.
- Failure to deliver targeted growth in revenue.
- Potential loss of management reputation and credibility.

KPI likely to be affected

- Adjusted earnings per share/dividend per share

Read more detail: **Page 16**

Mitigation in 2012

- The board receives regular updates on progress from UK management. This recognises good levels of customer service, improved efficiency and interest from potential new customers.
- Efficiency initiatives put in place reducing losses – 2012 loss £2.2 million (2011 loss £4.4 million, 2010 £5.4 million).
- Ongoing discussions regarding future options.
- No further significant investments planned.

Further progress planned for 2013

- Continued focus on the identification and implementation of efficiency initiatives to further reduce losses.
- Working with our customers to achieve a streamlining of processes.
- Identification of new volumes using existing footprint.

Change

Reduced

Risk

f. Unforeseen loss of operational/IT capacity

Potential impact

- Inability to service customer requirements.
- Adverse impact on reputation.

KPI likely to be affected

- Adjusted earnings per share
- Revenue growth

Read more detail: **Page 16**

Mitigation in 2012

- Documented and evaluated business continuity plans including identification of alternative production locations.
- Fire protection/security procedures and regular internal audits of compliance.
- Independent surveys to assess the design and effectiveness of plant fire protection, security and business continuity arrangements, including targeted "desktop" scenario-based testing.
- Comprehensive Property Damage and Business Interruption insurance.

Further progress planned for 2013

- Implementation of updated group-wide policies and procedures on business continuity planning, building asset management and health and safety (including fire management).
- Further monitoring of fire protection and security systems, including responding to the results of our regular independent survey programme.
- Maintenance of appropriate Property Damage and Business Interruption insurance cover for our individual businesses.

Change

Stable

Risk

g. One of our major textile suppliers is unexpectedly unable to meet our textile requirements

Potential impact

- Shortage of textiles.
- Inability to service new and existing customer requirements.

KPI likely to be affected

- Adjusted earnings per share
- Revenue growth

Read more detail: **Page 16**

Mitigation in 2012

- Regular risk assessment of our major textile suppliers considering social, political and economic factors.
- Identification of alternative production sources.
- Purchase of stock up to three months prior to delivery to reduce risk.
- Secured availability of alternative stocks in the event of serious interruption to supply.

Further progress planned for 2013

- Current approach to the management of this risk will continue.

Change

Reduced

5. Maintaining health and safety as a priority

Risk

h. Breach of health and safety regulations

Potential impact

- Damage to our reputation.
- Loss of licence to operate.

KPI likely to be affected

- Major injury rate

Read more detail: **Page 17**

Mitigation in 2012

- Local health, safety and fire management systems.
- Regularly updated and monitored cleaning and maintenance programmes
- Prompt incident reporting procedures to senior management with subsequent monitoring.
- Regular board review of major incidents and statistics.

Further progress planned for 2013

- Implementation of updated group-wide policy on health and safety (including fire management).
- Further focus to target a reduction in group major injury rate.
- Reporting to the board on major incidents and statistics to continue.

Change

Stable

Risks to achieving our strategic objectives.

6. Maintaining a motivated workforce driven by an experienced management team

Risk

i. Inadequate talent management and inability to recruit and retain sufficiently qualified and experienced senior management

Potential impact

- Lack of internal succession to key management roles within the group in the event of unexpected departure.
- Short/medium term disruption to the business.
- Loss of key personnel.
- Shortage of appropriately skilled management.

KPI likely to be affected

- Senior management retention rate

Read more detail: **Page 17**

Mitigation in 2012

- New succession planning process focused on the development of a pool of strong management with identified succession for the most senior positions.
- Succession reviews held twice yearly for each business line.
- Two executive board succession reviews held.
- Launch of Berendsen Academy as in-house "university" providing learning programmes and tools for the development of management and leadership capabilities.
- Enhancement and expansion of management trainee scheme for future building of management pipeline.
- Revised short-term and long-term incentive plans in place aligned with business line and group goals/targets.

Further progress planned for 2013

- Further embedding of succession plans and talent pool identification.
- Introduction of "LEAD", leadership framework and basis for future leadership development.
- Introduction of group recruitment policy aimed at consistent and raised standards for management recruitment across the group.

Change

Reduced

7. Reducing our impact on the environment

Risk

j. Textile suppliers are found not to be adopting appropriate employment and human rights practices

Potential impact

- Loss of licence to operate, loss of goodwill and/or damage to reputation.
- Significant stakeholder concern.

KPI likely to be affected

- Adjusted earnings per share

Read more detail: **Page 17**

Mitigation in 2012

- Regular visits to major suppliers by experienced internal personnel and external parties to assess suppliers' compliance with appropriate working practices.
- Prompt incident reporting procedures to senior management and subsequent monitoring.

Further progress planned for 2013

- We have now appointed a single assurance provider that will be responsible for carrying out detailed audits of our major suppliers of directly sourced production.
- Continued assessment of our other overseas textile suppliers' confirmations of their adoption of appropriate working practices.
- Continued monitoring of compliance with our anti-bribery and corruption procedures.

Change

Stable

Risk

k. Discovery of historic environmental issues at laundries

Potential impact

- Emergence of unaccounted for liability.
- Adverse impact on cash flow and retained earnings.
- Damage to our reputation.

KPI likely to be affected

- Adjusted earnings per share

Read more detail: **Page 17**

Mitigation in 2012

- Established incident reporting procedures to senior management with subsequent monitoring.
- Indemnities with previous owners that cover a number of acquired sites.
- The extent and coverage of these indemnities are reviewed with the relevant third party as appropriate.
- Defence of these indemnities continues to be vigorously prosecuted.

Further progress planned for 2013

- Current approach to the management of this risk will continue.

Change

Stable

Our people

In this section:

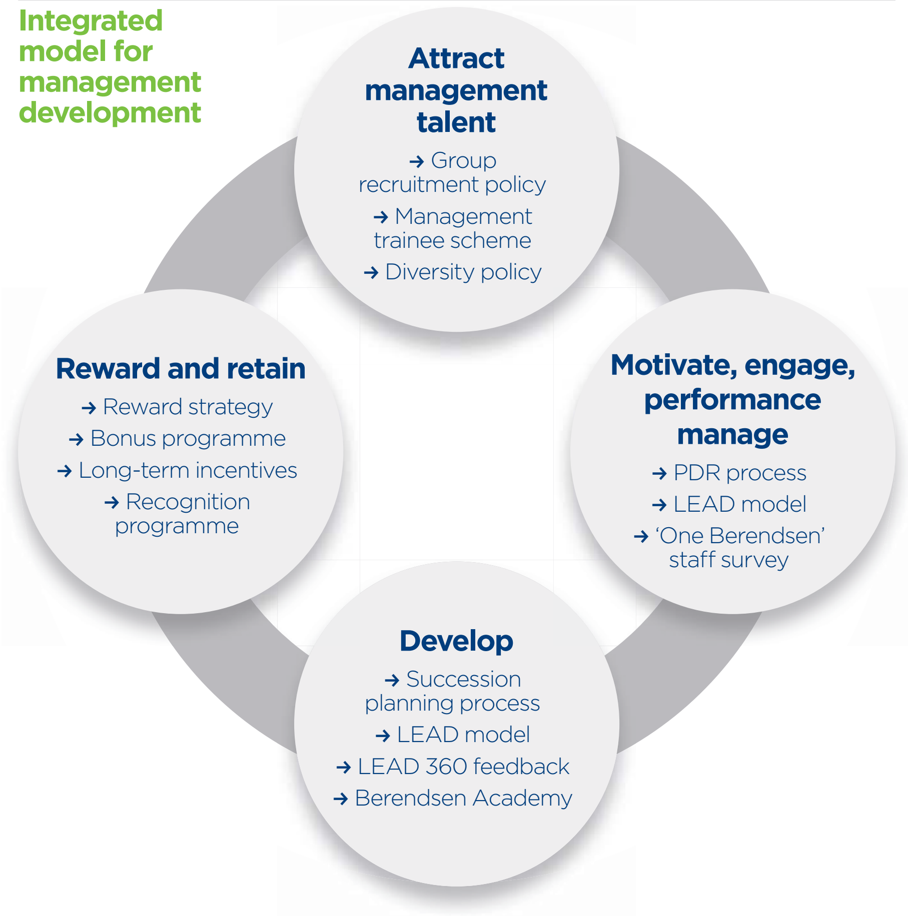
Central to our continued success.

Chris Thrush
Group Director, Human Resources

Our people are central to our success and we are fully committed to continuing to make our business a great place to work. Our emphasis is increasingly on developing and retaining our own talent, combined with external recruitment when we need to introduce new skills or create positions which support our growth plans.

During 2012 we changed the way we operate, introduced a new focus on business lines, communicated a new Berendsen Vision and Values programme and the concept of 'One Berendsen'. Through all these changes our people continued to perform at a high level and we are proud of their engagement, skills and positive attitude in going the extra mile to surpass customer expectations and deliver the highest standards of service.

Integrated model for management development



Employee relations and engagement

We believe in the value of being recognised as an employer of choice and therefore seek to maintain high standards and good employee relations wherever we operate. We place a high priority on employee communication and achieve this through a variety of mechanisms. In 2012 we installed a new group intranet, Berendsen Universe, which is accessible to all employees through their work or home computer, and which gives a wide range of company information, news and the ability to post real-time comments. This, plus the launch of a new online newsletter and webinars ensures regular updates on company performance and results from our Chief Executive Officer, Chief Financial Officer and other senior leaders. In addition, local operating companies make use of management and team briefings, letters to staff and annual kick off, or ad hoc meetings.

Currently the majority of our operating companies conduct employee surveys which consistently achieve high levels of participation and show high levels of engagement.

As part of the One Berendsen concept, in 2013 we will introduce a new engagement questionnaire across all our operations. This will better enable us to measure and compare our peoples' alignment (relationship with management), involvement (relationship with their jobs) and loyalty (relationship with the organisation).

Living our values

2012 saw us make excellent progress in the roll-out of the new group-wide company Vision and Values programme developed at the end of 2011. Our values of determination, caring, empowerment and teamwork represent the core

Shaped for...

...living our values

12 months after its introduction, our One Berendsen vision and values programme is making a real difference across the business. We focus on gathering and sharing our success stories and have already seen many great examples of how our people translate the values into action. This enhances the unique Berendsen culture of delivering world-class customer service, underpins the reputation of our group, and strengthens our sense of belonging.

principles we believe in, and stand for, as a group of businesses. Throughout the year over 100 volunteer ambassadors from all parts of the company participated in communication events and activities to present and explain our Vision and Values under the banner of One Berendsen. By the end of 2012, communication to all our 15,000 people was virtually complete with high levels of recognition of Berendsen values.

Strengthening our focus on performance management

People performance is a vital part of our business performance, optimising employee motivation and potential is key to our success.

At the start of 2012, 120 of our leaders and managers were trained in the skills of giving and receiving feedback as we introduced a new process for performance management, 'Performance and Development Review'(PDR).

PDR provides a consistent framework for managing performance across the group, ensures clarity about role expectations and objectives, and aligns behaviours with our new company values.

In 2013, the PDR process is being further cascaded through the group to include Plant Managers and their teams.

Leadership and management development

Significant progress was also made in putting in place an integrated model for leadership and management development. Our new Succession and Development Planning process is focused on the development of a pool of strong management with identified succession for the most senior positions, together with a future talent identification process.

Succession planning reviews are now held twice yearly at the business line level and two executive board succession reviews took place in 2012.

The Berendsen Academy

Launched in 2012, the Berendsen Academy is our in house 'university' providing learning programmes and tools for the development of management and leadership capabilities. The Academy delivered 'Coaching for Performance' programmes to 120 managers in 2012 as part of the introduction of our Performance and Development Review (PDR).

As we enter 2013 the Academy is commencing a two year programme to train over 300 of our managers in pricing and commercial terms.

A group of 30 of our managers and leaders from all parts of the business came together in a series of "What does good look like?" Academy workshops to develop LEAD, short for Leadership Effectiveness and Development.

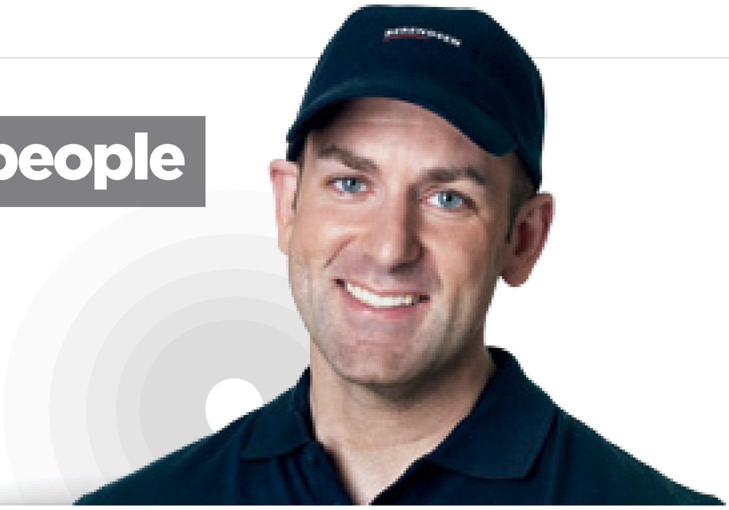
Here eight areas of effective leadership with accompanying key behaviours have been defined for senior leader and plant manager roles. These behaviours combine what has made us successful up to now, together with the behaviours

LEAD

Shaped for...

...developing people

Former management trainee, Morten Skou Nielsen from Denmark is a great example of successful management development. Morten, after completing the two years' management trainee programme where he was involved in three different projects in Denmark and Poland, has now been appointed Production Manager in the brand new workwear plant in Rainhill in the UK where he is responsible for bringing CL2000 production methods into full implementation.



we believe we need to further develop for our future success. They will be incorporated into our PDR process and as we begin 2013. LEAD 360 is now being piloted with a group of volunteers from the original LEAD design group to develop an online feedback tool available through the Berendsen Academy.

The Berendsen Trainee Scheme

The Berendsen Management Trainee Scheme, open to both current employees and externally recruited graduates, is designed to provide a pipeline of future management talent through a two year programme which develops people in their project management and problem solving skills in four assignments undertaken both in their home country and internationally.

A well-established Berendsen initiative that had already proved its value in a small number of countries, the scheme has now been enhanced and expanded across the group. Currently, a group of 16 trainees made up of six men and ten women are following the programme.

Diversity

Our goal is a working culture that is inclusive for all. We are committed to eliminating discrimination and encouraging diversity amongst our workforce. We aim for our employees to be representative of the communities in which we operate and for each of our people to feel respected and able to give their best.

The current main emphasis of our diversity strategy is on gender diversity. In 2012 we outlined our commitment to improving gender diversity with particular emphasis on the number of women in management roles.

Our newly introduced Gender Diversity Policy recognises that whilst 43% of Berendsen employees are female, they occupy only 24% of middle management roles and 11% of our senior leader roles. Currently no women are appointed at executive levels, and of our top 50 managers, only three are women.

Our Gender Diversity Policy is therefore focused on increasing the pool of female candidates for senior management and executive roles by 2016. The policy includes the identification of a number of objectives, which the executive board takes ownership of on an annual basis, which will allow the policy to be implemented practically within the required time frame.

To date, these include the establishment of 'Women in Berendsen', a network to give women managers a forum for knowledge exchange, discussion and mentoring of more junior colleagues in their career progression within Berendsen.

In addition partnerships with external bodies which promote women's leadership initiatives are encouraged. Online diversity awareness training for all managers and supervisors is planned for 2013, and the scope of our succession planning process has been expanded to identify female managers with future potential together with development plans to prepare them for more senior roles. Recruitment companies awarded assignments to recruit on our behalf are now required to include qualified female candidates in final shortlists.

Investment in people

Training spend in 2012 was £1,770 million.

In all areas of the business we invested in developing the skills of our people, including driving skills, customer service, selling skills, coaching and negotiating, safety awareness, leadership development, NVQs and apprenticeships.

Reward and recognition

We reward our managers based on their performance, potential and contribution to the success of the business. We aim to provide competitive and fair rates of employee pay and benefits in every country where we operate.

In 2012 we implemented revised annual bonus programmes to align reward with business line performances.
We have introduced a new long-term incentive programme to reward the achievement of strategic goals and further encourage management share ownership. Approximately 100 managers participate in the Berendsen Long-Term Incentive Plan, and considerably more participate in annual bonus programmes.

Recognition programmes for sales and service performance are well established in Berendsen. 2012 saw the introduction of a wider recognition programme to encourage excellence across all functions.

Corporate responsibility

In this section:

Our strategic approach to acting responsibly.

From 1 January 2012, our approach to corporate responsibility (CR) has been based on our new business line structure to be consistent with the re-organisation of our company. Corporate responsibility initiatives are a key element in our overall business strategy, helping us to maximise opportunity whilst managing risk.

Peter Ventress
Chief Executive Officer

Opportunities

Commercial opportunities

Our approach to CR allows us to demonstrate to customers and prospective customers that we can support them in meeting their own sustainability commitments.

Operational efficiencies

There continue to be opportunities to identify and implement operational efficiencies in our business, both in how we use technology and how our people work.

Engage and retain employees

Having the right human resources processes in place allows us to better engage with our employees and attract and retain the best talent.

Competitive advantage

CR presents opportunities to make us stand out in a competitive market, where customers demand the best they can get.

Risks

Environmental risks

Inadequate environmental stewardship and lack of focus on the use of water, electricity, chemicals and oil and gas would be damaging to our reputation and detrimental to our cost base.

Exposure to price changes

Our reliance on the use of utilities and textiles means that any significant fluctuations in prices have the potential to impact our overall cost structure.

Regulatory environment

Changes in regulations in Europe, and the emergence of sector specific legislation might impact on our business model.

Changing customer demands

Increasing demands from customers about CR will impact on our commercial approach.

Our priorities

Embedding sustainability throughout our operating environment

We recognise our responsibilities to our people, the environment and the communities in which we operate.

Engaging with employees for a motivated, healthy and safe workplace

The health and safety of our people is paramount. Read more about our people on pages 39 to 42.

Operating efficiently and sustainably

By operating more efficiently, including focusing on our use of water, electricity, chemicals and oil and gas, and our CO_2 emissions, we will reduce our environmental impact as well as manage our costs.

Securing long-term relationships with our stakeholders

By working with our stakeholders, we can anticipate future changes and requirements, rather than just reacting to them as they arise.

Our strategic approach

Our strategic approach and priorities

We continue to place CR firmly at the centre of our strategy. The business case for sustainability is strong – as the graphic on the previous page shows, it enables us to identify and seize opportunities whilst, at the same time, managing risk.

Increasingly, we find that CR issues are part of many business conversations. Customers, employees, suppliers and other stakeholders are all keen to understand how our business impacts on others and on the environment and what we are doing to improve our performance.

It is in the interests of all our stakeholders – as well as ourselves – that we comply with regulations and improve efficiency, which in turn can lead to reduced costs. Consequently, sustainability increasingly features in tender processes and procurement documentation and informs many of the key decisions that impact our financial performance.

In terms of risks, we prioritise our attention on changing customer demands, the regulatory environment, environmental factors and exposure to price changes. This latter issue has been particularly relevant in recent months, as economic pressures have forced an upswing in commodity prices. The increase in prices underlines the importance of efficiency measures. By managing resources such as energy and water more efficiently we can reduce the impact that cost increases have on profitability.

Our priorities remain to: embed sustainability throughout our operating environment; engage with our employees for a motivated, healthy and safe workplace; operate efficiently and sustainably; and secure long-term relationships with our stakeholders.

How we manage CR

As we have moved our focus from countries to business lines, the way we manage CR has also evolved.

Our board sets group CR policies, receives regular updates on compliance and other CR issues and reviews any actions being taken. The board also regularly reviews CR-related KPIs and data such as that concerned with health and safety, CO_2 emissions and WECO (water, electricity, chemicals, and oil and gas).

Group executive management is responsible for communicating best practice throughout the business, updating the board on any incidents and other issues. It also reviews KPIs reported, helps the business with the completion of CR-related survey requests and handles external communication such as our annual Communicated on Progress to the United Nations Global Compact, the next one due to be submitted in April 2013.

The business lines are now responsible for the implementation of the group's CR policies in each business unit. They also collect data for our group-wide KPIs and keep group management informed of any CR-related issues.

Ultimately, CR is everyone's responsibility, and most of our policies and targets are turned into reality by the teams working in our laundries and other sites throughout the group.

Embedding sustainability throughout our operating environment

How we report data

Data relating to health and safety, WECO and CO_2 emissions are collected by each laundry, reported by each business unit and business line in each country. At present, not all WECO data is consolidated at group level, but we plan to put this in place during 2013.

What's next?

We will be implementing updated key group operational policies on health and safety (including fire management), business continuity planning and building asset management throughout the group during 2013.

We plan to consolidate all WECO data at group level over the coming 12 months.

A focus on business lines

Although Berendsen operates in many countries, often with a different mix of business lines from country to country, the material issues we face are broadly the same.

We recognise for example health and safety as a group-wide operational priority. It continues to be a particularly significant element of our risk management programme.

Shaped for...

...operating sustainably

We strive to recycle or extend the lifetime of products wherever possible. Our Latvian business has repaired 55,000 mats since 2009, extending their use by up to three years and generating savings of around €1 million. We are now extending this initiative to other parts of the group including the UK, which has recently acquired three mat repair presses.

Shaped for...

...engaging with our value chain

"We're serious about sustainability at Whitbread because we know it's the right thing to do for the planet and it's what our customers and our teams want. Our vision is to lead the hospitality industry to become more sustainable and we want to work with suppliers who share these values and can help us reduce our impact on the environment. Sunlight, with its strong environmental policies, fits this bill and is a valued partner for Whitbread."

Chris George
Head of Energy and Environment
Whitbread Group PLC

Similarly, efficiency primarily revolves around our use of water, energy, chemicals, and oil and gas (WECO). There are minor variations at a business line level, as different tasks necessitate different wash regimes and therefore create different energy and water requirements – however, our priorities are consistent across the group.

As the environmental impacts of our business are most mostly at our laundries, this is where our efficiency initiatives are implemented and where necessary adapted. We are sharing good practice across the group, helping laundries, business units and business lines benefit from the experiences of their Berendsen counterparts. For example, some business lines have valuable experience of dealing with textiles that can be handled at lower, washing temperatures or using techniques to optimise drying time – and there are opportunities for such procedures to be introduced elsewhere in the group.

Our policies and systems

Our approach to CR is enshrined in five key policies: Ethics; Health and Safety; Environment; Human Resources and Employees; and Community.

These policies are our recognition of our responsibilities to our people, the environment and communities in which we operate. They are reviewed regularly and it is the responsibility of the managing director of each business line to ensure that all policies are communicated to management, that any incident is reported, actions are agreed and implemented, and that our employees are aware of the content of our CR-related policies.

The health and safety of our people is paramount. However, we operate in many countries and their standards – both in terms of regulation and accepted best practice – do vary.

In the unfortunate event of any health and safety related incidents we have a well-established internal reporting system so that they are promptly reported to senior management and actions are agreed to try and prevent such incidents occurring again. Group incident statistics are regularly collected and reviewed by the board. The following table shows the group-wide Major Injury Rate for Berendsen employees in 2010, 2011 and 2012, by business line for 2012 only. All instances of major injury in 2012 have been appropriately addressed and actions taken to improve procedures where required.

Business Line	Major Injury Rate
Facility	–
Workwear	0.27
UK Flat Linen	1.01
Flat Linen outside UK	0.56
Clinical Solutions and Decontamination	–
Total group – 2012	**0.51**
Total group – 2011	0.57
Total group – 2010	0.70

Major Injury Incident Rate = (Number of major injuries/Total hours worked) X 1,000,000

If an employee were tragically to become disabled during the course of their employment, every effort would be made to ensure that their employment with the group continues, and that where considered necessary appropriate retraining is arranged.

What's next?

During 2013 we will be implementing an updated group-wide health and safety policy that will set the highest standards across our business. Meeting local regulatory requirements will be an absolute minimum – in most cases we expect our businesses to establish far higher levels of care.

Operating efficiently and sustainably

Our environmental priorities

With more stakeholders now expressing interest in our environmental performance, this is an area that presents both risks and opportunities to us, right across all our business lines and countries of operation.

The nature of our business means that we inevitably use significant amounts of raw materials, energy and chemicals in our everyday operations. Reducing the volumes used and better managing our overall environmental impact will make our business more sustainable, reduce costs for both ourselves and our customers and ultimately help us win and retain more customer contracts.

Our priorities are therefore now well-established and are centred on our use of WECO.

Operating efficiently

By operating more efficiently we will reduce our environmental impact as well as manage our costs.

During 2012 we continued to install equipment at various sites to help us identify areas of high usage and therefore potential savings. For example, we widely use meters which track hourly energy consumption as well as equipment that adjusts energy used according to the workload being processed.

In the UK we are currently investigating the installation of combined heat and power units using natural gas and biogas to generate steam and electricity.

Water use and recovery

We have many ongoing initiatives throughout the group to reduce our use of water and increase water recovery. Most of our operations benefit from water recovery systems and these have led to consumption falling on average by between 20% and 25%. As the amount of water used decreases, so too does our energy consumption as less power is required to heat the water for washing.

We have trialled new membrane water filtration systems that recover our waste water for re-use. Recovering this water also recovers the heat energy in the water, further reducing our energy use.

The water recovery systems process laundry effluent and enable it to be reused in our operations. As the recovered water is already at a high temperature, this has the added advantage of requiring less heat to bring it back to the optimum temperature for washing.

We also work closely with our chemicals suppliers to validate our processes – they provide us with reports on our performance and also help us identify areas where we can become more efficient. Our boiler water treatment suppliers also validate boiler operation at sites and report to us regularly. Boiler efficiency is an important aspect of energy management and we check performance by monitoring the quality of the water.

Furthermore, we have installed flue gas thermometers in order to identify any loss in efficiency. Steam trap surveys are also regularly carried out and hot well temperatures are widely monitored to provide insight into our consumption and efficiency potential.

CO_2 emissions

We implemented our group-wide policy on CO_2 reporting in 2010, and continued to make good progress on improving the quality of reporting during 2012.

This year, for the first time, we are able to report consolidated data for the group that compares last year's performance with that of the previous period, using the GHG (greenhouse gas) protocol methodology. By aggregating the tonnes of laundry that we have shipped to customers we are able to calculate kg of CO_2 per tonne shipped for each of our business lines and for the group as a whole.

Kg of CO_2 per tonne of laundry shipped	2011	2012
Workwear		**521**
Facility		**280**
UK Flat Linen		**398**
Flat Linen outside UK		**389**
Clinical Solutions and Decontamination		**1,230**
Group	434	**410**

Our UK business is seeking re-certification by the Carbon Trust Standard for the third time. This standard is awarded to organisations that measure, manage and reduce their carbon footprint. In addition they have assisted the Carbon Trust, along with three other organisations, in the development of a new water certification process. This has now been completed and we have achieved this new standard. To achieve the standard, a 3.7% reduction in relative water usage is required. Our UK business achieved a 13.1% reduction in their submission, reducing their carbon footprint by 745 tonnes/year.

Transport and logistics

Vehicle movements account for a significant amount of our environmental impact and we regularly review vehicle routes to improve efficiency. Where practical, our policy is to deploy a smaller number of larger vehicles as they are able to carry greater volumes per mile driven and thus reduce the overall number of vehicles on the roads at any one time.

Most of our fleets are owned and operated by Berendsen. All our vehicles conform to the requirements of low emission zones and it is company policy to always specify the latest and most efficient vehicle engines. Fuel costs and usage are also subject to constant review.

In our flat linen business in the UK, we use a vehicle management system to monitor fuel optimisation and driver behaviour, with the objective of minimising harsh acceleration, cornering and braking, as well as excessive idling.

Shaped for...

...working towards best practice

We are always looking for continuous improvement throughout the group. To improve the implementation of best practice, we have reviewed and updated our operational procedures on health and safety (including fire management), business continuity planning and building asset management. These policies and procedures will be implemented in all businesses during 2013. We have established a Risk Management Working Group focused on operational risks to identify and share best practice across all business lines.

Corporate responsibility

What's next?

In 2013 we aim to consolidate water usage data at group level. This will give us deeper insight into the areas where we can make additional reductions and also ensure that all our plants are able to implement best practice. We will also continue to look for opportunities to reduce our CO_2 emissions.

Securing long-term relationships with our stakeholders

Engaging with our stakeholders

Our key stakeholders are:

→ Employees;

→ Customers;

→ Suppliers;

→ Local communities; and

→ Investors.

Each group of stakeholders has different areas of interest and different concerns, and we value the roles that all play in the continued success of our group. We engage with them on a regular basis, as meaningful dialogue builds long-term relationships. Together, we can anticipate future changes and requirements – rather than reacting to them as they arise – and work together to innovate the best solutions.

Engaging with our employees

To communicate with our employees, we use a range of internal communications initiatives and platforms to share our Vision and Values, and to help build constructive relationships with our teams. As detailed on page 40, the 'One Berendsen' concept has been a framework for dialogue with all of our 15,000 employees. We took this opportunity to stress the importance of sustainability to achieving our group goals.

We also cover our Vision and Values in Our people section of this report, on page 40.

Engaging with our customers and industry partners

CR is an important factor in winning new business and retaining existing contracts. We are frequently asked about our sustainability management and performance, not only in formal procurement requests for information and questionnaires, but also during meetings and conversations between our customer relationship managers and their customers.

Our customers are keenly interested in our approach and achievements. They recognise that our performance can help them meet their own CR targets, and we are passionately committed to giving them the answers they are looking for. For example, our move to consolidating data at a group level means customers will increasingly have access to a broader overview of our performance.

When we engage with customers, we stress the fact that sustainability is not a 'nice to have' or a bolted-on extra for us. It is part of our regular everyday activity and is central to improving the efficiency and lowering the costs of the services we provide to them, whilst at the same time helping them achieve their own CR objectives.

Customer feedback is very important to us and during 2012 our UK Workwear and UK Flat Linen businesses completed comprehensive customer surveys. The results of these surveys are in the process of being reviewed. Actions will be taken to communicate any successes identified and to address any areas for improvement.

Engaging with the industry

Our energy manager in the UK has been invited to be an inaugural member of the newly formed UK Energy Managers Association and is chairing a working group to develop training needs for future energy managers in the textile industry.

We are active members of the European Textile Services Association (ETSA), which works to further industry interests and promote a greater understanding of the key issues we all face. For example, during 2012 we participated in an ETSA working group to discuss the possible identification and development of appropriate industry key performance indicators.

Engaging with our suppliers

Through our Supplier Policy, we appoint preferred partners in order to strengthen our buying position, increase levels of standardisation across the business and access valuable economies of scale. We are moving towards awarding larger contracts to a smaller number of suppliers because this will give our contracts a greater degree of importance, enabling us to influence any CR issues at a supplier level.

Our main suppliers are located in Pakistan, Cambodia, Vietnam, Indonesia and China.

We visit manufacturers from whom we source products regularly and have now appointed a single assurance provider that will be responsible for carrying out independent detailed audits of our major suppliers who themselves manufacture products for us.

The aim is to ensure that Berendsen's standards are being correctly observed, such as those relating to human rights and working conditions. This approach will establish a consistent audit process. It will generate standardised reports about suppliers on their level of compliance, together with any relevant action points.

We also have a supplier whistleblowing initiative in place which enables suppliers to raise with us any issues or areas of concern they may have.

We have also confirmed our commitment to the UK government's recent request that all businesses in the FTSE 350 sign up to the Prompt Payment Code. Signatories to the code undertake to pay suppliers on time, give clear guidance to suppliers (on for example payment procedures, and dealing with complaints or disputes), and encourage them to implement best practice throughout supply chains.

Engaging with our communities

We recognise the importance of actively maintaining strong relationships with the communities in which we operate. We widely employ people from these local communities so our reputation as a responsible and fair employer is of crucial importance. We respond proactively to any concerns that are raised by local residents in the event of our operations causing them any undue inconvenience.

Procurement, bribery and corruption

Requirements for the implementation of minimum procedures in order to prevent bribery and corruption were rolled-out to all of our businesses in 2011. Part of the audit process for our major suppliers will focus on compliance with these procedures. Our directors of supply are responsible for ensuring compliance with our procurement standards.

Bribery risk assessments are completed annually by each business in the group and the status of bribery awareness among employees is on the agenda of management meetings on a regular basis.

What's next?

An engagement questionnaire for all employees will be introduced in 2013. The results of independent audits of our main suppliers will be monitored closely.

Governance

In this section:

Chairman's overview

Delivering sustainable value.

Corporate governance is about running the business in the right way in order to create long-term sustainable value for the benefit of all of our stakeholders.

Iain Ferguson
Chairman

This is my first year as Chairman and I would like to assure shareholders that I will continue the strong focus on governance for which Berendsen has become recognised in the past.

What good governance means to Berendsen

Our view of what constitutes good governance remains the same. We do not view corporate governance as an isolated exercise in compliance but as a core and vital discipline that complements our desire continually to improve upon the long-term growth and success of the group on behalf of shareholders. Good governance is an evolving process and our aim is to consistently be at the forefront of corporate governance best practice in order to deliver effectively on the company's strategic objectives. At Berendsen, we believe that effective governance is realised through leadership and collaboration resulting in consistently focused and sensible business decisions.

An effective and diverse board

As Chairman, my primary responsibility is to ensure that the board has the right mix of skills, knowledge and experience so that it works effectively as a team, supporting management to formulate and execute the corporate strategy, whilst encouraging the non-executive directors to bring fresh perspectives to the table and, where appropriate, to hold management to account. In this way the Berendsen board comprises a team of experienced individuals with the complementary skills and talents to carry out their duties to the best of their abilities, which we believe engenders the trust and respect of all stakeholders.

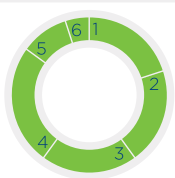
For a board to be effective there must be an open, honest and transparent working relationship between non-executive directors, executive directors and senior management, which allows an appropriate level of interaction and challenge. I have been a director of Berendsen for over three years and can confirm that our culture and transparency is one of the company's key strengths. Hopefully by reading our governance reports you will gain a better understanding of the Berendsen culture and why our board is effective.

I am pleased to welcome Lucy Dimes to the Berendsen board and I am sure she will make a significant contribution to the business. Lucy is currently managing a large multinational business and will also provide the board with additional experience in both sales and operations. I would also like to thank Per Utnegaard for his eight years' service as he steps down from the board of Berendsen on 30 April 2013.

Board achievements during 2012

2012 has been a very busy and exciting year for the group. Following the 2011 external board evaluation, the board met each of the core growth management teams in order to ascertain how they were implementing the recommendations from the 2010 strategy review. Meetings were held with the management teams of UK Flat Linen, Workwear, Cleanroom

How the board spent its time in 2012



1 Strategy formulation, implementation and monitoring	20%
2 Performance monitoring	20%
3 Governance and risk	20%
4 Meeting country management/site visits	25%
5 Shareholder engagement	10%
6 Other	5%

Priorities for 2012	Progress in 2012
→ Review findings and agree actions arising from the 2011 external board evaluation	→ The majority of the board evaluation recommendations have now been implemented and regularly monitored by the board during 2012
→ Continued focus on management development and succession planning	→ Improved – received regular updates from the Group Director, Human Resources
→ To meet each of the business line management teams and review their strategy	→ Completed in May, June and September 2012. The board met over 30 senior managers during 2012
→ Recruitment of a new non-executive director	→ Completed – Lucy Dimes joined the board in June 2012
→ Ensure a smooth transition and handover of responsibilities from Christopher Kemball to Iain Ferguson	→ Completed – the transition was well organised with no issues arising

Priorities for 2013
→ Support the Chief Executive Officer and executive board on the delivery of the group's strategic objectives
→ Support the executive board in the group's talent management programmes and succession planning
→ Continues dialogue with major shareholders
→ Review the findings and actions arising from the independent review of the group's risk management in Q1 2013
→ Review strategy with the executive board in Q3 2013

and Mats & Washroom. This involved the board meeting over 30 senior managers and travelling to our facilities in West Bromwich (UK) and Bad Windsheim (Germany). This also provided the board with an excellent insight into the challenges and opportunities facing these businesses.

In September, I organised a strategy meeting to give the board the opportunity to challenge the executive on the implementation of the group's strategy and to identify how the group can develop further. Both the board and executive found this to be a very productive session which provided the board with assurance on the group's strategic direction and has given the executive clear areas on which to focus during 2013.

Shareholder engagement

As Chairman, I am also responsible for ensuring that there is ongoing and effective communication between the board and its shareholders. During 2012 I formally introduced myself as Chairman to our major shareholders and in November arranged a dinner where our major shareholders, representing approximately 50% of our shares in issue, had the opportunity to meet the non-executive directors. This is the third time that Berendsen has held this type of event and once again the feedback received from shareholders was positive. We plan to arrange a similar dinner during the last quarter of 2013.

External recognition

During 2012 we were pleased that once again our focus on good governance was recognised, with Berendsen being short-listed for two ICSA Hermes Transparency in Governance Awards and for the Building Public Trust Award – excellence in reporting for a FTSE 250 company, organised by PricewaterhouseCoopers.

If you would like to discuss any aspect of our group's governance with me please feel free to email me at Chairman@berendsen.eu

Iain Ferguson
Chairman

Shaped for...

...driving integration

In April 2012, we acquired Decontam GmbH, a cleanroom operation in southern Germany. Due to the strategic importance of this acquisition our board travelled to Bad Windsheim in Germany on 20 September to meet the management team, understand the opportunities and issues facing the business, and to visit the newly acquired facility.

Board of directors

Experienced leadership.

This year, the board has undergone a successful leadership transition. Our Chairman and directors worked hard to ensure that the handover of responsibilities was seamless, and that Berendsen continues to be governed in a highly effective manner.

The diversity of experience we have within our board continues to be very important in ensuring effective oversight. All of the non-executives occupy or have occupied senior positions in industry and consequently are able to contribute the appropriate amount of challenge as required. The non-executive directors provide direction on the implementation of an effective governance framework, including risk management and internal control, bringing fresh ideas and perspectives to the table and, where appropriate, holding management to account.

Peter Ventress (52)
Chief Executive Officer

Date appointed to board:
January 2010

Independent:
No

Key strengths:
- Broad international chief executive experience across Europe, North America and Australia
- Experienced B2B leader
- Strong leadership skills developed across different cultures and industries
- Well-developed strategic and commercial skills

Current external commitments:
None

Previous roles:
Ten years in senior management positions in Europe and Canada in the office products distribution industry with Corporate Express N.V., becoming Chief Executive in 2007. In 2008 appointed head of the activities of Staples Inc outside the United States and Canada

Board committee memberships:
Nomination committee – member
Executive board – member

David Lowden (55)
Non-executive director

Date appointed to board:
March 2010

Independent:
Yes

Key strengths:
- Extensive experience in both general management and financial management
- Many years of operating within international businesses with cultural diversity
- Strong strategic understanding
- Knowledge of B2B service related industry requirements
- Proven ability for delivering shareholder value
- Strong financial, marketing and commercial skills

Current external commitments:
Non-executive director of William Hill PLC and Michael Page International plc

Previous roles:
Chief Executive of Taylor Nelson Sofres PLC, having also held the positions of Chief Operating Officer and Group Finance Director

Board committee memberships:
Remuneration committee – chairman
Nomination committee – member
Audit committee – member
Senior Independent Director

Kevin Quinn (52)
Chief Financial Officer

Date appointed to board:
May 2005

Independent:
No

Key strengths:
- More than seven years in the group with a detailed knowledge of operations
- Significant experience of financing and capital raising
- Extensive experience of international companies
- Experience of outsourcing and the support services sector
- A strong network of finance professionals
- Driven our successful Capital Efficiency project to increase cash deliveries

Current external commitments:
None

Previous roles:
Senior finance positions within Amersham plc and was with PricewaterhouseCoopers, latterly as a partner in its Prague office, having also worked in the USA and France

Board committee memberships:
Executive board – member

Iain Ferguson CBE (57)
Non-executive Chairman

Date appointed to board:
March 2010

Independent:
No

Key strengths:
- CEO experience with an international plc
- Strong international strategic skills and experience of B2B and B2C businesses
- Significant M&A experience in Europe, USA and Asia
- Broadly based NED experience across the private and public sectors
- Strong commercial skills

Current external commitments:
Non-executive director of Balfour Beatty plc and Greggs plc

Previous roles:
Chief Executive of Tate and Lyle plc, having also worked for Unilever and held a number of senior positions in Birds Eye Walls

Board committee memberships:
Nomination committee – chairman
Remuneration committee – member

Lucy Dimes (47)
Non-executive director

Date appointed to board:
June 2012

Independent:
Yes

Key strengths:
- Extensive experience of B2B, outsourcing and complex managed services contracts
- Track record in international sales and customer relationship management
- Significant experience in alliances, ventures and partnerships
- Operational and complex contractual experience
- Strong marketing, portfolio development and commercial skills
- Well-developed leadership and global team management skills

Current external commitments:
CEO UK & Ireland of Alcatel-Lucent and Trustee for the Safer London Foundation and the International Business Leaders Forum

Previous roles:
Held various senior roles at BT Plc, including Managing Director of Group and Openreach Service Operations

Board committee memberships:
Nomination committee – member
Remuneration committee – member
Audit committee – member

Per Utnegaard (53)
Non-executive director

Date appointed to board:
January 2005

Independent:
Yes

Key strengths:
- Significant senior experience as both executive and non-executive director in strategic planning, M&A, and execution in the support service sector
- Successfully completed several international turnarounds
- Broad experience in running complex multi-national and multi-cultural businesses
- Good understanding of procurement
- Serving Chief Executive Officer of an international business

Current external commitments:
Chief Executive of Swissport International Ltd

Previous roles:
Per has run his own consultancy firm in Switzerland and, prior to that, was Wholesale Director of Alliance UniChem plc

Board committee memberships:
Remuneration committee – member
Nomination committee – member
Audit committee – member

Andrew Wood (61)
Non-executive director

Date appointed to board:
March 2010

Independent:
Yes

Key strengths:
- Previously CFO of FTSE 250 plcs for 15 years
- Strong strategic and commercial understanding
- Extensive experience of acquisition and disposal of businesses in international markets
- Good commercial grasp
- Detailed knowledge of risk assessment and management systems

Current external commitments:
Non-executive director of Lavendon Group plc and Air Partner plc

Previous roles:
Group Finance Director of BBA Aviation plc and also Group Finance Director of Racal Electronics PLC

Board committee memberships:
Audit committee – chairman
Remuneration committee – member
Nomination committee – member

David Lawler (49)
Company Secretary

Date appointed:
May 2005

Independent:
No

Key strengths:
- Detailed knowledge of the group
- Good understanding of international business having worked extensively outside the UK
- Extensive knowledge of corporate governance and risk management
- Strong financial skills
- Significant experience in the acquisition and disposal of businesses in both the UK and Europe

Current external commitments:
None

Previous roles:
Senior finance positions with Thorn EMI plc and KPMG

Board committee memberships:
Executive board – member

Effective oversight.

Compliance with the UK Corporate Governance Code

For the period under review, we are pleased to confirm that the company has fully complied with the principles and provisions of the UK Corporate Governance Code 2010 ('the Code'). Further disclosure about how we have applied the Code can be found in the 'Remuneration report' on page 69 and in the following corporate governance statement which has been structured around the five sections of the Code: Leadership, Effectiveness, Accountability, Remuneration and Relations with Shareholders.

Further information on the UK Corporate Governance Code can be found on the Financial Reporting Council's website at www.frc.org.uk.

Leadership

The board is responsible for setting and monitoring the group's governance framework. Implementation of governance throughout the group is the responsibility of the executive board. Regular updates are provided to the board and its committees by the Chief Executive Officer and Chief Financial Officer. The board regularly meets management below the executive board level to establish how the business is progressing and to ensure the governance framework is fully embedded within the group.

Governance throughout the group is rooted within the Berendsen culture and Vision and Values. Further information on our Vision and Values and the implementation throughout the group can be found on page 40. Governance is supported by a number of key policies including; the matters reserved for the board, group corporate responsibility and health and safety policies, risk management guidelines, the group's ethics policy and the Group's Finance Manual. Our group intranet Berendsen Universe provides a platform for employees to keep updated with the latest group news and key policies and to share best practice. Vision and Values success stories are posted to celebrate noteworthy achievement and highlight examples of good governance throughout the group.

Role of the board

The key responsibilities of the board are to set the strategy, monitor what management are doing, hold them accountable for performance against agreed targets, and challenge their thinking to ensure that they remain focused on achieving our strategic aims and objectives in order to deliver value to shareholders and other stakeholders. The board sets the parameters by which the group seeks to promote and deepen the interests of its shareholders and monitors the performance of the executives to whom it delegates the management of the business. Although not involved in day-to-day management activities, the board does have a formal schedule of matters reserved to it. These matters, which were last reviewed in December 2012, include:

- group strategy, business objectives, long-range plans and annual budgets;
- annual and interim results and interim management statements;
- material acquisitions, disposals and contracts;
- major changes to the group's internal controls or to its risk management or financial reporting policies and procedures;
- determining the nature and extent of the risks the group is willing to accept to achieve its strategic objectives;
- major changes to the group's capital, corporate or management structure; and
- succession planning for the board and senior management.

Matters which are outside the scope of the reserved matters are decided by the executive management.

Board composition

During 2012, four of the seven board members were independent non-executive directors: David Lowden, Per Utnegaard, Andrew Wood and Lucy Dimes, who joined the board as a non-executive director on 1 June 2012. Each director has attained a level of experience that taken together provides a suitable breadth of strategic and financial management experience and all have significant international backgrounds. Per Utnegaard is currently the Chief Executive Officer of Swissport and is based in Switzerland; David Lowden has previously been a Chief Executive Officer of a UK listed company with significant international operations; Andrew Wood is a previous Group Finance Director of two FTSE 250 companies and Lucy Dimes is the current CEO of Alcatel-Lucent, UK & Ireland having previously held various senior roles at BT Plc, including Managing Director of Group and Openreach Service Operations.

In respect of the executive directors, Peter Ventress is an experienced leader having been for many years an international Chief Executive Officer and Kevin Quinn has been Chief Financial Officer of the group for over seven years and was Chairman of the Business Services Association during 2012.

On 1 May 2012, Iain Ferguson was appointed as the non-executive Chairman following the retirement of Christopher Kemball. Iain Ferguson was Chief Executive of Tate and Lyle plc from 2003 to 2009, having previously worked for Unilever, where he held a number of senior positions including Executive Chairman of Birds Eye Walls and Senior Vice President, Corporate Development. He is also a non-executive director of Balfour Beatty plc and Greggs plc. David Lowden replaced Iain Ferguson as the Senior Independent Director effective from 1 May 2012.

Per Utnegaard has served on the board for eight years and following the successful handover from Christopher Kemball to Iain Ferguson, Per will step down from the board with effect from 30 April 2013.

Appointments to the board

The nomination committee ensures that there is a formal, rigorous and transparent procedure for the appointment of new directors. All appointments are preceded by an evaluation of the balance of skills, experience and knowledge of the current board members. The nomination committee then prepares a candidate specification and appoints external advisers to assist the committee in the search for a new director. Further details of the work undertaken by the nomination committee during 2012 are detailed on page 64.

Under the company's Articles of Association all directors are subject to re-election to the board every three years. However, the board has decided, in accordance with the Code, that all directors wishing to continue will retire and offer themselves for annual re-election by the shareholders at the Annual General Meeting.

Any director appointed by the board during the year will also stand for appointment by shareholders at the following Annual General Meeting.

Division of responsibilities

Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer are separately held and the division of their responsibilities is clearly established, set out in writing and regularly reviewed by the board.

The Chairman, Iain Ferguson, is responsible for the leadership of the board, ensuring its effectiveness by creating and managing a constructive relationship between the executive and non-executive directors. His role is to promote a culture of openness, challenge and debate, ensuring that there is adequate time available for discussion. Although it is the responsibility of the Chief Executive Officer and Chief Financial Officer to engage with shareholders on a day-to-day basis, the Chairman's role includes maintaining an overview of such matters.

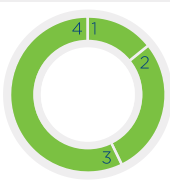
Peter Ventress, the Chief Executive Officer, is responsible for leading and managing the business within the authorities delegated by the board. He is accountable for: the overall performance and management of the group; the development of group strategy for approval by the board; ensuring that the board is fully informed of all important matters; succession planning for key management roles and corporate responsibility.

Between board meetings there is regular interaction and collaboration between the Chief Executive Officer and the Chairman and, where required, with other board members.

Non-executive directors

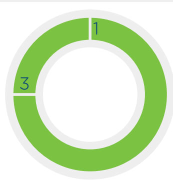
Details of the non-executive directors are set out on pages 52 and 53 and their biographies reflect suitable breadth and depth of strategic, management and financial experience. The board considers that during 2012 the non-executive directors were integral to providing a solid foundation for good corporate governance for the group, ensuring that no individual or group of individuals dominated the board's decision-making and that this will remain the case for 2013.

Balance of non-executive directors and executive directors



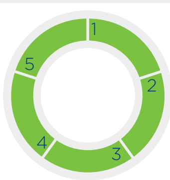
1	Non-executive Chairman	1
2	Executive directors	2
3	Independent non-executive directors	4
4	Non-independent non-executive directors	0

Length of tenure of non-executive directors



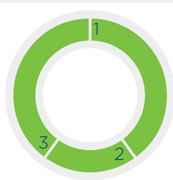
1	0–3 years	3
2	4–6 years	0
3	7–9 years	1
4	More than 9 years	0

Non-executive director/Chairman industry background/experience



1	Business Services	1
2	FMCG	1
3	Industrial transportation	1
4	Logistics/distribution	1
5	Telecommunications	1

Non-executive director/Chairman previous positions



1	CEO listed plc	2
2	CFO listed plc	1
3	CEO large group	2

Corporate governance statement

Senior Independent Director

David Lowden, our Senior Independent Director, plays an important role on the board. He is an experienced and trusted sounding board for the Chairman and Chief Executive Officer and meets them regularly to discuss key issues, whilst, where necessary, also acting as a conduit between the Chairman, the non-executive directors and shareholders. David Lowden additionally assists with the annual evaluation of the Chairman alongside the Chief Executive Officer, Peter Ventress. David Lowden strengthens his understanding of our major shareholders' key interests through a combination of reading investor relation reports and (where appropriate) conducting shareholder meetings. David is highly suited to the role of Senior Independent Director through his extensive knowledge of the Berendsen group combined with his wealth of commercial experience as a previous Chief Executive of Taylor Nelson Sofres plc in addition to being a non-executive director of William Hill plc and Michael Page International plc which gives him a good understanding of the requirements of both institutional and private investors.

The executive board

The executive board sits at the apex of management decision-making. It is chaired by the Chief Executive Officer, Peter Ventress. The other members are: the Chief Financial Officer, Kevin Quinn, the three Business Line Managing Directors, Christian Ellegaard, Peter Havéus and Steve Finch, Chris Thrush the Group Director, Human Resources and the Company Secretary, David Lawler. In addition to regular communications between its members, the executive board formally met 11 times during 2012.

The members of the executive board have collective responsibility for the day-to-day running of the group's business and their functions including:

→ developing the group's strategy and budget for board approval;

→ monitoring the financial, operational and service performance of the group and reviewing the group risk register; allocating resources across the group within parameters agreed by the board;

→ planning and initiating major cross-business programmes; and

→ developing leadership and future talent programmes and securing strong succession planning for the group.

In addition to the executive board's collective responsibilities, members of the executive board have been assigned areas of specific responsibility including; operations (Peter Havéus), procurement and supply chain (Steve Finch) and sales and marketing (Christian Ellegaard).

Board independence

The board considers that in 2012 all four non-executive directors remained independent from executive management, free from any business or other relationship that could materially interfere with the exercise of their judgement.

To safeguard their independence, directors are not entitled to vote on any matter in which they have a material personal interest unless the directors unanimously decide otherwise and, where necessary, directors are required to absent themselves from a meeting of the board while such matters are being discussed.

The executive board

Peter Ventress
Chief Executive Officer

See biography on page 52

Kevin Quinn
Chief Financial Officer

See biography on page 53

David Lawler
Company Secretary

See biography on page 53

Christian Ellegaard
Managing Director, Facility

Christian joined the group in 1993 and was appointed Managing Director of the Nordic Region in 2007, having held a number of senior posts, including Managing Director in Denmark. Christian holds a BSc in Economics and Business Administration from the Copenhagen Business School and an MBA from Monterey Institute of International Studies. On 1 January 2012 he was appointed Managing Director, Facility.

Steve Finch
Managing Director, UK Flat Linen

Steve joined the group in 1996 through the acquisition of Spring Grove Services where he held the position of Commercial Director and was appointed Managing Director of the Sunlight Service Group in 2001. Prior to joining Spring Grove in 1995, Steve spent 25 years in the telecommunications industry, latterly as Sales Director in Hutchison Telecom (now Orange). Steve holds an MBA from Bath University. On 1 January 2012 he was appointed Managing Director, UK Flat Linen.

Peter Havéus
Managing Director, Workwear

Peter joined the group in 1985 and was appointed Managing Director for the Continent region in 2007. He has held a number of senior posts, including Managing Director Sweden, Managing Director Denmark and Chief Operating Officer, mainland Europe, having started his career in the textile rental industry in Sweden in 1983. Peter holds a degree in Economics. On 1 January 2012 he was appointed Managing Director, Workwear.

Chris Thrush
Group Director, Human Resources

Chris was appointed Group Director, Human Resources in May 2011. He has previously held HR Director roles with Corporate Express N.V., DePuy, a Johnson and Johnson company, Gestetner and the University of Lancaster in the UK. He has lived and worked extensively outside the UK in Europe, the USA and Asia. He holds an MBA and is a Fellow of the Chartered Institute of Personnel and development.

To strengthen the independence of the non-executive directors and to enable them to discuss more freely the performance of the group's executive management, the Chairman meets formally with the non-executive directors at least once each year without the executives being present. In 2012, this meeting was held on 15 November.

The independence of the non-executive directors is fundamental to the board's decision-making and discussion. Any director who has concerns about the running of the group or a proposed course of action is encouraged to express those concerns which are then minuted. No such concerns were raised during 2012.

The independence of the directors is further supported by the work of the Company Secretary whose appointment and removal is the responsibility of the board as a whole. The Company Secretary (who is also secretary to the audit, nomination and remuneration committees), ensures that board procedures are complied with and provides advice on regulatory compliance matters and corporate governance. All directors have unrestricted access to the advice and services of the Company Secretary. There is also an agreed procedure by which directors can, for the purposes of discharging their duties, obtain independent professional advice at the company's expense. No director made use of this facility during 2012.

Conflicts of interest

The board has put procedures in place to resolve situations where a director has a conflict of interest. As part of these procedures, the board:

- → considers each conflict situation separately based on its particular facts;
- → considers the conflict situation in conjunction with all other directors' duties and obligations under the Companies Act 2006;
- → keeps records and board minutes of authorisations granted by directors and the scope of any approvals given; and
- → regularly reviews conflict of interest authorisations.

The board has complied with these procedures during the year and each director has confirmed there have been no conflicts of interest arising during 2012.

Effectiveness

Board activities in 2012

The board requires that all directors devote sufficient time to discharge their duties effectively and to use their best endeavours to attend meetings. During 2012 the board met nine times, including a strategy review meeting in September. The main areas of focus in 2012 are detailed on page 58. In addition, the non-executive directors met without the executive directors on 15 November 2012.

During 2012 all the directors confirmed that they have been able to allocate sufficient time to discharge their responsibilities effectively. Directors are required to notify the Chairman and the board of any alterations to their external commitments that arise during the year with an indication of the time commitment involved. During 2012, David Lowden resigned as a non-executive director at Cable and Wireless Worldwide plc and was appointed a non-executive director of Michael Page International plc. The board does not believe that this change will affect David's commitment to his role as Senior Independent Director.

The attendance of all individual directors at board and committee meetings for the year ended 31 December 2012 is detailed below.

Board and committee composition and attendance	Committee memberships	Independent	Board meetings^	Audit committee	Remuneration committee	Nomination committee
Total number of meetings			9^^	3	4	3
Executive directors						
Peter Ventress	Nom	No	9			3
Kevin Quinn	No	No	9			
Non-executive directors						
Christopher Kemball*	Nom, Rem	No	2		1	1
Lucy Dimes**	Audit, Nom, Rem	Yes	5	1	2	2
Iain Ferguson	Nom, Rem	No	9		4	3
David Lowden	Audit, Nom, Rem	Yes	9	3	4	3
Per Utnegaard	Audit, Nom, Rem	Yes	9	3	4	3
Andrew Wood***	Audit, Nom, Rem	Yes	8	3	3	3

^ Excluding: the non-executive directors' meeting on 15 November 2012
^^ Including: six bimonthly board meetings, two offsite meetings, and one strategy meeting
* Christopher Kemball attended all meetings until his retirement in April 2012
** Lucy Dimes, who joined the board on 1 June 2012, was unable to attend the board and committee meetings on 24 October and 17 August due to previously arranged commitments
*** Andrew Wood was unable to attend a board meeting and a remuneration committee meeting on the 24 October due to a family bereavement

Corporate governance statement

The main areas the board focused on during 2012 were:	
Strategy formulation, implementation and monitoring	→ Received regular updates from the Chief Executive Officer about the ongoing execution of the 2010 strategy review
	→ Received presentations from the three business line management teams: Workwear, Facility and UK Flat Linen in May, June and September
	→ Reviewed and approved the acquisition of Decontam – a German cleanroom business. For more information on how we have expanded our cleanroom business, see page 27
	→ Reviewed and approved the acquisition of the ISS Washroom business in the Netherlands
	→ Received presentations from the group's Tax and Treasury Director on the group's tax compliance and structure
	→ Received regular updates from the Group Director, Human Resources on management development and succession planning
	→ Met the executive board in September to discuss the group's strategy
	→ Received post-acquisition reports from management in respect of the recent acquisitions in Scandinavia and Germany
Performance monitoring	→ Reviewed monthly reports from the Chief Executive Officer and the Business Line Managing Directors on the key issues affecting the business
	→ Reviewed monthly reports from the Chief Financial Officer on performance against budget and forecast. For more information on our financial performance, see page 18
	→ Reviewed reports from the Chief Financial Officer on the financial position of the group, which included treasury management
	→ Reviewed regular reports from the chairmen of the audit, remuneration and nomination committees on matters discussed at committee meetings
	→ Approved the full year and half year results for the group
	→ Reviewed reports on peer group comparison of results
	→ Made recommendations regarding the 2011 final dividend and approved the 2012 interim dividend
	→ Approved the group's budget for 2013 and its medium-term plan to 2015
Governance and risk	→ Reviewed reports on governance issues, including changes arising from the introduction of the new UK Corporate Governance Code 2012 and the consultation on the revised remuneration reporting regulations from the Department for Business, Innovation & Skills
	→ Performed regular reviews of the significant risks affecting the group. For more information on our risk management framework and processes, see page 33
	→ Reviewed and updated the matters reserved for the board
	→ Reviewed and approved the group's delegated authorities
	→ Regularly reviewed the action list received from the external board evaluation performed by Dr Tracy Long in Q4 2011
	→ Received reports from each board committee's chairman
	→ Reviewed regular reports and key performance indicators on health and safety and corporate social responsibility issues. For more information on our corporate responsibility and health and safety policies and procedures, see page 44
	→ Received internal audit reports and monitored the implementation of internal audit recommendations
	→ Reviewed the conflicts of interest register and confirmed there were no existing conflicts
	→ Reviewed and discussed the findings from the 2012 internal board evaluation conducted by Iain Ferguson and David Lowden
Meeting country management/site visits	Attended meetings with the executive board in May, June and September including;
	→ Meeting the Workwear management team on 2/3 May 2012
	→ Meeting the UK Flat Linen management team on 26 June 2012
	→ Meeting the Facility management team on 19/20 September 2012
	→ Visiting the West Bromwich and German Cleanroom facilities
Shareholder engagement	→ Reviewed the 2012 AGM proxy voting figures. For more information on the 2012 AGM visit our website; www.berendsen.com
	→ Reviewed reports from brokers on shareholder feedback from meetings with the Chief Executive Officer and Chief Financial Officer
	→ Hosted a non-executive directors' dinner with institutional investors on 15 November 2012
	→ Made preparations in respect of the 2013 Annual General Meeting
Other	→ Reviewed and agreed the appointment specifications for the appointment of a new non-executive director
	→ Approved the 2012 Annual Report and Accounts

Induction, training and information flow

The Chairman is responsible for ensuring that all non-executive directors receive ongoing training and development so that they can appropriately perform their duties. During the last quarter of 2012 the Chairman met individually with each non-executive director to discuss their specific training and development requirements and to agree a training programme for 2013. Training and development needs were also discussed at the non-executive directors' meeting on 15 November 2012. Each non-executive director currently serving on the board has confirmed that in 2012 they have kept themselves properly briefed on and informed about current issues.

During 2012, all of our UK-based non-executive directors joined and were active members of, the Deloitte Academy, which provides regular updates on key financial and business issues. The board regularly receives reports from the Company Secretary on current or pressing legal, regulatory and governance issues and any key or upcoming changes. A number of board briefing sessions were also held where external advisers provided updates on remuneration and accounting standards and at which an economist gave his thoughts about the economic outlook in 2013 and 2014.

There is a formal induction programme for all new non-executive directors covering, for example: the operation and activities of the group (including site visits and meeting members of the senior management teams); the group's principal risks and uncertainties; the role of the board and the decision-making matters reserved to it and the responsibilities of the group's board committees.

Following her appointment in June 2012, Lucy Dimes underwent a formal and comprehensive induction programme which included receiving presentations from the management teams of the core business lines (UK Flat Linen, Workwear, Cleanroom and Mats and Washroom) in addition to visiting six facilities in the UK, Germany, the Netherlands and Denmark. The board is satisfied that following the induction process, Lucy has been fully briefed on the responsibilities of her role and on the operations and key activities of the group.

In advance of Iain Ferguson becoming Chairman on 1 May 2012, he had a number of meetings with Christopher Kemball, Peter Ventress and David Lawler in order that he could be fully briefed, thereby ensuring an organised and timely handover of responsibilities.

Formal board meetings are held six times each year. Prior to each board meeting an agenda with supporting papers is circulated to the directors, thereby ensuring that they have all the latest and relevant information. Included with these papers are detailed monthly accounts together with reports from the Chief Executive Officer, Chief Financial Officer and the business line Managing Directors.

After each board meeting, the Company Secretary operates a comprehensive follow-up procedure to ensure that actions are completed as agreed by the board. Briefing packs are also circulated at times when board meetings are not scheduled. These briefing packs ensure that the non-executive directors are kept informed of the latest issues affecting the group. The board uses an electronic board paper system so that directors can access all board papers and briefing packs quickly and securely.

The Chief Executive Officer and the Chief Financial Officer ensure that the board is kept fully aware on a timely basis of business issues and prospects throughout the group. Both are members of the executive board and are directors of Sunlight Service Group, the holding company of our UK trading businesses and of Berendsen A/S, the management company of our European businesses. In addition, during 2012, they periodically attended individual business line board meetings, meeting the management teams of each operation. The key issues raised at these meetings were then brought to the attention of the board.

Shaped for...

...sharing expertise

On 1 June 2012, we welcomed Lucy Dimes to the Berendsen board. Through a comprehensive induction programme she met advisers, executive board members and senior management from the group head office, management teams from the core business lines, and visited six facilities in the UK, Germany, Netherlands and Denmark. The induction was completed in October 2012 and provided Lucy with an excellent insight into Berendsen operations and the opportunities and issues we face.

Corporate governance statement

In 2012 the board met with all the management teams of the 'core growth' business lines to review and discuss their business line strategy. This involved meetings in May, June and September and included site visits to West Bromwich (UK) and Bad Windsheim (south of Frankfurt, Germany).

These comprehensive visits gave board members detailed insights into the operations of our businesses, their challenges and opportunities. These visits and subsequently agreed follow-up actions demonstrate the free flow of information and communication between the board and the senior management teams within the group. In 2013 the board will meet the management teams from our UK Hotels and German 'manage for value' Healthcare businesses.

In consultation with the Chairman and Chief Executive Officer, the Company Secretary manages the provision of information to the board for their formal board meetings and at other appropriate times. The Chairman and Chief Executive Officer also maintain regular informal contact with all directors.

Performance evaluation

A comprehensive evaluation of the performance of the board, its committees and each of its directors is carried out annually, a process led by the Chairman and supported by the Company Secretary.

In December 2011, the board commissioned its first external board evaluation which provided invaluable insight into our effectiveness and helped establish a benchmark for measuring future progress. The board found the review very informative and, following a detailed discussion on 21 February 2012, agreed on a number of focus areas for 2012. The external evaluation was performed by Dr Tracy Long of Boardroom Review (who provides no other service to the company). Dr Long has been working with FTSE 100 and FTSE 250 companies since 2004 and has conducted over 90 board evaluations.

In 2012, the board's performance was evaluated internally based on the themes and recommendations of the 2011 external evaluation. Iain Ferguson individually met each director and the Company Secretary during November and December 2012.

Among other things the review investigated a variety of aspects associated with board effectiveness, specifically:

- the way in which the board defines its role and approaches its work (strategy, risk and control, performance management and communication);
- the balance of skills, experience and knowledge about the group;
- board diversity, and
- the way in which the board works together (culture and dynamics), and optimises its use of time and its contribution to the company.

In addition, a review of the Chairman's performance is led by David Lowden the Senior Independent Director. The executive directors are evaluated by reference to their executive duties through a separate process whereby the Chairman and the non-executive directors assess the Chief Executive Officer and the Chief Executive Officer assesses the Chief Financial Officer and other members of the executive board.

Shaped for...

...effective oversight

During 2012, our board met senior management from all three core business lines. Meetings in London, West Bromwich and Bad Windsheim in Germany provided each board member with an excellent insight into the quality of our management teams and how they are implementing the group's strategy.

Shaped for...

...continuous improvement

Each year, the Berendsen board, led by our Chairman, performs a detailed review of its performance and identifies areas on which to focus during the coming 12 months. The first external board evaluation was performed by Dr Tracy Long of Boardroom Review and her findings were discussed by the board on 21 February 2012. The board found this review to be very helpful and agreed an action list of areas on which to focus during 2012.

Board performance evaluation

2012 objectives	2012 achievements
→ To support the Chief Executive Officer and executive board in executing the strategic plan	→ Regular meetings between the Chairman and Chief Executive Officer → The board received regular feedback on the implementation of business line strategy → Organised a strategy meeting with the executive board in September 2012
→ To develop a deeper understanding of and involvement in, the group's external landscape	→ The board received regular competitor updates from the Group Business Development Director and the Group Brokers → Received presentation from an economist who provided indications on the economic outlook for 2013 and 2014
→ To expand its knowledge of each business line and meet each of the core growth management teams	→ Met over 30 managers during 2012 → Received presentations from the Facility, UK Flat Linen and Workwear business lines in May, June and September
→ To improve the board's understanding of leadership development and succession planning	→ Received regular presentations and updates on the progress of the succession planning from the Group Director, Human Resources

The full results of the board evaluation were discussed at the board meeting on 27 February 2013. The board has concluded that, following this comprehensive review, the board and its committees operate effectively and that each director is contributing to the overall effectiveness and success of the group. Nevertheless, in light of the evaluation, the board has identified a number of performance areas that could be improved.

2013 performance objectives

For 2013 the board has set itself the following performance objectives:

- → Support the Chief Executive Officer and executive board on the delivery of the group's strategic objectives;
- → To meet management of the group's 'Manage for Value' businesses and gain a more detailed understanding of the opportunities and issues facing those businesses;
- → To support the executive board in the group's talent management programmes and succession planning.

Accountability

Financial and business reporting

On pages 6 and 7 we provide an explanation of the basis on which the group generates value over the long-term and how we intend to deliver on our strategic objectives.

Risk management and internal control

Pages 33 to 38 outline how the board oversees risk management and internal control.

Annual assessment of the effectiveness of internal control systems

The board and audit committee requested, received and reviewed reports from senior management, its advisers, group internal audit and our external auditors to help with their annual assessment of the effectiveness of the group's internal control systems.

Through the on-going processes outlined on pages 33 and 34, areas for improvement in internal controls are continuously identified and action plans devised. Progress towards completion of actions is regularly monitored by management and the board. The board considers that none of the areas of improvement identified constitute a significant failing or weakness.

The board considers that the information that it receives is sufficient to enable it to review the effectiveness of the group's internal controls in accordance with the internal control guidance for directors issued by the Turnbull Review Group.

In March 2013, an external independent review of the Group's Risk Management systems will be performed. Findings are scheduled to be discussed by the board on 25 April 2013.

Financial reporting

In addition to the general internal controls and risk management processes, the group also has specific internal controls and risk management systems to govern the financial reporting process and preparation of the annual financial statements. These systems include clear policies and procedures for ensuring that the group's financial reporting processes and the preparation of its consolidated accounts comply with all relevant regulatory reporting requirements. These are comprehensively detailed in the Group Finance Manual, which is used by the businesses in the preparation of their results. Financial control requirements are also set out in the 'Group Finance Manual – Minimum Control Framework'. Management representations covering compliance with relevant policies and the accuracy of financial information are also collated on a biannual basis.

Detailed accounts for each reporting entity are prepared monthly, comprising an income statement, cash flow and balance sheet in a manner very similar to the year end and half yearly reporting processes. These are subject to management review and analysis in the financial review cycle as set out above.

Anti-bribery and corruption

All businesses within the group are tasked with adopting a risk-based approach to managing any potential issues relating to bribery and corruption. Risk assessments are required to be completed at least annually, or upon any significant changes to the business. The audit committee is regularly updated on compliance. During 2012, no instances of bribery or corruption have come to our attention.

Whistleblowing

The group has a system by which staff may, in complete confidence, raise concerns about possible wrongdoing in financial reporting or other matters. During 2012 the system was operational throughout the group in 15 countries. Due to the diversity of our workforce, the system operates in 25 languages. Procedures are in place to ensure issues raised are addressed in a prompt, thorough and confidential manner. The Company Secretary is required to report to the audit committee twice each year, in February and August about new incidents reported and on the integrity of the whistleblowing procedures, the state of ongoing investigations and conclusions reached. During 2012 group employees used this system to raise concerns about nine separate issues, all of which were reported to the audit committee and responded to appropriately.

Remuneration

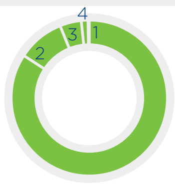
Details of director's remuneration can be found on pages 69 to 79 which detail the remuneration strategy for executive directors, the key elements of remuneration and how the remuneration committee ensures focus is on delivering the group's strategic plans and priorities.

Relations with shareholders

Shareholder engagement

Shareholders play an important and vital role in the group's governance by electing the directors, monitoring and rewarding their performance and by engaging in constructive dialogue with the board.

Size of shareholding
(% of holders)



1	Up to 10,000	84.3%
2	10,001 up to 100,000	9.6%
3	100,000 up to 1 million	4.7%
4	1 million up to 10 million	1.3%
5	> 10 million	0.1%

The Chairman is responsible for ensuring that there is ongoing and effective communication with shareholders and that all directors are made aware of any major shareholders' issues or concerns. If shareholders have any concerns, which the normal channels of communication to the Chief Executive Officer, the Chief Financial Officer or the Chairman have failed to resolve or for which contact is inappropriate, then the Senior Independent Director is available to address them. To that end, both the Chairman and the Senior Independent Director make themselves available, when requested, for meetings with shareholders on issues relating to the group's governance and strategy.

The group's shareholders are mainly institutional investors, holding 98% of our issued share capital. Our shareholder engagement strategy is therefore predominantly focused on these investors. The Chief Executive Officer and Chief Financial Officer offer meetings, through our brokers, to a wide range of institutional investors with the objective of meeting major shareholders at least twice each year.

During 2012, 85 separate meetings, including four in Denmark, six in Canada and three in the USA, were held with major shareholders. These meetings were attended by either the Chief Executive Officer or the Chief Financial Officer or sometimes both. These focused primarily on the group's trading operations and the implementation of the group's strategy. Where significant views were expressed, either during or following the meeting via our brokers, these were recorded and circulated to all directors.

In addition, on 15 November 2012 the Chairman hosted a dinner where major shareholders had the opportunity to meet and raise issues directly with the non-executive directors without the executives being present. This was attended by nine major shareholders representing approximately 50% of the group's issued share capital.

All the directors at the time of the 2012 Annual General Meeting attended that meeting and it is expected that all board members will attend the Annual General Meeting on 25 April 2013 and be available to meet shareholders. This provides an excellent opportunity, particularly for our private shareholders, to meet board members and discuss any areas of concern with them.

To facilitate easier voting for those shareholders who hold their shares in certificated form, we have put in place systems to allow voting to be conducted electronically through our Registrar's website (www.sharevote.co.uk).

The company is committed to increasing shareholder value and communicates its achievements and prospects to its shareholders in an accurate and timely manner. Apart from the Annual General Meeting, the company communicates with its shareholders by way of the Annual Report and Accounts, interim results announcement in August and interim management statements in April and October. Significant matters relating to the trading or development of the business are disseminated to the market by way of Stock Exchange announcements which also appear on the company's website (www.berendsen.com).

Annual General Meeting

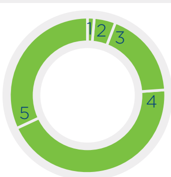
The Annual General Meeting takes place in London. The 2013 meeting will be held on 25 April at the Royal Aeronautical Society, 4 Hamilton Place, London, W1J 7BQ. Formal notification will be sent to shareholders approximately five weeks in advance and in any event at least 21 days before the meeting. Other general meetings may also be convened from time to time on at least 21 days' notice or where certain requirements are met, including prior approval by shareholders, by way of special resolution, on 14 days' notice. The Annual General Meeting gives shareholders an opportunity to hear about the general development of the business and to ask questions of the Chairman and, through him, the chairmen of the various committees as well as committee members.

Details of the meeting and the resolutions to be proposed together with explanatory notes are set out in the Notice of Meeting which is sent to shareholders and is available on our website (www.berendsen.com).

Any shareholder attending the Annual General Meeting has the right to ask questions. Any such question relating to the business will be dealt with at the meeting, unless, for example, it is undesirable in the interests of the company or the good order of the meeting, to do so (or if to do so would involve the disclosure of confidential information). Shareholders attending the meeting are informed of the number of proxy votes lodged for each resolution.

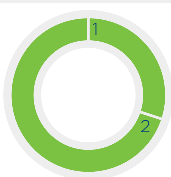
Size of shareholding

(% of issued capital)



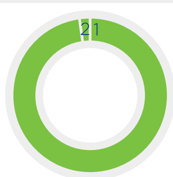
1	Up to 10,000	1.6%
2	10,001 up to 100,000	4.3%
3	100,000 up to 1 million	18.2%
4	1 million up to 10 million	44.2%
5	> 10 million	31.7%

Number of institutional and private investors



1	Institutional	645
2	Individual	1,502

Issued capital to private and institutional investors



1	Institutional	97.9%
2	Individual	2.1%

Board committees

The three principal committees of the board are the nomination committee, the audit committee and the remuneration committee.

Nomination committee report

Iain Ferguson chairman

"During 2012, the committee has focused on recruiting a new non-executive director following Christopher Kemball stepping down from the board. I am delighted with the quality of candidates we saw and welcome Lucy Dimes to the Berendsen board"

Members in 2012:

- Christopher Kemball – chairman (until 30 April 2012)
- Iain Ferguson – chairman (from 1 May 2012)
- Lucy Dimes (from 1 June 2012)
- David Lowden
- Per Utnegaard
- Peter Ventress
- Andrew Wood

Composition

The nomination committee met three times during 2012 (once in April, June and December) to consider the appointment of a new non-executive director. As at 31 December 2012, four of the six members of the committee were considered by the board to be independent.

Functions

The nomination committee is responsible for board succession planning and makes recommendations to the board as to the appointment and reappointment of all directors. It also keeps under review succession planning for senior executives. The terms of reference of the nomination committee were reviewed and approved by the board in April 2012 and are available on the company's website or upon request from the Company Secretary.

Activities in 2012

→ Recruitment of Lucy Dimes;

→ Ensured further development in the management succession and development plans for executive board and senior executives;

→ Reviewed diversity throughout the group in terms of gender, nationality and ethnicity.

Following Christopher Kemball stepping down from the board in April 2012, the committee's main activity has involved the selection and appointment of a new non-executive director. The committee reviewed the skills, experience and diversity of the board and concluded that candidates should be currently running a complex multinational business with significant senior management experience in operations or sales and marketing. Taking into account these requirements a detailed candidate specification (including expected time commitment) was prepared. Following interviews with three recruitment consultants, Spencer Stuart was retained to conduct the search. The committee interviewed a number of potential candidates before advising the board to appoint Lucy Dimes. Prior to her appointment, the board satisfied itself that Lucy Dimes fully met the independence criteria set out in the Code and ensured, by making contact with her employer, that she was fully able to commit to the role and provide the required time to carry out her duties. Details of Lucy Dimes' other commitments are detailed on page 53. During 2012, Spencer Stuart also assisted the group with the recruitment of a Country Manager in Germany and a Group Procurement Director.

Diversity

The board strongly supports the need for diversity and inclusion at all levels of our business and has made this a major objective of our talent management programme. The board is aware of the recent changes to the Code effective for reporting periods from October 2012 and has been regularly updated on the ongoing diversity debate both in the UK and in Europe, specifically relating to gender and the representation of women in the boardrooms of FTSE 350 companies.

At Berendsen each new board appointment must complement the rest of the board in terms of independence, skills, knowledge and experience and we will therefore always appoint on merit judged against objective criteria taking into account diversity considerations. The board is aware of the voluntary target set by Lord Davies that 25% of FTSE 100 directors should be female by 2015 and we will make best endeavours to achieve this target. The board will ensure that each time a director is recruited at Berendsen at least one of the short-listed candidates interviewed by the committee is female. Following Per Utnegaard stepping down from the board on 30 April 2013, the board will comprise 83% of male and 17% of female directors (2011: 100% male).

Further information on our company-wide diversity policy can be found on page 42.

Focus areas for 2013:

- Ensure further development in the management succession and development plans for executive board and senior executives;
- Recruitment of a new non-executive director following Per Utnegaard stepping down from the board;
- Monitor diversity throughout our operations in terms of gender, nationality and ethnicity.

Audit committee report

Andrew Wood chairman

"2012 has been another busy year for the Berendsen audit committee. The committee has kept itself updated with changes to the UK Corporate Governance Code and will be working with the board during 2013 to meet the new requirements"

Members in 2012:

Andrew Wood – chairman
Lucy Dimes (from 1 June 2012)
David Lowden
Per Utnegaard

Composition

The audit committee met three times during 2012, in February, August and December. All members of the committee are non-executive directors and all are considered by the board to be independent.

The Chairman, the Chief Financial Officer, the Head of Group Internal Audit, the Group Risk Manager and senior representatives from the external auditors and group finance department attend each meeting at the request of the committee chairman. At least once each year, the committee meets with the external auditors and the Head of Group Internal Audit without executive management present. From time to time, the committee chairman also meets in private session with the Head of Group Internal Audit and the external auditors, again without any other member of management being present.

The board considers that the committee chairman has sufficient recent and relevant financial experience to discharge the committee's duties. Andrew Wood is a Chartered Management Accountant and was Group Finance Director of two FTSE 250 listed companies for over 15 years; he is also chairman of the audit committee for Air Partner plc and Lavendon Group plc.

The group provides an induction programme for new audit committee members and, where required, provides ongoing training to enable all the committee members to carry out their duties. The induction programme covers the role of the audit committee, its terms of reference, key issues discussed in the previous 12 months and expected time commitment by members. Ongoing training includes attendance at formal conferences and briefing by external advisers. During 2012, Lucy Dimes joined the committee. Her induction was performed during Q3 2012 by Andrew Wood with the assistance of Kevin Quinn and David Lawler.

The board requires the audit committee members to have an understanding of:

- the principles of, content of, and developments in financial reporting including the applicable accounting standards and statements of recommended practice;
- key aspects of the group's operations including corporate policies, group financing and systems of internal control;
- matters that influence or distort the presentation of accounts and key figures; and
- the role of internal and external auditing and risk management.

Functions

The audit committee's principal function is to enable the board to monitor the integrity of the group's financial reports and to manage the board's relationship with the group's external auditors. Its other functions include: reviewing and monitoring the financial reporting process; the annual audit; the effectiveness of the group's internal controls; the group's internal audit and risk management systems and the independence of the external auditor and the provision of non-audit services.

The audit committee is required to report its findings to the board, identifying any matters on which it considers that action or improvement is needed and to make recommendations on the steps to be taken.

Corporate governance statement

Committee meeting date	Key items	
17 February	→ Received an update from the Chief Financial Officer on the key accounting judgement areas for 2011 year end accounts → Reviewed the significant issues in relation to the financial statements of goodwill impairment and provision for future losses on UK decontamination contracts → Reviewed the report from external auditors on their key findings from the 2011 year end audit → Reviewed the preliminary results and draft announcement → Received update reports from the Head of Group Internal Audit and Group Risk Manager → Approved the 2012 Risk Management Plan	→ Reviewed six monthly update on the group Whistleblowing system → Reviewed the schedule of key controls which documents how key risks are managed → Met with the Head of Group Internal Audit without management being present → Reviewed the committee's performance
17 August	→ Received an update from the Chief Financial Officer on the key accounting judgement areas for the six months to 30 June 2012 → Reviewed the significant issues in relation to the financial statements → Reviewed the report from external auditors on their key findings from their review of the interim announcement → Reviewed the half year announcement → Discussed the strategy, scope and fees for 2012 for the external auditor → Reviewed the external auditors non-audit fees → Discussed the upcoming changes to pension accounting (IAS 19), effective from 1 January 2013	→ Reviewed six monthly update on group Whistleblowing system → Reviewed the effectiveness of the group's internal controls and related disclosures made in the annual report and financial statements; → Received update reports from the Head of Group Internal Audit and Group Risk Manager
12 December	→ Agreed the 2013 programme of work for the internal audit function → Received a final 2012 report from the Head of Group Internal Audit on the work undertaken and management responses to proposals made in the audit reports issued during the year → Undertook an assessment of the qualifications, expertise and resources and independence of the external auditor and the effectiveness of the audit process → Approved the 2012 external audit fees → Reviewed group delegated authorities	→ Monitored and reviewed the effectiveness of the group's internal audit function → Received a risk management update on the progress made throughout 2012 from the Group Risk Manager

The committee's terms of reference were reviewed and approved by the board in February 2012. They include all relevant matters required by Section 7.1.3 of the Disclosure and Transparency Rules and the Code and are available on the company's website or on request from the Company Secretary.

Internal audit

The group internal audit function is appropriately resourced with the skills and experience relevant to the changes and operations of the group. This is supported by specialist resources where required. The Head of Group Internal Audit is accountable to the audit committee and has access to the committee or its chairman at any time during the year. The Head of Group Internal Audit meets independently with the chairman of the audit committee throughout the year.

An integrated 'Assurance Framework' has been embedded within the group throughout 2011 and 2012. This enables effective assurance to be provided in the key areas of risk to the business, as well as in the areas of core financial and IT internal control, and where there are regulatory or legal requirements. Internal audit is responsible for providing oversight of and being integral to, the assurance framework. As in 2011, a key element of the 2012 internal audit activity has been to ensure that there is an appropriate framework of governance and control for the implementation of the group strategic plan.

The audit committee receives regular reports on internal audit activity and monitors the status of internal audit recommendations. The committee reviews annually the adequacy, qualifications and experience of the group's internal audit resources and the nature and scope of internal audit activity in the context of the group's risk management system set out on pages 33 and 34.

External audit

The audit committee manages the relationship with the external auditor (PricewaterhouseCoopers LLP) on behalf of the board. This includes conducting annual evaluations of the external auditor and providing final recommendations to the board on their reappointment, remuneration and other terms of engagement. The audit committee is satisfied with the auditor's effectiveness and independence and has not considered it necessary to require an independent tender process.

The last competitive audit tender was in 2006, when PricewaterhouseCoopers LLP was appointed by the board on the recommendation of the audit committee. Prior to this date and from the formation of Berendsen on 18 February 1980 the external audit was performed by PricewaterhouseCoopers (previously Coopers and Lybrand) and BDO Stoy Hayward. There are no contractual obligations that restrict the audit committee's capacity to recommend a particular firm for appointment as auditor. The committee is aware of the requirement under the 2012 UK Corporate Governance Code that the external audit should be put out to tender at least once every ten years.

The committee, as part of its annual evaluation, reviews and considers the effectiveness of the external audit process. This evaluation includes an assessment of the external auditor's qualifications, expertise, resources and independence. The committee's assessment is informed by senior management providing feedback on the external audit process and any comments provided by the Finance Director, Head of Group Internal Audit and the Company Secretary. If any issues regarding the external audit process are raised throughout the year in committee meetings these are re-evaluated for consideration.

The audit committee has completed its evaluation of the external auditors for the year ending 31 December 2012 and is satisfied with their level of qualification, expertise and resources and remains confident that they continue to be independent and conduct the external audit with due objectivity and professionalism. Any non-audit activities conducted by the external auditors have been reviewed and are not considered to have affected the auditor's independence. Following the evaluation, feedback was provided by the committee chairman to the audit partner at PricewaterhouseCoopers LLP and a formal recommendation was made to the board, for approval by shareholders, that the external auditors are reappointed and their remuneration for the 2013 audit is authorised.

Corporate governance statement

The group follows a pre-approval policy for the provision of non-audit services by the external auditor which was reviewed by the audit committee on 19 August 2011. In most instances, the individual threshold for the pre-approval of any non-audit services is £50,000. Other accounting firms were used for larger, non-audit services, including taxation and consultancy advice. The objective of maintaining a policy on non-audit services is to ensure that the provision of such services does not impair the external auditor's independence or objectivity. The external auditor cannot be engaged to perform any assignment where the output is then subject to their review as external auditor. Details of services provided by the auditor and its associates are included in note 3 on page 106. The following are specifically prohibited:

- appraisal or valuation services, fairness opinions or contribution-in-kind reports;
- broker or dealer, investment adviser or investment banking services;
- bookkeeping services related to accounting records or financial statements;
- design and implementation of financial information systems;
- internal audit outsourcing services;
- legal and other services unrelated to the audit; or
- management functions including human resources.

The total sum invoiced to the group by its external auditor for non-audit services provided in 2012 was £0.2 million (2011: £0.3 million). The total sum invoiced by them for audit services in respect of the same period was £0.9 million (2011: £1.0 million).

Financial Reporting and Significant Financial Judgements

The key financial reporting issues the committee considered in 2012 were:

- Goodwill impairment
  The committee assessed the carrying value of goodwill based on the future cash flow projections of the business
- UK Decontamination Onerous Contract Provision
  The committee reviewed the performance and forecasts for the North West London and Kent decontamination contracts to assess the appropriateness of the provision for future losses
- Exceptional items
  The committee reviewed the disclosure of one-off or unusual items
- Change in accounting for pensions
  The impact of the change in accounting under IAS 19, 'Employee Benefits' which became effective from 1 January 2013

Focus areas for 2013

- Review the significant judgements applied in the preparation of the Report and Accounts;
- Ensure the key risks identified by the board are effectively managed;
- Review the independence of the external auditors;
- Consider the output from the independent board review of risk management.

Remuneration committee report

Full details of the committee's composition, role, authority and activities are set out in the report on directors' remuneration on pages 69 to 79, which will be subject to an advisory vote by shareholders at the Annual General Meeting on 25 April 2013.

Other information required by the FSA's corporate governance rules

Certain information required by the FSA's corporate governance rules set out or referred to in this corporate governance statement is contained in the Directors' report, on pages 80 to 85, under the headings: 'Restrictions on transfer of securities in the company'; 'Amendment of Articles of Association'; 'Appointment and replacement of directors'; 'Powers of the directors'; 'Substantial shareholdings' and 'Purchase of own shares'.

By order of the board

David Lawler
Company Secretary

28 February 2013

Report on directors' remuneration

Transparent remuneration.

I am very aware of how important it is to get the strategy, structure and levels of remuneration right for the group's executive directors and other members of the senior management team. A responsible approach to remuneration should always support the company's overall strategic aims and objectives, not dictate them. Furthermore shareholders should be able to clearly understand and appreciate the link between reward and performance. This year, at Berendsen, we have focused on remuneration being accountable and transparent by providing clear and relevant reporting for how we recognise and reward employees at all levels as we work towards delivering our stated business aims and objectives.

This remuneration report is structured as follows:

Remuneration continues to be a hot topic and in June 2012 the Department for Business, Innovation and Skills (BIS) published draft proposals for new regulations on executive pay in UK listed companies intended to create a more robust framework within which executive pay can be set, agreed and implemented. Specifically, the new proposals are designed to improve the link between pay and long-term performance by promoting greater disclosure, transparency and accountability, to reduce rewards for failure and to promote better engagement between companies and their shareholders.

At Berendsen we endorse the aims of the BIS proposals and I believe that our own approach to remuneration already satisfies much of what BIS is proposing.

Whilst, at the time of writing, the proposals have not been finalised, we have decided to adopt a number of the expected reforms in advance of being formally required to do so. The remuneration report in respect of 2013 will be fully compliant with the new requirements.

As promised in last year's remuneration report, we have now reviewed the effectiveness of the company's Co-Investment Plan (CIP) and concluded that changes should be made. The Remuneration Policy on page 71 explains the changes to the CIP in greater detail.

A resolution will be put to shareholders at the Annual General Meeting on 25 April 2013 asking them to approve this report.

David Lowden
Chairman of the Remuneration Committee

28 February 2013

Report on directors' remuneration

This part of the Report on directors' remuneration is unaudited

Role and responsibilities of the remuneration committee

The role of the remuneration committee is to determine and recommend to the board a fair and responsible framework for remuneration designed to ensure that senior management are appropriately rewarded and incentivised for their contribution to the company's overall performance. The remuneration committee sets the strategy, structure and levels of remuneration for the executive directors and oversees remuneration generally throughout the group. The committee's key responsibilities are to ensure that the company's remuneration strategy:

- → is capable of securing, retaining and motivating high calibre individuals to deliver results for shareholders, customers and employees alike;
- → reinforces the company's strategic aims and objectives, whilst mitigating any risk factors;
- → is aligned to maximising shareholder value on a sustainable basis; and
- → is market competitive, rewarding individuals in line with genuine performance.

The committee's composition, responsibilities and operation comply with the principles of good governance (as set out in the UK Corporate Governance Code), with the Listing Rules of the Financial Services Authority and with the Companies Act 2006. The full terms of reference for the committee can be found on the company's website at www.berendsen.com.

Committee membership in 2012

Chairman	David Lowden
Committee	Lucy Dimes (from 1 June 2012)
	Iain Ferguson
	Christopher Kemball (to 30 April 2012)
	Per Utnegaard
	Andrew Wood
Management attendees	(by invitation)
Chief Executive Officer	Peter Ventress
Group Director, Human Resources	Chris Thrush
Company Secretary	David Lawler

Remuneration agenda during 2012

Committee meeting date	Regular items	Other items
21 February	Approve the 2011 Directors' Remuneration Report Approve PSP/CIP targets and 2012 grants Approve PSP vesting and 2011 annual bonus levels	Review the status and content of the BIS proposals on Remuneration Approve the BLTIP Rules and 2012 grant
22 August	Receive an update on executive board members' personal multiplier targets Agree the approach to executive benchmarking	Review the effectiveness of the CIP Receive further updates on the BIS proposals
24 October	Review and agree the structure of the 2013 bonus Benchmarking of executive remuneration Benchmarking of Chairman's fee	Agree the format and content of the consultation letter to shareholders regarding changes to the CIP Review the effects of the change in IAS19 on the PSP/CIP
18 December	Agree 2013 PSP/CIP and bonus targets Agree executive directors salaries for 2013 Receive a progress update on the 2012 executive board and Chief Executive Officer personal targets Approve 2013 personal objectives for executive directors	Review feedback from shareholders on the CIP consultation Approve amendments to the CIP rules Receive an update on 2013 remuneration guidance from ABI, ISS and RREV & NAPF

No member or attendee was present when their own remuneration was considered. Each member's attendance at committee meetings held during the year is set out in the corporate governance statement on page 57.

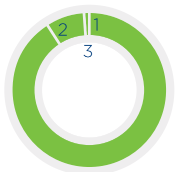
Remuneration advisers

In undertaking its responsibilities, the committee seeks independent external advice as necessary. Kepler Associates were appointed by the committee in September 2010 following a formal tendering of remuneration consultants. During 2012, Kepler Associates (who provided no other services to the company) remained the committee's independent remuneration adviser and received quarterly retainer fees of £7,500 which covered attendance at a set number of remuneration committee meetings, general advice and benchmarking exercises. Additional ad hoc work is carried out at an agreed hourly rate. The total fee paid to Kepler Associates during the year ending 31 December 2012 was £31,400. In addition to the external remuneration consultants, the committee also takes internal soundings from various senior executives and managers who may be invited to join the committee in meeting.

Shareholder engagement and voting

At the 2012 AGM, 91% of shareholders voted in favour of the remuneration report. Whilst the level of support has gradually increased in previous years, there remained concerns over the structure of the Co-Investment Plan (CIP). In August 2012 the committee carried out a review of the effectiveness of the CIP. Following this review, David Lowden, on behalf of the committee, consulted with a number of institutional investors about certain changes that were proposed to be made to the CIP, specifically the removal of the guaranteed match for future awards to be replaced with a performance-based match. The outcome of the consultation was considered and the guaranteed match has now been removed for all future grants – i.e. for future investments, the full match will be subject to performance targets (see page 73 for further details). The committee will continue to listen to and engage with shareholders with regard to all aspects of the company's remuneration policy and to take appropriate action when required.

At the 2012 AGM, shareholders voted on the remuneration report as follows:



1	For plus discretion	91%
2	Against	8%
3	Votes withheld	1%

Remuneration Policy for 2013

This Remuneration Policy explains how the remuneration strategy will be executed during 2013. The aim of the policy is to:

- ensure that remuneration levels for the company's senior executives take into account their skills and experience, the nature and complexity of their responsibilities, relevant comparative market data and any unforeseen factors that may arise from time to time;
- provide an appropriate package of benefits that is balanced between:
  - fixed and variable pay, with at least half variable at target performance;
  - short and long-term incentives;
- recognise and reward stretching performance and appropriate risk-reward behaviours.

What is new in 2013?

The main policy change has been to amend the Co-Investment Plan (CIP) in relation to future grants of matching awards by replacing the existing guaranteed (i.e. non-performance related) match with a performance-based match. From 2013 all grants of matching awards will be subject to the same performance conditions (and targets). Whilst the maximum matching ratio (2:1) will remain unchanged, the addition of performance conditions for all matching awards will mean that overall the expected value of CIP awards for participants will be less.

Finally, new accounting rules under IAS 19 'Employee Benefits' came into effect on 1 January 2013 and affect how surpluses and deficits in defined benefit pension schemes are calculated. One remuneration side effect of this accounting change is that EPS targets that are relevant to awards granted under the company's long-term incentive plans will need to be restated in order to ensure consistency of treatment over the relevant EPS measurement period. Accordingly, EPS targets with measurement periods ending in 2013 and 2014 will be adjusted to reflect the changes in IAS 19. Further information is provided on page 20. The committee is satisfied that the restated EPS targets remain no less challenging.

Shaped for...

...dialogue

Regular dialogue with stakeholders helps us shape our strategy. In October 2012, following a review by the remuneration committee of the effectiveness of the Co-Investment Plan (CIP), David Lowden contacted 26 shareholders, representing 70% of our issued share capital, to canvas views on our plans to remove the guaranteed match. Positive feedback was received from all shareholders who replied to the consultation letter and changes to the CIP rules were made in December 2012.

Report on directors' remuneration

Key elements of remuneration

The key elements of remuneration for the executive directors are set out below.

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance conditions
Salary	To recognise the responsibilities of the role and the experience, skills and performance of the individual.	Reviewed annually taking into account: → group and individual performance; and → pay levels and salary increases throughout the company and the group. Salary increases are not automatic.	Chief Executive Officer – £545,000; Chief Financial Officer – £336,000 Increases broadly consistent with average increases across the group. Increases in excess of the general policy may be sanctioned, for example in order to recognise: → an executive director assuming additional responsibilities in relation to the role they perform; → a new hire; → market competitiveness.	None.
Benefits-in-kind	To be market competitive for the purposes of recruitment and retention.	Executive directors are entitled to a fully expensed car (or cash allowance), life, permanent health and medical insurance.	£35,000 per annum.	None.
Annual bonus	To drive and reward the achievement of challenging annual targets based upon financial and non-financial performance conditions that support the company's short- to medium-term strategy. In particular the annual bonus is intended to reinforce our medium-term objectives of delivering organic revenue growth of GDP+1-2%, high single digit EPS growth and cash conversion of at least 100%, as well as to recognise individual contribution during the year.	Performance conditions and targets are reviewed annually at the start of the financial year as are the threshold levels of performance for each of the financial performance conditions. A quarter of any bonus paid is compulsorily deferred and paid in shares under the company's Deferred Bonus Share Plan that vests after three years subject to continued employment over that period and with the benefit of any dividends paid over the deferral period (in the form of share-based dividend equivalents).	On-target core bonus opportunity is set at 60% of base salary, with 100% of salary available for achieving maximum levels of performance. In support of the group's medium-to long-term strategy, a performance multiplier operates by allowing the core maximum bonus opportunity of 100% of salary to be increased or decreased by up to 30% depending upon the extent to which personal objectives have been achieved. These objectives are specific to each executive.	There are three annual financial performance conditions that will determine bonus payments, namely: → adjusted earnings per share (50%); → the generation of free cash flow (25%); and → sales growth (25%). Bonus payments will only be made provided that the earnings per share threshold has first been achieved.
Long-term incentive plans	To drive and reward delivery of sustained shareholder returns through the satisfaction of challenging performance conditions and targets linked to the company's current strategic goals. Specifically, the performance targets are linked to our long-term objective of achieving high-single-digit underlying EPS growth and approaching double-digit post-tax ROIC. Participation in the plans is intended to encourage executive share ownership and support alignment with shareholders and retention.	The 2006 Performance Share Plan (PSP) is the company's primary long-term incentive vehicle. Participants in the 2009 Co-Investment Plan (CIP) can invest up to 35% of their salary in shares annually which may be matched. To the extent that PSP and CIP awards vest, participants will receive the benefit of any dividends paid over the vesting period in the form of share-based dividend equivalents.	PSP: up to 100% of base salary each year (200% in exceptional circumstances). CIP: matching awards can be granted on a maximum matching ratio of two for one (gross of tax) to 'match' the number of shares the participant has invested in the plan.	PSP and CIP awards vest at the end of a three-year measurement period subject to the performance of two equally weighted independent performance conditions: → adjusted earnings per share (EPS); and → the weighted average post-tax return on invested capital (ROIC). PSP and CIP awards will vest in accordance with the table opposite. From 2013 the committee will also apply performance conditions to the match that was previously guaranteed, such that all future matching awards under the CIP are now subject to performance. This is the only change to executive remuneration policy for 2013.
Pension	To provide competitive retirement benefits and reward continuing service.	Contributions are made by the company to the executive director's personal pension scheme or the contributions are taken as a cash pension supplement.	Contributions are equivalent to 25% (for the Chief Executive Officer) and 20% (for the Chief Financial Officer) of base salary.	None.

2013 PSP and CIP performance targets

The committee has approved the following targets for the 2013 PSP and CIP grants:

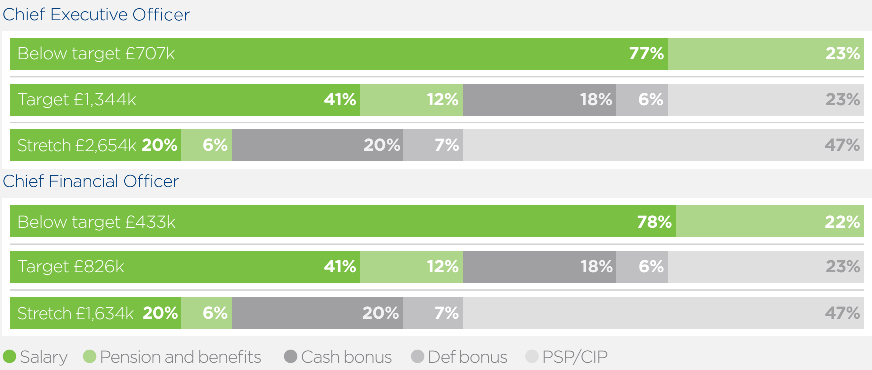
EPS performance targets to be satisfied in 2015	PSP vesting	Ratio of CIP matching that vests
Less than 61.5p	0% of award vests	0%
61.5p	25% of award vests	0.25:1
67.5p	100% of award vests	1:1
Between 61.5p and 67.5p	Straight-line basis	Straight-line basis
Weighted Average ROIC to be satisfied for the 12-month period to 31 December 2015		
Less than 9.5%	0% of award vests	0%
9.5%	25% of award vests	0.25:1
11%	100% of award vests	1:1
Between 9.5% and 11%	Straight-line basis	Straight-line basis

Actual 2012 performance (being performance for the financial year ending immediately prior to the date of grant) was 52.2 pence for adjusted EPS and 8.5 % for ROIC. The above EPS targets will need to be adjusted to reflect the changes to IAS19 "Employee Benefits" which became effective from 1 January 2013. As outlined on page 20, this change in accounting policy is estimated to reduce EPS by 1.5 pence per year.

As noted above, EPS and ROIC are used for both the Performance Share Plan and the Co-Investment Plan. The committee considers that when taken together, EPS and ROIC are the most accurate measure of long-term performance at Berendsen, balancing growth and returns whilst providing a good line of sight for executives. Although the committee has previously considered other performance measures, it was felt that a consistent basis for measuring long-term performance for all long-term incentive plans was easier to understand and therefore more motivational. This approach is also fairer as it helps ensure that all executives (including those who cannot fully participate in the CIP) are focused on achieving the same results.

Anticipated remuneration for different levels of performance

Total remuneration (£000s) %



The potential reward opportunities illustrated above are based on the policy which will apply in the forthcoming financial year, applied to the base salary effective 1 January 2013. For the annual bonus, the amounts illustrated are those potentially receivable in respect of performance for 2013. For the CIP, the award opportunities assume the full voluntary investment in Berendsen shares. It should be noted that any awards granted under the CIP and PSP in a year do not normally vest until the third anniversary of the date of grant. The projected values of CIP and PSP amounts exclude the impact of share price growth and dividend accrual. Illustrations are intended to provide further information to shareholders regarding the pay for performance relationship. However, actual pay delivered will be influenced by changes in share price and the vesting period of awards. The following assumptions have been made in compiling the above charts:

	Below threshold	Target	Maximum
Fixed pay	Latest disclosed base salary, pension and benefits	Latest disclosed base salary, pension and benefits	Latest disclosed base salary, pension and benefits
Annual bonus	No annual bonus payable	On target annual	Maximum annual bonus
CIP	Threshold not achieved (no match)	Performance warrants threshold vesting (0.5:1 match)	Performance warrants full vesting (2:1 match)
PSP	Threshold not achieved (zero vesting)	Performance warrants threshold vesting (25% of salary)	Performance warrants full vesting (100% of salary)

Employee remuneration and engagement

When reviewing and setting executive remuneration, the committee takes into account the pay and employment conditions of all employees of the company and group. Specifically, the level of any company-wide pay review is a key determinant when setting the level of any salary increase for the executive directors. For example, in 2012 the average salary increase for UK employees (excluding the executive directors and including laundry operatives and management) was 2.8%. For the executive board it was 2.7%. Although the company has not carried out a formal employee consultation regarding board remuneration, it does comply with local regulations and practices regarding employee consultation more broadly. The Group Director, Human Resources ensures that the committee is made aware of any relevant employee feedback regarding the company's remuneration policy.

Service contracts and termination payments

The table below sets out the key terms of the current executive directors' service contracts and also represents the committee's policy in this area.

Provision	Detailed terms and policy
Notice period	12 months' notice terminable by either the company or the individual, thereby providing a reasonable balance between the need to retain the services of key individuals and the need to limit the liabilities of the company
Termination payment policy	Up to 12 months' salary and pension contributions (excluding any annual incentive or other emolument) subject to the duty of mitigation No automatic entitlement to a bonus payment on termination but the committee has discretion to make pro rata bonus payments linked to performance No additional compensation is paid as a result of a change of control
Remuneration	Salary, pension and benefits (e.g. life assurance of x4 base salary, medical insurance and permanent health insurance up to 75% of base salary) Company car or car allowance Participation in annual bonus and long-term incentive arrangements

In addition to the termination payment terms set out on the previous page, if an executive director ceases employment for a 'good leaver' reason (typically an involuntary leaver circumstance such as ill health, injury, redundancy, retirement, etc) then under the terms of the company's long-term incentive plans (namely the PSP and the CIP, together being the 'LTIP') awards over shares so granted will be reduced on a time pro rated basis with vesting on the normal vesting date subject to the satisfaction of the relevant performance conditions. If an executive director ceases employment for any other reason, any unvested LTIP awards would lapse. Under the company's deferred bonus plan, awards will only vest on termination provided that the executive director is a 'good leaver' (there is no pro rating for time). The committee retains discretion to vary the treatment of awards depending on the individual circumstances, to ensure a fair outcome for both the participant and shareholders.

Remuneration during 2012

Salaries

Salaries for the executive directors are as follows:

	Base salary 1 January 2012	Base salary 1 January 2013	% increase
Peter Ventress	£527,875	£545,000	3.2%
Kevin Quinn	£325,950	£336,000	3.1%

As explained on page 3, the company continues to make excellent progress towards delivering upon the results of its 2010 strategic review and, in a number of respects (such as free cash flow generation), the committee believes outstanding progress has been made. Taking into account the company's financial results, the satisfaction of challenging personal objectives and the overall economic environment, the committee believes that the above salary increases are appropriate, fair and proportionate.

Annual bonuses

As can be seen from the table opposite, the annual bonus opportunity (core award plus performance multiplier) for executive directors in 2012 was 130% of salary and is determined by reference to the following performance metrics: (a) EPS; (b) the generation of free cash flow (FCF); and (c) revenue growth, with any bonus payments being conditional upon the threshold EPS target having first been achieved.

The performance multiplier operated to allow the core award of up to 100% of base salary to be increased or decreased by up to 30% as a result of the achievement of personal objectives. For Peter Ventress, his personal objectives for 2012 included the successful implementation of the new business line structure, overseeing the timely delivery of internal initiatives including capital efficiency, procurement, sales development and pricing and contract terms programmes, and driving the talent management and diversity programmes throughout the business. Kevin Quinn's personal objectives for 2012 included reviewing our IT strategy, delivering the full benefits of the Capital Efficiency programme and working alongside Group HR to implement a policy and measures to improve the diversity within our management teams.

The table below sets out the annual bonuses awarded to the Chief Executive Officer and the Chief Financial Officer. In 2012, the group increased EPS by 8% and delivered £125.1 million of free cash flow (cash conversion of 142% of adjusted profit after tax).

For executive directors in 2012, 25% of any bonus earned was paid in the form of deferred shares under the company's Deferred Bonus Share Plan.

Long-term incentive plans

Performance Share Plan – 2012 Grant
Annual grants are capped at 100% of salary. However, in exceptional circumstances, annual awards of up to 200% of salary may be awarded. During 2012, awards were granted to executive directors equal to 100% of base salary. Vesting of these awards will be subject to two performance conditions that will operate independently of each other. Half of an award will be based upon a performance condition related to adjusted EPS and the other half will be based upon weighted average post-tax ROIC, with each half vesting in accordance with the table set out on the next page.

To the extent that PSP awards vest, participants will receive the benefit of any dividends paid over the vesting period in the form of share-based dividend equivalents.

There are no other issues to report nor were any discretions exercised, with regard to the operation of the PSP.

Co-Investment Plan – 2012 Grant
Awards were granted under the CIP under which executive directors are able to invest into the CIP certain company shares that they are deemed to hold, worth up to a maximum of 35% of their salary per annum. These shares are called 'investment shares';

- → in return for investment shares being invested into the CIP, the executive is granted an award over company shares that on a pre-tax basis matches the number of investment shares. Matching awards can be granted either as guaranteed matching awards (awards that are not subject to performance conditions) and/or as performance-related matching awards (awards that are subject to performance conditions);
- → invested shares subject to performance conditions may be matched up to 3:2; invested shares not subject to performance conditions may be matched up to 1:2;
- → taking both types of awards together, the maximum matching ratio can never exceed 2:1;
- → matching awards normally vest three years after the grant date to the extent that the performance conditions have been satisfied. Matching awards would then vest in the ratios shown in the table opposite (matching shares to investment shares); and
- → to the extent that matching awards vest, participants receive the benefit of any dividends paid over the vesting period in the form of share-based dividend equivalents.

Achievement of annual bonus targets in 2012

% of base salary

	Threshold	Target	Maximum	Peter Ventress	Kevin Quinn
EPS	10	30	50	50	50
FCF	5	15	25	25	25
Revenue growth	5	15	25	18	18
Subtotal	20	60	100	93	93
Effect of personal performance multiplier	–	–	+/-30%	+25	+22
Total	20	60	130	118	115
Bonus paid (£000s)				£623	£375

At the time of the introduction of the CIP in 2009, the purpose of the guaranteed match was to ensure significant personal investment in the company by management, thereby encouraging them to immediately focus on aligning their interests with those of shareholders. Following a review of the continuing effectiveness of the CIP, the committee concluded that the objectives of the guaranteed match had been achieved and that it was now appropriate to remove it from the 2013 awards onwards.

In 2012, the Chief Executive Officer and the Chief Financial Officer invested shares worth 35% of salary and their shareholdings as at 31 December 2012 were 77,196 and 120,969 shares respectively.

2012 PSP and CIP performance targets

EPS performance targets to be satisfied in 2014*	PSP vesting	Ratio of CIP matching that vests
Less than 56p	0% of award vests	0%
56p	25% of award vests	0.1875:1
62p	100% of award vests	0.75:1
Between 56p and 62p	Straight-line basis	Straight-line basis
Weighted Average ROIC for the 12-month period to 31 December 2014		
Less than 9%	0% of award vests	0%
9%	25% of award vests	0.1875:1
11%	100% of award vests	0.75:1
Between 9% and 11%	Straight-line basis	Straight-line basis

The actual 2011 performance (being the base year performance for these grants) was 48.4 pence for adjusted EPS and 7.9% for ROIC. The EPS targets above (56p to 62p) equates to growth of approximately 16% to 28% over the three year period.

*As explained on page 71, these EPS targets will need to be adjusted to reflect the changes to IAS 19 "Employee Benefits" with effect from 1 January 2013. No adjustments to ROIC will be necessary. Further information is provided on page 20.

Vested/lapsed awards

The 2009 PSP award vested on 5 March 2012. Vesting was subject to the achievement of performance conditions related to EPS and ROIC. The performance conditions were met at 68.75% as detailed in the table below;

Achievement of PSP performance targets in 2012	Performance Period	Weighting	Threshold (25%)	Stretch (100%)	Achieved	% of award
EPS	12 months ending 31/12/11	50%	43 pence	47 pence	48.4 pence	50.0%
ROIC	3 year average ending 31/12/11	50%	7%	10%	7.5%	18.75%
Total						68.75 %

The projected figures for the vesting of the 2010 PSP grant in March 2013 are detailed below. The CIP (including the guaranteed match) is predicted to vest at 71.9%. Further details of the awards vested under the 2009, 2010 and 2011 grants are detailed on page 78.

Achievement of PSP performance targets in 2013	Performance Period	Weighting	Threshold (25%)	Stretch (100%)	Achieved	% of award
EPS	12 months ending 31/12/12	50%	47 pence	53 pence	52.2 pence	45.0%
ROIC	3 year average ending 31/12/12	50%	7.5%	10.5%	7.9%	17.5%
Total						62.5%

Other share plans

Other senior executives have been granted awards under the Berendsen Long-Term Incentive Plan (BLTIP) which has replaced the Executive Incentive Plan. The BLTIP is a share-based incentive plan under which awards are granted subject to a combination of group and business line performance targets that are measured over different timeframes.

All UK and Irish employees, including executive directors, are also eligible to participate in the company's Sharesave Plan.

Executive share ownership

The committee recognises the importance and value of having executive directors and other senior employees working towards holding shares with a value equivalent to 100% of their annual salary. To achieve this senior management are not permitted to sell any vested shares under the PSP or the CIP (other than to satisfy tax liabilities) until these guidelines are satisfied.

The current shareholdings as a percentage of annual salary, for Peter Ventress and Kevin Quinn are 87% and 220% (respectively), based on the closing mid-market share price on 31 December 2012.

Managing shareholder dilution

The table below sets out the available dilution capacity for the company's employee share plans based on the limits set out in the rules of those plans that relate to issuing new shares.

	2012
Total issued share capital as at 31 December 2012	172.3m
ABI share limits (in any consecutive 10-year period):	
Current dilution for all share plans	3.3%
Headroom relative to 10% limit	6.7%
5% for executive plans – current dilution for discretionary (executive) plans	2.4%
Headroom relative to 5% limit	2.6%

Awards granted under the Sharesave Plan will be satisfied by the issue of new shares at the date of vesting, while awards granted under all other share-based plans will be satisfied by shares purchased in the market and held in the company's Employee Benefit Trust. As at 31 December 2012 the Employee Benefit Trust held 2,921,735 shares.

Directors' service agreements

Director	Date of last contract	Unexpired term as at 25 April 2013	Notice period (months)
Peter Ventress	31 July 2009	n/a	12
Kevin Quinn	15 February 2010	n/a	12
Iain Ferguson	8 December 2011	2 years	6
Lucy Dimes	1 June 2012	2 years and 1 month	1
David Lowden	25 February 2010	2 years and 10 months	1
Per Utnegaard	4 January 2011	8 months	1
Andrew Wood	25 February 2010	2 years and 10 months	1

Under their service agreements, executive directors are allowed (subject to board approval) to hold one non-executive post and retain their current fees. During 2012, Kevin Quinn was Chairman of the Business Services Association for which he received no additional remuneration. Service agreements of non-executive directors can be terminated by either party giving one month's notice.

Chairman and non-executive directors' fees

The Chairman's annual fee is set by the committee and is currently £148,000 (2012: £143,500). The non-executive directors receive annual fees at a level approved by the entire board, currently set at £44,500 (2012: £43,050) and an additional £10,250 (2012: £10,250) if they chair either the audit or remuneration committee and an additional £5,125 (2012: £5,125) if appointed the Senior Independent Director. They are able to claim reimbursement of actual expenditure incurred in carrying out their duties. There is no entitlement to participate in the company's pension scheme, bonus scheme or share plans and no compensation is payable for early termination of their contracts or terms of office.

Total shareholder return

The committee believes that, due to the size of the company, the FTSE Mid 250 Index (excluding Investment Trusts) is the most appropriate index against which to compare the historic TSR of the company. The chart below shows the TSR of the company compared with the index over the five-year period to 31 December 2012. Since December 2008, the company's average TSR has outperformed the FTSE 250 (excluding investment trusts).

Share price graph – Total shareholder return

TSR vs. FTSE 250 Index

This part of the Report on directors' remuneration is audited

Directors' remuneration

(a) Aggregate disclosures

	2012 £000s	2011 £000s
Salaries, fees and other benefits	2,443	2,170
Share-based payments (note (b) (iv))	1,070	1,010

(b) Analysis of directors' remuneration

	2012						2011
	Salary and fees £000s	Pension contributions £000s	Benefits in kind £000s	Annual bonus (note i) £000s	Compensation for loss of office	Total £000s	Total £000s
Executive directors							
Peter Ventress (note ii)	528	132	26	623	–	1,309	1,140
Kevin Quinn (note iii)	326	65	30	375	–	796	697
Chairman and non-executive directors							
Christoper Kemball	48	–	–	–	–	48	140
Iain Ferguson	112	–	–	–	–	112	47
David Lowden	57	–	–	–	–	57	49
Per Utnegaard	43	–	–	–	–	43	45
Andrew Wood	53	–	–	–	–	53	52
Lucy Dimes	25	–	–	–	–	25	–
	1,192	197	56	998	–	2,443	2,170

Notes
(i) Including 25% of annual bonus which is deferred for three years under the Deferred Bonus Share Plan. Further details on annual bonuses can be found on page 74.
(ii) Included within benefits Peter Ventress received a cash benefit of £3,600 (2011: £3,600) in respect of his fuel allowance.
(iii) Included within benefits Kevin Quinn received a cash benefit of £3,600 (2011: £3,600) in respect of his fuel allowance.
(iv) The share-based payment expense included in the financial statements for the year ended 31 December 2012 for Peter Ventress and Kevin Quinn was £651,203 (2011: £679,337) and £418,300 (2011: £331,000) respectively.

Directors' interests

(a) Total interests

The interests of the directors and their families in the issued shares of the company and rights under the share option and sharesave schemes on the dates set out below were as follows:

	Number at 31 December 2012					Number at 31 December 2011				
	30 pence ordinary shares	Share awards (note i)	Deferred shares (note ii)	Share options	Sharesave scheme	30 pence ordinary shares	Share awards	Deferred awards	Share options	Sharesave scheme
Peter Ventress (note iii)	77,196	854,395	44,335	–	4,322	76,861	609,781	21,512	–	4,322
Kevin Quinn (note iv)	120,969	466,405	37,839	50,000	2,593	74,359	436,967	24,101	50,000	2,593
Iain Ferguson (note v)	110,000	–	–	–	–	65,000	–	–	–	–
Christopher Kemball	35,000	–	–	–	–	35,000	–	–	–	–
David Lowden	32,500	–	–	–	–	32,500	–	–	–	–
Per Utnegaard	180,000	–	–	–	–	180,000	–	–	–	–
Andrew Wood	25,000	–	–	–	–	25,000	–	–	–	–
Lucy Dimes (note vi)	10,000	–	–	–	–	0	–	–	–	–

Notes
(i) Share awards granted under the Performance Share Plan, the Co-Investment Plan, and the share award granted to Peter Ventress under Listing Rule 9.4.2(2).
(ii) These share awards were granted in respect of the deferred bonus element of their 2009, 2010 and 2011 annual bonuses and will normally vest three years after grant subject to continued employment.
(iii) Peter Ventress reinvested dividends which equated to 335 shares. On 11 May 2012, the market share price was 480 pence.
(iv) Kevin Quinn acquired 46,610 shares on 4 March 2012 from the vesting of the March 2009 Performance Share Plan. The market share price on the day of vesting was 512 pence.
(v) Iain Ferguson acquired 35,000 shares on 2 March 2012 at a price of 518 pence and 10,000 on 24 August 2012 at a price of 520.5 pence.
(vi) Lucy Dimes acquired 10,000 shares on 29 June 2012 at an average price of 497.34 pence.

Report on directors' remuneration

(b) Analysis of executive directors interests

The table below provides further analysis of the interests of executive directors and their families in the issued shares of the company and rights under the company's share-based remuneration plans on the 31 December 2012:

		Total number of shares/options			
		Owned outright[(i)]	Subject to deferral[(ii)]	Subject to performance[(iii)]	Total
Peter Ventress	Shares	77,196	107,214	416,456	600,866
	Nil cost options	130,446	35,673	208,941	375,060
	Market value options	–	4,322	–	4,322
		207,642	**147,209**	**625,397**	**980,248**
Kevin Quinn	Shares	120,969	82,046	271,156	474,171
	Nil cost options	–	22,027	129,015	151,042
	Market value options	50,000	2,593	–	52,593
		170,969	**106,666**	**400,171**	**677,806**

Notes
(i) Shares owned outright by the executive and/or awards that have satisfied the applicable performance conditions and/or any applicable deferral period has ended and which are presently exercisable.
(ii) Deferred awards that will vest at the end of the deferral period as per the terms of each grant.
(iii) PSP and CIP awards reliant upon the relevant performance conditions being achieved.

(c) Long-Term Incentive Awards at 31 December 2012

		During the year								
	1 January 2012 Number	**Granted Number**	**Vested Number**	**Lapsed Number**	**31 December 2012 Number**	Market price at date of grant Pence	Value Vested £'000	Performance conditions	Date of award	Exercise period/ Vesting date
Performance Share Plan										
Peter Ventress	122,309	**–**	**–**	**–**	**122,309**	408.8		Note (ii)	04/03/10	04/03/13
	105,511	**–**	**–**	**–**	**105,511**	488.1		Note (iii)	03/03/11	03/03/14
		101,922	**–**	**–**	**101,922**	517.9		Note (iv)	07/03/12	07/03/15 –07/03/19
	227,820	**101,922**	**–**	**–**	**329,742**					
Kevin Quinn	121,604	**–**	**97,105**	**24,499**	**–**	236.8	497	Note (v)	05/03/09	04/03/12
	73,385	**–**	**–**	**–**	**73,385**	408.8		Note (ii)	04/03/10	04/03/13
	65,150	**–**	**–**	**–**	**65,150**	488.1		Note (iii)	03/03/11	03/03/14
		62,934	**–**	**–**	**62,934**	517.9		Note (iv)	07/03/12	07/03/15 –07/03/19
	260,139	**62,934**	**97,105**	**24,499**	**201,469**					
Deferred Bonus Share Plan										
Peter Ventress	21,512		**–**	**–**	**21,512**	488.1		Note (vi)	03/03/11	03/03/14
		22,823	**–**	**–**	**22,823**	517.9		Note (vi)	07/03/12	07/03/15
	21,512	**22,823**	**–**	**–**	**44,335**					
Kevin Quinn	11,449	**–**	**–**	**–**	**11,449**	408.8		Note (vi)	04/03/10	04/03/13
	12,652	**–**	**–**	**–**	**12,652**	488.1		Note (vi)	03/03/11	03/03/14
		13,738	**–**	**–**	**13,738**	517.9		Note (vi)	07/03/12	07/03/15
	24,101	**13,738**	**–**	**–**	**37,839**					

Share award granted pursuant to Listing Rule 9.4.2(2)	1 January 2012 Number	During the year Granted Number	Vested Number	Lapsed Number	31 December 2012 Number	Market price at date of grant Pence	Value vested £'000	Performance conditions	Date of award	Exercise period/ Vesting date
Peter Ventress	130,446	–	–	–	**130,446**	383.3		Note (vii)	17/12/09	31/03/12 –17/12/19
Co-Investment Plan										
Peter Ventress	125,467	–	–	–	**125,467**	420.6		Note (viii)	15/04/10	15/04/13
	126,048	–	–	–	**126,048**	492.0		Note (ix)	12/04/11	12/04/14
		142,692	–	–	**142,692**	520.0		Note (x)	10/04/12	10/04/15 –10/04/19
	251,515	**142,692**	–	–	**394,207**					
Kevin Quinn	85,616	–	–	–	**85,616**	420.6		Note (viii)	15/04/10	15/04/13
	91,212	–	–	–	**91,212**	492.0		Note (ix)	12/04/11	12/04/14
		88,108	–	–	**88,108**	520.0		Note (x)	10/04/12	10/04/15 –10/04/19
	176,828	**88,108**	–	–	**264,936**					
Total of awards vested in 2012							497			

Notes
(i) The closing mid-market price of the ordinary shares at 31 December 2012 was 592.5 pence and during the year ranged from 422 pence to 604 pence.
(ii) PSP 2010 Grant – Awards granted to executive directors in March 2010 were subject to a mixture of EPS and post-tax ROIC performance targets. The EPS target (applying to half of the awards) requires EPS of 47 pence in 2012 for 25% to vest rising to full vesting for EPS of 53 pence or higher. The ROIC target (applying to the other half of awards) requires ROIC of 7.5% over the period 2010–2012 for 25% to vest rising to full vesting for average ROIC of 10.5% or higher. Current indications are that the performance conditions will be satisfied at 62.5%. This equates to 87,270 shares for Peter Ventress and 52,360 shares for Kevin Quinn (both inclusive of dividend equivalents in the form of shares). Further information can be found on page 75.
(iii) PSP 2011 Grant – Awards granted to executive directors in March 2011 were subject to a mixture of EPS and post-tax ROIC performance targets. The EPS target (applying to half of the awards) requires EPS of 53 pence in 2013 for 25% to vest rising to full vesting for EPS of 59 pence or higher. The ROIC target (applying to the other half of awards) requires ROIC of 8.5% for the 12 months ending 31 December 2013 for 25% to vest rising to full vesting for average ROIC of 10.5% or higher. As explained on page 71 these EPS targets will need to be adjusted to reflect the changes to IAS19 'Employee Benefits' with effect from 1 January 2013. No adjustments to ROIC will be necessary. Further information is provided on page 20.
(iv) PSP 2012 Grant – Awards granted to executive directors in March 2012 were subject to a mixture of EPS and post-tax ROIC performance targets. The EPS target (applying to half of the awards) requires EPS of 56 pence in 2014 for 25% to vest rising to full vesting for EPS of 62 pence or higher. The ROIC target (applying to the other half of awards) requires ROIC of 9% for the 12 months ending 31 December 2014 for 25% to vest rising to full vesting for average ROIC of 11% or higher. As explained on page 71 these EPS targets will need to be adjusted to reflect the changes to IAS19 'Employee Benefits' with effect from 1 January 2013. No adjustments to ROIC will be necessary. Further information is provided on page 20.
(v) PSP 2009 Grant – Awards granted to executive directors in March 2009 were subject to a mixture of EPS and post-tax ROIC performance targets. The EPS target (applying to half of the awards) requires EPS of 43 pence in 2011 for 25% to vest rising to full vesting for EPS of 47 pence or higher. The ROIC target (applying to the other half of awards) requires ROIC of 7% over the period 2009–2011 for 25% to vest rising to full vesting for average ROIC of 10% or higher. Following the vesting of awards on 5 March 2012 (which vested at a level of 68.75%), 97,105 Shares were transferred to Kevin Quinn (inclusive of dividend equivalents in the form of 13,503 shares). The market price on the day of vesting was 512 pence. Further information can be found on page 75.
(vi) Deferred Bonus Share Plan 2010 Grant – These share awards were granted in respect of performance and will vest after three years subject normally to continued employment. The March 2010 Deferred Bonus Share Plan will vest on 4 March 2013. Kevin Quinn is predicted to receive 13,068 shares (inclusive of dividend equivalents in the form of shares).
(vii) The share award was not subject to any performance conditions as it was compensating Peter Ventress for the loss of non-performance related share-based awards granted to him by his previous employer. These awards can be exercised at anytime up to 17 December 2019, being the 10th anniversary of the grant date.
(viii) CIP 2010 Grant – The matching awards granted to executive directors in March 2010 were subject to a mixture of EPS and post-tax ROIC performance targets. The EPS target (applying to half of the awards) requires EPS of 47 pence in 2012 for 25% to vest rising to full vesting for EPS of 53 pence or higher. The ROIC target (applying to the other half of awards) requires ROIC of 7.5% over the period 2010–2012 for 25% to vest rising to full vesting for average ROIC of 10.5% or higher. Current indications are that the performance conditions will be satisfied at 71.9%. This equates to 102,988 shares for Peter Ventress and 70,276 shares for Kevin Quinn (both inclusive of dividend equivalents in the form of shares). Further information can be found on page 75.
(ix) CIP 2011 Grant – The matching awards granted to executive directors in March 2011 were subject to a mixture of EPS and post-tax ROIC performance targets. The EPS target (applying to half of the awards) requires EPS of 53 pence in 2013 for 25% to vest rising to full vesting for EPS of 59 pence or higher. The ROIC target (applying to the other half of awards) requires ROIC of 8.5% for the 12 months ending 31 December 2013 for 25% to vest rising to full vesting for average ROIC of 10.5% or higher. As explained on page 71 these EPS targets will need to be adjusted to reflect the changes to IAS19 'Employee Benefits' with effect from 1 January 2013. No adjustments to ROIC will be necessary. Further information is provided on page 20.
(x) CIP 2012 Grant – The matching awards granted to executive directors in March 2012 were subject to a mixture of EPS and post-tax ROIC performance targets. The EPS target (applying to half of the awards) requires EPS of 56 pence in 2014 for 25% to vest rising to full vesting for EPS of 62 pence or higher. The ROIC target (applying to the other half of awards) requires ROIC of 9% for the 12 months ending 31 December 2014 for 25% to vest rising to full vesting for average ROIC of 11% or higher. As explained on page 71 these EPS targets will need to be adjusted to reflect the changes to IAS19 'Employee Benefits' with effect from 1 January 2013. No adjustments to ROIC will be necessary. Further information is provided on page 20.
(xi) Roger Dye, a former director of Berendsen plc received 53,385 awards (including dividend equivalents in the form of shares) on 5 March 2012 under the March 2009 grant of the Performance Share Plan. Following the vesting of this award, there are no further outstanding LTIP awards due to Roger Dye. The market price on the day of vesting was 512 pence.

(d) Share options at 31 December 2012

	1 January 2012 Number	During the year Granted Number	Exercised Number	Lapsed Number	31 December 2012 Number	Exercise price Pence	Market price at date of grant Pence	Exercise period
Share option schemes (note i)								
Kevin Quinn	50,000	–	–	–	**50,000**	445.75	445.75	02/06/08–01/06/15

Sharesave scheme

Peter Ventress	4,322	–	–	–	**4,322**	347.0	433.20	01/12/16–31/05/17
Kevin Quinn	2,593	–	–	–	**2,593**	347.0	433.20	01/12/14–31/05/15

Notes
(i) The performance conditions in respect of these options were achieved in June 2008 and under the plan rules they can be exercised at anytime up to 1 June 2015 for Kevin Quinn. No further options will be granted under this scheme.

Directors' report

The Directors' report of the group for the year ended 31 December 2012 is set out on pages 80 to 84 inclusive and includes the sections of the Annual Report referred to in these pages. The Directors' report has been drawn up and presented in accordance with, and in reliance upon, applicable English company law and the liabilities of the directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

The directors present their Annual Report and audited financial statements for the year ended 31 December 2012.

This Annual Report contains forward-looking statements. These forward-looking statements are not guarantees of future performance. Rather they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors that may cause actual results to differ from any future results or developments expressed or implied from the forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement.

Principal activity

The principal activity of Berendsen plc and its subsidiary undertakings is the laundering and maintenance of textiles. Further information on the services provided is outlined on page 4 of the Annual Report. Berendsen plc is a public limited company incorporated in England and Wales and domiciled in the UK. Its registered office is 4 Grosvenor Place, London SW1X 7DL.

Business review

The UK Companies Act 2006 requires the company to set out in this report a fair review of the business of the group during the financial year ended 31 December 2012 including a description of the principal risks and uncertainties facing the group and an analysis of the position of the group's business at the end of the financial year, known as an 'Enhanced Business Review'.

The information that fulfils these requirements can be found on the following pages of this Annual Report as referenced below:

- → the development and performance of the group's business during the year, see pages 2 and 3, 10 to 17 and 22 to 31;
- → the position of the group's business at the end of the year, see pages 3 and 90;
- → main trends and factors likely to affect the future development, performance and position of the group, see pages 22 to 31;
- → key performance indicators, see pages 16 and 17;
- → a description of the principal risks and uncertainties facing the group, see pages 32 to 38;
- → environmental matters and policy, including the impact of the group's business on the environment, see pages 47 and 48;
- → employee matters and policy, see pages 39 to 42;
- → social and community issues and policy, see page 48; and
- → information about persons with whom the company has contractual or other arrangements which are essential to the business of the company, see pages 23, 26 and 29.

Branches outside the United Kingdom

The group has branches in Sweden and China.

Results and dividends

The financial statements set out the results of the group for the year ended 31 December 2012 which are shown on page 88. The directors recommend a final dividend of 17.5 pence per ordinary share which, together with the interim dividend of 8 pence per ordinary share paid in October 2012, makes a total dividend for the year of 25.5 pence (2011: 23.4 pence) per ordinary share. Subject to approval by shareholders of the recommended final dividend, the dividend award to shareholders for 2012 will total £43.1 million. If approved, the company will pay the final dividend on 3 May 2013 to shareholders on the register at 12 April 2013.

Changes in composition of the group

The group acquired a number of textile maintenance businesses during the year, the two largest being Decontam in Germany and the ISS Washroom business in the Netherlands. The total consideration including net financial liabilities assumed and deferred consideration payable for the acquisitions was £38.8 million (2011: £14.1 million).

Details of the fair value of net assets acquired and consideration paid are set out in note 25 to the financial statements.

Directors

The current directors of the company, including their biographical details, are set out on pages 52 and 53. Each served throughout the year ended 31 December 2012 with the exception of Christopher Kemball who resigned from the board on 30 April 2012 and Lucy Dimes who was appointed to the board on 1 June 2012.

Following Christopher Kemball's resignation Iain Ferguson was appointed Chairman with effect from 26 April 2012.

In accordance with The UK Corporate Governance Code all directors will retire at the 2013 Annual General Meeting and, being eligible, offer themselves for re-election. Lucy Dimes has been appointed to the board as a director since the last Annual General Meeting and will offer herself for election by the shareholders.

Details of the number of board and committee meetings held during the year and attendance by individual directors are included in the Corporate governance statement on page 57.

Details of the directors' remuneration and service contracts and their interests in the shares of the company are included in the Report on directors' remuneration which is set out on pages 69 to 79.

Directors' indemnity

Article 133 of the company's Articles of Association ('the Articles') provides, among other things that, insofar as permitted by law, every director of the company or any associated company may be indemnified by the company against any liability.

On 30 June 2006 and 30 April 2007, the company executed deed polls for each of the then and all future Chairmen, executive and non-executive directors of the company and its wholly-owned subsidiaries respectively. The indemnities granted under these deed polls constitute qualifying third party indemnity provisions (as defined by Section 234 of the Companies Act 2006) and were in force during the financial year and remained so at the date of the approval of the financial statements.

The board believes that it is in the best interests of the group to provide these indemnities to its directors to ensure that it attracts and retains high calibre directors through competitive terms of employment in line with the market.

In addition, the company has arranged appropriate insurance cover in respect of legal action against its directors and officers.

Share capital and control

Pursuant to Section 992 of the Companies Act 2006, which implements the EU Takeovers Directive, the company is required to disclose certain additional information. Such disclosures, to the extent not covered elsewhere in the Directors' report (in particular, the Sections stated to form the business review above), include the information set out in the paragraphs below.

Share capital

As at 28 February 2013, the company's issued share capital consisted of £51,696,055 divided into 172,320,184 ordinary shares of 30 pence each (no shares are held in treasury).

During the 12 months to 31 December 2012, 484,764 ordinary shares of 30 pence each in the company were issued in satisfaction of the exercise of employee share options under the terms of the Davis Service Group 1998 Share Option Plan, the Davis Service Group Savings Related Share Option Scheme and the Berendsen Sharesave Plan 2006 for a total consideration of £1,788,752.

As at 31 December 2012, the authority granted to the company for the purchase of up to 17,181,770 ordinary shares in the company remained in force and unused.

Details of the movements in the year are set out in note 20 to the financial statements.

Rights and obligations attaching to shares

Subject to applicable statutes (in this Section the 'Companies Acts'), any resolution passed by the company under the Companies Acts and other shareholders' rights, shares may be issued with such rights and restrictions as the company may by ordinary resolution decide, or (if there is no such resolution or so far as it does not make specific provision) as the board may decide. Subject to the Articles, the Companies Acts and other shareholders' rights, unissued shares are at the disposal of the board.

Variation of rights

Subject to the Companies Acts, rights attached to any class of shares may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class (calculated excluding any shares held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting (except an adjourned meeting) the quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of the class (calculated as excluding any shares held as treasury shares). At an adjourned meeting, the quorum shall be one person entitled to vote and who holds shares of the class, or his or her proxy.

The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking pari passu with them.

Securities carrying special rights

No person holds securities in the company carrying special rights with regard to control of the company.

Authority to allot shares

A resolution will be proposed to authorise the directors to allot shares up to approximately two-thirds of the company's issued ordinary share capital (in accordance with guidelines issued by the ABI on 31 December 2012). The additional one-third authority, above the one-third authority which can be used for general purposes, may only be used for rights issues. The relevant resolution (number 12) is set out in full in the notice of Annual General Meeting. No issue will be made which would effectively alter the control of the company without the prior approval of shareholders in general meeting. The directors have no present intention of exercising this authority.

Purchase of own shares

In certain circumstances, it may be advantageous for the company to purchase its own shares. A special resolution (number 13) will be proposed at the Annual General Meeting on 25 April 2013 to seek authority from shareholders to do so, such authority to expire on the date of the next following Annual General Meeting or a date 15 months from the date of the resolution, whichever is the earlier.

The resolution specifies the maximum number of shares which may be acquired (being 10% of the company's issued share capital), and the maximum and minimum prices at which they may be purchased.

If the company were to purchase any of its own shares, it may consider holding them as treasury shares as an alternative to cancelling them, subject to the authority allowed by resolution number 13, provided that the total number of treasury shares does not at any one time exceed 10% of the company's issued share capital. Companies are permitted to hold shares purchased on the market in treasury with a view to possible disposal or transfer at a future date, as an alternative to cancelling them.

This would allow the company to dispose of or transfer the shares held in treasury quickly and cost-effectively and would provide the company with additional flexibility in the management of its capital base. The share price on 31 December 2012 was 592.5 pence; the company currently holds no shares in treasury.

The board is committed to managing the company's capital effectively and the directors keep under review the option of buying back the company's shares. Other investment opportunities, appropriate gearing levels and the overall position of the company will be taken into account before deciding upon this course of action. The directors will only purchase the company's shares on the market if they believe it is in the best interests of shareholders generally.

Restrictions on transfer of securities in the company

There are no restrictions on the transfer of securities in the company, except:

- that certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws); and
- pursuant to the Listing Rules of the Financial Services Authority (or the Financial Conduct Authority, as applicable) whereby certain employees of the company require the approval of the company to deal in the company's ordinary shares.

The company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities.

Voting

Every member and every duly appointed proxy present at a general meeting or class meeting has, upon a show of hands, one vote and every member present in person or by proxy has, upon a poll, one vote for every share held by him or her. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder(s) and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

Restrictions on voting

No member shall be entitled to vote at any general meeting or class meeting in respect of any share held by him or her if any call or other sum then payable by him or her in respect of that share remains unpaid or if a member has been served with a restriction notice (as defined in the Articles) after failure to provide the company with information concerning interests in those shares required to be provided under the Companies Acts.

The company is not aware of any agreements between holders of securities that may result in restrictions on voting rights.

Dividends and other distributions

The company may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the board. Subject to the Companies Acts, the board may pay interim dividends, and also any fixed rate dividend, whenever the financial position of the company, in the opinion of the board, justifies its payment. If the directors act in good faith, they will not be liable for any loss that any shareholders may suffer because a lawful dividend has been paid on other shares which rank equally with or behind their shares.

The board may withhold payment of all or any part of any dividends or other moneys payable in respect of the company's shares from a person with at least a 0.25% interest (as defined in the Articles) if such a person has been served with a restriction notice (as defined in the Articles) after failure to provide the company with information concerning interests in those shares required to be provided under the Companies Acts.

Substantial shareholdings

The table below shows the holdings in the company's issued share capital which had been notified to the company pursuant to the Financial Services Authority's (or, as applicable, the Financial Conduct Authority's) Disclosure and Transparency Rules:

	31 December 2012			28 February 2013		
	Direct/ indirect	No. of shares (m)	%	Direct/ Indirect	No. of shares (m)	%
Silchester International Investors Limited	Direct	29.20	16.98	Direct	29.20	16.98
Prudential plc	Direct	18.89	10.99	Direct	18.89	10.99
Sanderson Asset Management Limited	Direct	10.37	6.03	Direct	10.37	6.03

Rights under the employee share scheme

As at 31 December 2012, Appleby Trust (Jersey) Limited, as trustee of the Berendsen Employee Benefit Trust, held 2,921,735 shares in trust for the benefit of the executive directors and employees of the group. A dividend waiver is in place in respect of Appleby's shareholding and Appleby currently abstains from voting the shares but it may, upon the recommendation of the company, accept or reject any offer relating to the shares in any way it sees fit, without incurring any liability and without being required to give reasons for its decision. In exercising its trustee powers, Appleby may take all or any of the following matters into account:

- the long-term interests of beneficiaries;
- the interests of beneficiaries other than financial interests;
- the interests of beneficiaries in their capacity as employees or former employees or their dependants;
- the interests of persons (whether or not identified) who may become beneficiaries in the future; and
- considerations of a local, moral, ethical, environmental or social nature.

Amendment of Articles of Association

Unless expressly specified to the contrary in the Articles, the Articles may be amended by a special resolution of the company's shareholders.

Appointment and replacement of directors

The directors shall be not less than two and there shall be a maximum of 12 directors.

The company may by ordinary resolution vary the minimum and/or maximum number of directors. Under the Articles, a director shall not be required to hold any shares in the company. Directors may be appointed by the company by ordinary resolution or by the board. A director appointed by the board holds office only until the next following Annual General Meeting of the company and is then eligible for reappointment. The board or any committee authorised by the board may from time to time appoint one or more directors to hold any employment or executive office for such period and on such terms as they may determine and may also revoke or terminate any such appointment.

At every Annual General Meeting of the company any of the directors who have been appointed by the board since the last Annual General Meeting shall retire from office and may offer themselves for reappointment by the members. In addition, under the Articles, any of the directors who held office at the time of the two preceding Annual General Meetings and who did not retire at either of them, or who have held office with the company, other than employment or executive office, for a continuous period of nine years or more at the date of the meeting, shall retire from office and may offer themselves for reappointment by the members. However, the board has agreed, in accordance with the UK Corporate Governance Code, that all of the directors wishing to continue will retire and offer themselves for re-election by the shareholders at the 2013 Annual General Meeting.

The company may by special resolution remove any director before the expiration of that director's period of office. The office of a director shall be vacated if: (i) that director resigns or offers to resign and the board resolve to accept such offer; (ii) that director's resignation is requested by all of the other directors and all of the other directors are not less than three in number; (iii) that director is or has been suffering from mental ill-health and the board resolves that such director's office be vacated; (iv) that director is absent without the permission of the board from meetings of the board (whether or not an alternate director appointed by him attends) for six consecutive months and the board resolves that such director's office is vacated; (v) that director becomes bankrupt or compounds with his or her creditors generally; (vi) that director is prohibited by a law from being a director; (vii) that director ceases to be a director by virtue of the Companies Acts; or (viii) that director is removed from office pursuant to the company's Articles.

Powers of the directors

Subject to the Articles, the Companies Acts and any directions given by the company by special resolution, the business of the company will be managed by the board who may exercise all the powers of the company, whether relating to the management of the business of the company or not. In particular, the board may exercise all the powers of the company to borrow money, to mortgage or charge any of its undertakings, property, assets (present and future) and uncalled capital and to issue debentures and other securities and to give security for any debt, liability or obligation of the company or of any third party.

Directors' conflicts of interest

There are procedures in place to deal with directors' conflicts of interest arising under Section 175 Companies Act 2006 and such procedures have operated effectively during the year. Further details on these procedures are included in the Corporate Governance Statement on page 57 which is deemed, in its entirety, to be included in this Directors' report.

Significant agreements

There are a number of agreements that take effect, alter or terminate upon a change of control of the company, such as commercial contracts, bank loan agreements, property lease arrangements, and employees' share plans. None of these are deemed to be significant in terms of their potential impact on the business of the group as a whole except for the US$250 million US Private Placement Note Purchase Agreement dated 25 May 2006, the US$259 million and £25 million US Private Placement Note Purchase Agreement dated 24 November 2009 and the €535 million Multicurrency Revolving Credit Facility agreed on 15 July 2011. These agreements contain change of control provisions which, if triggered, could limit future utilisations, require the repayment of existing utilisations or lead to a renegotiation of terms.

Copies of executive directors' service contracts are available to shareholders for inspection at the company's registered office and at the Annual General Meeting. Further details on directors' service contracts are included in the Report on directors' remuneration which is set out on pages 69 to 79.

Political and charitable donations

Financial contributions to a range of charities and good causes during the year amounted to £22,000 (2011: £17,152). These contributions were made principally to local charities serving the communities in which the group operates but also to various childrens' and cancer research charities. Our Christmas donation this year was made to Children in Need. There were no political donations during the year (2011: nil).

Creditor payment policy

The group's policy is to agree the terms of payment with each of its suppliers at the commencement of the trading relationship, to ensure suppliers are made aware of the terms of payment and to abide by those terms provided that the supplier has performed in accordance with the relevant terms and conditions. We have recently signed up to the government's new Prompt Payment Code, designed to encourage and promote best practice between organisations and their suppliers.

Trade creditor days of the company, calculated on an average creditor balance during the year, were 11 days (2011: 16 days) and for the group's major trading companies were 37 days (2011: 33 days).

Auditors and disclosure of information to auditors

The company's auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they may be reappointed will be proposed at the Annual General Meeting.

As far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business review on pages 2 to 48. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 18 to 20. In addition, note 17 to the financial statements includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives and policies; details of its financial instruments and hedging activities; and its exposures to price, credit, liquidity and cash flow risk.

The group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the group is well placed to manage its business risks successfully.

After reviewing the above and making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report.

Directors' responsibilities

The directors' responsibilities for the financial statements contained within this Annual Report and the directors' confirmations required under the FSA Disclosure and Transparency Rules (DTR 4.1.12) are set out on page 85 but are deemed to be included in this Directors' report.

Annual General Meeting

The notice of the Annual General Meeting to be held at 11.00 am on Thursday 25 April 2013 is being sent separately to shareholders with this report. The venue for the meeting is the Royal Aeronautical Society, 4 Hamilton Place, London W1J 7BQ.

By order of the board

David Lawler
Company Secretary

28 February 2013

Directors' responsibilities for the financial statements

The directors are responsible for preparing the Report and Accounts and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the company and group for that period.

The financial statements on pages 86 to 152 have been prepared on a going concern basis, suitable accounting policies have been used and applied consistently, reasonable and prudent judgements and estimates have been made and applicable accounting standards have been followed.

The directors are responsible for ensuring that the group and the company keep accounting records which show and explain the company's transactions, disclose with reasonable accuracy, at any time, the financial position of the group and the company which enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation and the parent company financial statements comply with the Companies Act 2006. The directors have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and company and to prevent and detect fraud and other irregularities.

This statement, which should be read in conjunction with the Auditors' Report, is made with a view to distinguishing for members the respective responsibilities of the directors and the auditors in relation to the financial statements.

A copy of the Annual Report and the financial statements of the company are on the company's website at www.berendsen.com. The directors are responsible for the maintenance and integrity of the company's website, and the work carried out by the auditors does not involve consideration of these matters. Accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were placed on the website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with DTR 4.1.12, each of the directors confirms that, to the best of their knowledge:

i) the financial statements of the group, prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the financial statements of the company, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and

ii) the management report, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

The current directors and their functions are listed on pages 52 and 53.

By order of the board

David Lawler
Company Secretary

28 February 2013

Financial statements

In this section:

Independent auditors' report to the members of Berendsen plc

We have audited the group financial statements of Berendsen plc for the year ended 31 December 2012 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated cash flow statement, the Consolidated statement of changes in equity, the Accounting policies to the consolidated financial statements, 'key assumptions and sources of estimation uncertainty' and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' responsibilities statement set out on page 85, the directors are responsible for the preparation of the group 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 group financial statements in accordance with applicable law and International Standards on Auditing (UK and 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 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.

Scope of the audit of the financial statements

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.

In addition, we read all the financial and non-financial information in the Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2012 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' report for the financial year for which the group financial statements are prepared is consistent with the group financial statements; and
- the information given in the Corporate governance statement set out on page 54 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent company.

Under the Listing Rules we are required to review:

- the directors' statement, within the Directors' report on page 84 in relation to going concern; and
- the part of the Corporate governance statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the board on directors' remuneration.

Other matters

We have reported separately on the parent company financial statements of Berendsen plc for the year ended 31 December 2012 and on the information in the Directors' remuneration report that is described as having been audited.

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. Information published on the internet is accessible in many countries which may have different legal requirements relating to the preparation and dissemination of financial statements.

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

28 February 2013

Consolidated income statement

For the year ended 31 December 2012	Notes	Year to 31 December 2012 £m	Year to 31 December 2011 £m
Revenue	1	**985.1**	992.0
Cost of sales		**(498.2)**	(507.4)
Gross profit		**486.9**	484.6
Other income		**1.5**	2.0
Distribution costs		**(180.2)**	(188.0)
Administrative expenses		**(157.3)**	(149.5)
Other operating expenses		**(30.4)**	(41.8)
Operating profit	1	**120.5**	107.3
Analysed as:			
Operating profit before exceptional items and amortisation of customer contracts	1	**145.6**	139.8
Exceptional items	4	**–**	(8.5)
Amortisation of customer contracts	9	**(25.1)**	(24.0)
Operating profit	1	**120.5**	107.3
Finance costs	2	**(27.8)**	(29.7)
Finance income	2	**2.2**	1.7
Profit before taxation	3	**94.9**	79.3
Taxation	5	**(22.0)**	(21.8)
Profit for the year		**72.9**	57.5
Analysed as:			
Profit attributable to non-controlling interest		**0.5**	0.5
Profit attributable to owners of parent company		**72.4**	57.0
Earnings per share expressed in pence per share			
– Basic	7	**42.8**	33.8
– Diluted	7	**42.7**	33.7

The notes on pages 94 to 142 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2012	Notes	**Year to 31 December 2012 £m**	Year to 31 December 2011 £m
Profit for the year		**72.9**	57.5
Other comprehensive income:			
Currency translation		**2.3**	(10.3)
Actuarial losses	27	**(1.6)**	(26.2)
(Loss)/gain on cash flow hedges	16	**(0.3)**	1.2
Other comprehensive income/(expense) for the year, net of tax		**0.4**	(35.3)
Total comprehensive income for the year		**73.3**	22.2
Attributable to:			
Non-controlling interest		**0.4**	0.4
Owners of parent company		**72.9**	21.8

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 2012	Notes	As at 31 December 2012 £m	As at 31 December 2011 £m
Assets			
Intangible assets:			
– Goodwill	8	**424.0**	419.9
– Other intangible assets	9	**77.0**	76.1
Property, plant and equipment	10	**513.7**	520.8
Deferred tax assets	19	**8.6**	14.1
Derivative financial instruments	16	**38.4**	53.3
Pension scheme surplus	27	**19.5**	10.3
Total non-current assets		**1,081.2**	1,094.5
Assets classified as held for sale		**2.1**	0.2
Inventories	11	**35.4**	39.1
Income tax receivable		**2.7**	7.4
Trade and other receivables	12	**164.4**	156.4
Cash and cash equivalents	13	**73.7**	91.9
Total current assets		**278.3**	295.0
Liabilities			
Borrowings	15	**(2.7)**	(2.9)
Derivative financial instruments	16	**(2.1)**	(1.8)
Income tax payable		**(9.4)**	(13.8)
Trade and other payables	14	**(185.7)**	(174.9)
Provisions	18	**(4.2)**	(6.2)
Total current liabilities		**(204.1)**	(199.6)
Net current assets		**74.2**	95.4
Borrowings	15	**(534.7)**	(602.6)
Derivative financial instruments	16	**(34.7)**	(37.0)
Pension scheme deficits	27	**(40.0)**	(38.5)
Deferred tax liabilities	19	**(46.9)**	(48.8)
Trade and other payables	14	**(1.9)**	–
Provisions	18	**(3.3)**	(4.5)
Total non-current liabilities		**(661.5)**	(731.4)
Net assets		**493.9**	458.5
Equity			
Share capital	20	**51.7**	51.5
Share premium		**98.4**	96.8
Other reserves		**0.2**	0.5
Capital redemption reserve		**150.9**	150.9
Retained earnings		**188.0**	154.4
Total shareholders' equity		**489.2**	454.1
Non-controlling interest		**4.7**	4.4
Total equity		**493.9**	458.5

The financial statements on pages 88 to 142 were approved by the board and signed on its behalf.

Peter Ventress
Chief Executive Officer

Kevin Quinn
Chief Financial Officer
28 February 2013

Berendsen plc
Registered no. 1480047

Consolidated cash flow statement

For the year ended 31 December 2012	Notes	Year to 31 December 2012 £m	Year to 31 December 2011 £m Restated
Cash flows from operating activities			
Cash generated from operations	23	**317.7**	286.6
Interest paid		**(27.4)**	(28.5)
Interest received		**2.2**	1.7
Income tax paid		**(17.7)**	(19.1)
Net cash generated from operating activities		**274.8**	240.7
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	25	**(37.1)**	(13.7)
Purchases of property, plant and equipment		**(155.1)**	(160.9)
Proceeds from the sale of property, plant and equipment	23	**3.9**	4.8
Purchases of intangible assets	9	**(3.5)**	(3.1)
Net cash used in investing activities		**(191.8)**	(172.9)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**1.8**	0.1
Purchase of own shares by the Employee Benefit Trust		**(5.4)**	–
Payment of loan issue costs		**–**	(4.0)
Drawdown of borrowings		**10.6**	5.0
Repayment of borrowings		**(62.4)**	(7.8)
Repayment of finance leases/hire purchase liabilities		**(3.3)**	(3.8)
Dividends paid to company's shareholders	6	**(40.6)**	(37.3)
Dividends paid to non-controlling interest		**(0.1)**	(0.1)
Net cash used from financing activities		**(99.4)**	(47.9)
Net (decrease)/increase in cash	24	**(16.4)**	19.9
Cash and cash equivalents at beginning of year	13	**91.9**	74.0
Exchange losses on cash		**(1.8)**	(2.0)
Cash and cash equivalents at end of year	13	**73.7**	91.9
Free cash flow	23	**125.1**	93.1

Consolidated statement of changes in equity

	Attributable to shareholders of the company							
	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
At 1 January 2011	51.5	96.7	(0.7)	150.9	165.4	463.8	4.1	467.9
Comprehensive income:								
Profit for the year	–	–	–	–	57.0	57.0	0.5	57.5
Other comprehensive income:								
Actuarial losses (note 27)	–	–	–	–	(35.5)	(35.5)	–	(35.5)
Cash flow hedges	–	–	1.6	–	–	1.6	–	1.6
Currency translation	–	–	–	–	(8.1)	(8.1)	(0.1)	(8.2)
Tax on items taken to equity (note 5)	–	–	(0.4)	–	7.2	6.8	–	6.8
Total other comprehensive income	–	–	1.2	–	(36.4)	(35.2)	(0.1)	(35.3)
Total comprehensive income	–	–	1.2	–	20.6	21.8	0.4	22.2
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	–	–	–	–	0.2	0.2	–	0.2
Dividends (note 6)	–	–	–	–	(37.3)	(37.3)	(0.1)	(37.4)
Value of employee service in respect of share option schemes and share awards (note 21)	–	–	–	–	5.5	5.5	–	5.5
Total transactions with owners	–	0.1	–	–	(31.6)	(31.5)	(0.1)	(31.6)
At 31 December 2011	51.5	96.8	0.5	150.9	154.4	454.1	4.4	458.5

	Attributable to shareholders of the company							
	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
At 1 January 2012	51.5	96.8	0.5	150.9	154.4	454.1	4.4	458.5
Comprehensive income:								
Profit for the year	–	–	–	–	72.4	72.4	0.5	72.9
Other comprehensive income:								
Actuarial losses (note 27)	–	–	–	–	(1.8)	(1.8)	–	(1.8)
Cash flow hedges	–	–	(0.4)	–	–	(0.4)	–	(0.4)
Currency translation	–	–	–	–	–	–	(0.1)	(0.1)
Tax on items taken to equity (note 5)	–	–	0.1	–	2.6	2.7	–	2.7
Total other comprehensive income	–	–	(0.3)	–	0.8	0.5	(0.1)	0.4
Total comprehensive income	–	–	(0.3)	–	73.2	72.9	0.4	73.3
Transactions with owners:								
Issue of share capital in respect of share option schemes	0.2	1.6	–	–	–	1.8	–	1.8
Purchase of own shares by the Employee Benefit Trust	–	–	–	–	(5.4)	(5.4)	–	(5.4)
Dividends (note 6)	–	–	–	–	(40.6)	(40.6)	(0.1)	(40.7)
Value of employee service in respect of share option schemes and share awards (note 21)	–	–	–	–	6.4	6.4	–	6.4
Total transactions with owners	0.2	1.6	–	–	(39.6)	(37.8)	(0.1)	(37.9)
At 31 December 2012	51.7	98.4	0.2	150.9	188.0	489.2	4.7	493.9

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 2012, the Trust held 2,882,275 (2011: 2,915,296) shares.

Accounting policies to the consolidated financial statements

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC 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 income statement. These policies have been consistently applied to all the years presented.

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 100.

In accordance with paragraph 14 of IAS 7 the group has accounted for the special pension contribution payments made in 2012, £5 million, as part of its cash generated from operations. In 2011 the special pension payment was shown as part of the cash used in investing activities and consequently the 2011 cash flow statement has been restated to show this amount, also £5 million, within cash generated from operations, for comparative purposes. This reclassification has no impact in either year on the net increase or decrease in cash.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2012:

- IFRS 7, 'Financial instruments: disclosures.
- IAS 12, 'Income taxes', on deferred income.

The following new and amended standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2012 and have not had a material impact on the group:

- IFRS 1, 'First time adoption'.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2012 and have not been early-adopted. Their expected impact is still being assessed by management:

- IFRS 7 (amendment), 'Financial instruments: disclosures on de-recognition'.
- IFRS 9, 'Financial instruments'
- IAS 1 (amendment), 'Financial statement presentation, regarding other comprehensive income'.
- IAS 16 'Property, plant and equipment'.
- IAS 32, 'Financial instruments, presentation'.
- IAS 34, 'Interim financial reporting'.
- IFRS 9, 'Financial instruments'.
- IFRS 10, 'Consolidated financial statements'.
- IFRS 11, 'Joint arrangements'.
- IFRS 12, 'Disclosures of interests in other entities'.
- IFRS 13, 'Fair value measurement'.
- IAS 27, 'separate financial instruments'.
- IAS 28, 'Associates and joint ventures'.

IAS 19 (amendment), 'Employee benefits'

The company will adopt Revised IAS 19 with effect from 1 January 2013. As this is a change in policy the 2012 accounts as presented here will be restated with effect from 1 January 2012. The likely impact of this change is set out in note 27.

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 statement of comprehensive income.

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 strategic review of the business presented in November 2010, from 1 January 2012 the Berendsen plc executive board manages the business under the business lines of Workwear, Facility, UK Flat Linen, Flat Linen outside the UK, and Clinical Solutions and Decontamination. From the same date the group's internal reporting structure was aligned on the same basis. 2011 segment information is presented on a basis consistent with the new 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 'other (losses)/gains – net'.

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 profit or loss 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 the fair value reserve in equity.

(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 subsequent 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% per annum on an estimate of the buildings value of freehold properties and leasehold properties with 50 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.

Accounting policies to the consolidated financial statements

(b) Plant and machinery
Depreciated at rates of 10% to 50% per annum, depending on the class of the asset.

(c) Textile assets and washroom equipment
Depreciated at rates of 20% to 40%, depending on class of 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 remains 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 programs 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) 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.

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 value 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. 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 one fair value hedge in respect of a cross currency fixed to floating interest rate swap. If the hedge no longer meets the criteria for hedge accounting, the exchange component of the derivative will continue to be taken to the income statement 'other gains and losses' along with the exchange on the related borrowings. The interest component of the derivative item will be amortised to the income statement over the period to maturity.

(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, interest rate swaps and forward foreign exchange contracts result in recognition in either the currency translation component of equity or in the hedging reserve.

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
The group occasionally takes out energy contracts in relation to the supply of gas and electricity. 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 and work in progress 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, other short-term highly liquid investments with original maturities of three months or less.

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. Borrowings are subsequently stated at amortised cost. 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.

Accounting policies to the consolidated financial statements

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.

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.

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 the 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 and legal 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.

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 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, gains and losses on disposal of properties, acquisition 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.

(c) Other operating expenses
These comprise the group's intangible asset amortisation.

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 £513.7 million (note 10), goodwill with a carrying value of £424.0 million (note 8) and intangible assets with a carrying value of £77.0 million (note 9). These assets are reviewed annually for impairment as described above. A value in use model is used. To assess if any impairment exists, estimates are made of the future cash flows expected to result from the use of the assets and their eventual disposal. 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 2012 the present value of the group's defined benefit obligation for funded plans was a surplus of £19.5 million and a deficit of £40.0 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 2010.

(c) Income taxes

At 31 December 2012, the net liability for current income taxes is £6.7 million and the net liability for deferred income taxes is £38.3 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 and legal 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.

(f) Clinical Solutions and Decontamination business

The Clinical Solutions and Decontamination business is separated into individual Cash Generating Units (CGU) as there are separate assets and cash flows for each CGU. As a result of ongoing losses on the two decontamination contracts, a provision for £9.9 million was recognised in 2010. The key assumption used in determining the onerous contract provision is the period over which mitigating actions are planned to achieve a financially sustainable position. This period was assessed in 2010 as being four years, with the losses being principally incurred in the first two years. £2.2 million of the provision was utilised in 2012.

The remaining provision is expected to be used over the next two years. If there was a one year delay to any of the mitigating actions referred to above then the onerous contract provision would increase by £2.5 million. However, we remain on track with our turnaround plan and are planning the transition to our service of both new volumes from existing contracts and from a significant new contract in 2013.

Notes to the consolidated financial statements

1 Segmental information

Following the strategic review of the business presented in November 2010, from 1 January 2012 the Berendsen plc executive board have managed the business under the business lines of Workwear, Facility, UK Flat Linen, Flat Linen outside UK and Clinical Solutions and Decontamination.

The results for the year ended 31 December 2012 under the business line structure are as follows:

	Core Growth				Manage for Value				
	Workwear £m	Facility £m	UK Flat Linen £m	Total Core Growth £m	Flat Linen outside UK £m	Clinical Solutions and Decontamination £m	Total Manage for Value £m	Unallocated £m	Group £m
Total segment revenue	313.1	213.6	196.7	723.4	219.3	71.7	291.0	–	1,014.4
Inter-segment revenue	(25.1)	(0.8)	–	(25.9)	(1.3)	(2.1)	(3.4)	–	(29.3)
Revenue from external customers	288.0	212.8	196.7	697.5	218.0	69.6	287.6	–	985.1
Operating profit before amortisation of customer contracts	51.2	54.1	26.2	131.5	21.0	2.9	23.9	(9.8)	145.6
Amortisation of customer contracts	(7.0)	(17.4)	(0.2)	(24.6)	(0.1)	(0.4)	(0.5)	–	(25.1)
Segment result	44.2	36.7	26.0	106.9	20.9	2.5	23.4	(9.8)	120.5
Net finance costs	–	–	–	–	–	–	–	–	(25.6)
Profit before taxation	–	–	–	–	–	–	–	–	94.9
Taxation	–	–	–	–	–	–	–	–	(22.0)
Profit for the year	–	–	–	–	–	–	–	–	72.9
Profit attributable to non-controlling interest	–	–	–	–	–	–	–	–	0.5
Profit attributable to owners of parent company	–	–	–	–	–	–	–	–	72.4
Capital expenditure	61.4	61.7	33.1	156.2	33.9	2.7	36.6	0.6	193.4
Depreciation (note 10)	58.9	28.1	32.9	119.9	37.6	4.5	42.1	0.3	162.3
Amortisation (note 9)	8.6	18.1	1.9	28.6	0.8	0.7	1.5	0.3	30.4

Unallocated costs includes group marketing and communication functions.

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

Sales between operating segments are carried out at arm's length. The company is domiciled in the UK.

Notes to the consolidated financial statements

1 Segmental information (continued)

The results for the year ended 31 December 2011 under the business line structure are as follows:

	Core Growth				Manage for Value				
	Workwear £m	Facility £m	UK Flat Linen £m	Total Core Growth £m	Flat Linen outside UK £m	Clinical Solutions and Decontamination £m	Total Manage for Value £m	Unallocated £m	Group £m
Total segment revenue	312.0	207.3	195.2	714.5	234.0	70.7	304.7	–	1,019.2
Inter-segment revenue	(25.5)	–	–	(25.5)	–	(1.7)	(1.7)	–	(27.2)
Revenue from external customers	286.5	207.3	195.2	689.0	234.0	69.0	303.0	–	992.0
Operating profit before exceptional items and amortisation of customer contracts	49.7	48.3	26.1	124.1	20.7	3.3	24.0	(8.3)	139.8
Exceptional items	0.7	(0.5)	1.3	1.5	(7.4)	–	(7.4)	(2.6)	(8.5)
Amortisation of customer contracts	(7.2)	(9.1)	(7.3)	(23.6)	–	(0.4)	(0.4)	–	(24.0)
Segment result	43.2	38.7	20.1	102.0	13.3	2.9	16.2	(10.9)	107.3
Net finance costs	–	–	–	–	–	–	–	–	(28.0)
Profit before taxation	–	–	–	–	–	–	–	–	79.3
Taxation	–	–	–	–	–	–	–	–	(21.8)
Profit for the year	–	–	–	–	–	–	–	–	57.5
Profit attributable to non-controlling interest	–	–	–	–	–	–	–	–	0.5
Profit attributable to owners of parent company	–	–	–	–	–	–	–	–	57.0
Capital expenditure	61.4	46.5	34.2	142.1	35.2	2.5	37.7	0.5	180.3
Depreciation (note 10)	58.8	26.9	31.0	116.7	42.2	4.7	46.9	0.3	163.9
Amortisation (note 9)	8.3	17.6	1.9	27.8	0.8	0.7	1.5	0.3	29.6

The 2011 operating profit before exceptional items and amortisation of customer contacts for the Workwear, Facility and Flat Linen outside UK business lines, have been restated to present a more consistent allocation of management charges in line with 2012.

1 Segmental information (continued)

The segment assets and liabilities at 31 December 2012 under the business line structure are as follows:

	Core Growth				Manage for Value				
	Workwear £m	**Facility £m**	**UK Flat Linen £m**	**Total Core Growth £m**	**Flat Linen outside UK £m**	**Clinical Solutions and Decontamination £m**	**Total Manage for Value £m**	**Unallocated £m**	**Group £m**
Operating assets	**390.2**	**381.5**	**147.1**	**918.8**	**232.5**	**61.9**	**294.4**	**1.3**	**1,214.5**
Operating liabilities	**(60.3)**	**(39.7)**	**(35.1)**	**(135.1)**	**(35.3)**	**(17.7)**	**(53.0)**	**(7.0)**	**(195.1)**

The business line split of operating assets and liabilities as at 31 December 2011 is as follows.

	Core Growth				Manage for Value				
	Workwear £m	Facility £m	UK Flat Linen £m	Total Core Growth £m	Flat Linen outside UK £m	Clinical Solutions and Decontamination £m	Total Manage for Value £m	Unallocated £m	Group £m
Operating assets	396.2	353.3	150.0	899.5	246.8	64.4	311.2	1.6	1,212.3
Operating liabilities	(64.5)	(30.9)	(34.1)	(129.5)	(37.1)	(19.2)	(56.3)	0.2	(185.6)

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

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

Unallocated assets include operating assets relating to corporate segments.

Unallocated liabilities include operating liabilities for corporate segments.

Notes to the consolidated financial statements

1 Segmental information (continued)

	Year to 31 December 2012 £m	Year to 31 December 2011 £m
Analysis of external revenue by category:		
Sale of goods	**42.9**	42.2
Provision of services	**942.2**	949.8
	985.1	992.0
Analysis of external revenue by country:		
UK	**380.0**	375.1
Sweden	**149.9**	146.5
Germany	**126.9**	130.8
Denmark	**128.9**	136.6
Holland	**73.4**	73.0
Norway	**59.0**	58.7
Other	**67.0**	71.3
	985.1	992.0
Analysis of non-current assets other than non-financial instruments, deferred tax assets and retirement benefit assets by country are:		
UK	**218.5**	224.2
Sweden	**144.0**	149.2
Germany	**114.8**	114.0
Denmark	**78.3**	82.4
Holland	**51.4**	27.1
Norway	**48.2**	57.3
Other	**359.5**	362.6
	1,014.7	1,016.8

2011 analysis of non-current assets has been restated to more accurately reflect the allocation of centrally held goodwill.

2 Net finance costs

	Year to 31 December 2012 £m	Year to 31 December 2011 £m
Interest payable on bank borrowings	**(25.4)**	(27.3)
Interest payable on finance leases	**(0.2)**	(0.2)
Interest payable on other borrowings	**(1.0)**	(1.5)
Amortisation of issue costs of bank loans (note i)	**(1.2)**	(0.7)
Fair value loss on interest rate swaps (fair value hedge)	**(1.2)**	(0.5)
Fair value adjustment of bank borrowings attributable to interest rate risk	**1.2**	0.5
Finance costs	**(27.8)**	(29.7)
Finance income	**2.2**	1.7
Net finance costs	**(25.6)**	(28.0)

(i) This relates to loan issue costs arising on the 2011 €535 million Revolving Credit Facility and on the 2006 $250 million, 2009 $259 million and £25 million US Private Placements. The costs have been capitalised and are being amortised over the shortest period of the loans being four years, eight years and seven years respectively.

Notes to the consolidated financial statements

3 Expenses by nature

	Year to 31 December 2012 £m	Year to 31 December 2011 £m
The following items have been included in arriving at operating profit:		
Staff costs (note 26)	**380.4**	395.5
Depreciation of property, plant and equipment (note 10):		
– Owned assets	**159.1**	160.3
– Under finance leases	**3.2**	3.6
Amortisation of intangible assets (included within other operating expenses) (note 9):		
– Customer contracts	**25.1**	24.0
– Computer software	**5.3**	5.6
Profit on sale of property, plant and equipment	**(1.2)**	(1.1)
Cost of inventory recognised as an expense in 'cost of sales'	**8.4**	7.6
Cost of inventory written off	**0.4**	1.1
Other operating lease rentals payable:		
– Plant and machinery	**11.0**	10.5
– Property	**7.6**	7.5
Restructuring costs (note 4)	**–**	3.0
Strategy implementation costs (note 4)	**–**	7.9
Transaction costs (note 4)	**–**	1.2
Change in long-term employee benefits (note 4)	**–**	(3.1)
Services provided by the company's auditors and its associates		
Fees payable to the company's auditor for the audit of the parent company and consolidated financial statements	**0.2**	0.2
Fees payable to the company's auditor and its associates for other services:		
– The audit of the company's subsidiaries	**0.7**	0.8
– Tax advisory services	**0.1**	0.1
– Tax compliance services	**0.1**	0.1
– Other services	**–**	0.1
Total services	**1.1**	1.3

4 Exceptional items

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

	Year to 31 December 2012 £m	Year to 31 December 2011 £m
Restructuring costs	–	3.0
Strategy implementation costs	–	7.9
Transaction costs	–	1.2
Change in long-term employee benefits	–	(3.1)
Profit on property disposals	–	(0.5)
Total	–	8.5

There were no exceptional items in 2012.

In 2011 the restructuring costs related primarily to the closure of a German Healthcare plant. This concluded the restructuring undertaken following the loss of a significant contract in 2010. The tax credit on this was £0.9 million.

In 2011 the group incurred costs of £7.9 million associated with the implementation of its strategic review announced in November 2010. This included £5.4 million of restructuring costs incurred in the Irish and Scandinavia flat linen businesses, which we are Managing for Value and in rationalising the salesforce in our Core Growth business. This also included £2.5 million of costs in managing the change programmes identified in our Strategic review such as the capital efficiency and procurement review programmes. The tax credit on these costs was £1.7 million.

We incurred net transaction costs of £1.2 million on acquisitions and similar initiatives in 2011. There was a tax related charge of £0.4 million.

In 2011, the group recognised a £3.1 million credit for changes in the management and funding arrangements for long-term employee benefits. This covered a number of countries and included the impact of closing to future accrual the UK defined benefit pension scheme. The scheme was closed to new entrants in 2003 and by closing to future accrual the scheme is in line with standard UK practice. There was a tax charge of £0.9 million.

During 2011 a net profit was realised on property disposals primarily in the UK. The tax charge on this was nil.

Notes to the consolidated financial statements

5 Taxation

	Year to 31 December 2012 £m	Year to 31 December 2011 £m
Analysis of tax charge for the year		
Current tax:		
Tax on profits for the current year	**18.6**	21.2
Adjustments in respect of previous years	**(0.6)**	1.2
	18.0	22.4
Deferred tax (note 19):		
Origination and reversal of temporary differences	**4.2**	0.1
Changes in statutory tax rates	**(0.3)**	(0.1)
Credit due to previously unrecognised, temporary differences	**(0.3)**	–
Change due to review of recoverability of deferred tax assets	**0.4**	0.2
Adjustments in respect of previous years	**–**	(0.8)
	4.0	(0.6)
Total tax charge	**22.0**	21.8

The amount of overseas tax included in the total tax charge is £18.2 million (2011: £18.9 million).

The tax charge for the year is different from the effective UK statutory rate of 24.5% (2011: 26.5%). The difference is explained below:

	Year to 31 December 2012 £m	Year to 31 December 2011 £m
Profit before taxation	**94.9**	79.3
Multiplied by the effective rate of corporation tax in the UK of 24.5% (2011: 26.5%)	**23.2**	21.0
Effects of:		
Items not deductible for tax purposes	**1.1**	1.7
Non-taxable income	**0.1**	–
Taxable profits different to profit on disposal of property, plant and equipment	**–**	(0.1)
Overseas tax rate differences	**0.3**	(0.9)
Changes in statutory tax rates	**(2.9)**	(0.1)
Unrecognised tax losses	**(0.1)**	0.3
Other	**0.3**	(0.5)
Adjustment in respect of prior years	**–**	0.4
Total tax charge	**22.0**	21.8

The main rate of corporation tax as at 31 December 2012 was 24%. Legislation reducing the main rate of corporation tax to 23% was substantively enacted on 3 July 2012 and will be effective from 1 April 2013. Further reduction to the main rate is proposed to reduce the rate by 2% to 21% from 1 April 2014. This further change had not been substantively enacted at the balance sheet date and, therefore, is not included in these financial statements.

5 Taxation (continued)

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

	Year to 31 December 2012 £m	Year to 31 December 2011 £m
Currency translation differences	**2.4**	(2.1)
Actuarial losses	**0.2**	9.3
Cash flow hedges	**0.1**	(0.4)
Total credited to comprehensive income	**2.7**	6.8
Tax credit relating to share-based payments	**1.7**	0.7
Total credited to equity	**4.4**	7.5
Analysed as:		
Current tax	**0.1**	4.0
Deferred tax (note 19)	**4.3**	3.5
	4.4	7.5

6 Dividends

	Year to 31 December 2012 £m	Year to 31 December 2011 £m
Equity dividends paid during the year		
Final dividend for the year ended 31 December 2011 of 16.0 pence per share (2010: 14.7 pence)	**27.1**	24.8
Interim dividend for the year ended 31 December 2012 of 8.0 pence per share (2011: 7.4 pence)	**13.5**	12.5
	40.6	37.3
Proposed final equity dividend for approval at the AGM		
Proposed final dividend for the year ended 31 December 2012 of 17.5 pence per share (2011: 16.0 pence)	**29.6**	27.0

The directors recommend a final dividend for the financial year ended 31 December 2012 of 17.5 pence per ordinary share to be paid on 3 May 2013 to shareholders who are on the register at 12 April 2013. This dividend is not reflected in these financial statements as it does not represent a liability at 31 December 2012.

Notes to the consolidated financial statements

7 Earnings per share

Basic earnings per ordinary share are based on the group profit for the year and a weighted average of 169,124,166 (2011: 168,875,066) 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 2012 Number of shares	31 December 2011 Number of shares
In issue	**169,124,166**	168,875,066
Dilutive potential ordinary shares arising from unexercised share options	**599,023**	514,271
	169,723,189	169,389,337

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 2012		Year to 31 December 2011	
	£m	Earnings per share pence	£m	Earnings per share pence
Profit attributable to equity shareholders for basic earnings per share calculation	**72.4**	**42.8**	57.0	33.8
Profit on property disposals (after taxation)	**–**	**–**	(0.5)	(0.3)
Restructuring costs (after taxation)	**–**	**–**	2.1	1.2
Strategy implementation costs (after taxation)	**–**	**–**	6.2	3.7
Transaction costs (after taxation)	**–**	**–**	1.6	0.9
Change in long-term employee benefits (after taxation)	**–**	**–**	(2.2)	(1.3)
Amortisation of customer contracts (after taxation)	**18.4**	**10.9**	17.7	10.5
Impact of tax rate reductions, UK and Sweden and other tax items	**(2.6)**	**(1.5)**	(0.1)	(0.1)
Adjusted earnings	**88.2**	**52.2**	81.8	48.4
Diluted basic earnings		**42.7**		33.7
Diluted adjusted earnings		**52.0**		48.4

8 Goodwill

	2012 £m	2011 £m
Cost		
At 1 January	**493.2**	502.3
Acquisitions (note 25)	**5.8**	–
Currency translation	**(2.2)**	(9.1)
At 31 December	**496.8**	493.2
Accumulated amortisation and impairment		
At 1 January	**(73.3)**	(74.2)
Currency translation	**0.5**	0.9
At 31 December	**(72.8)**	(73.3)
Net book amount at 31 December	**424.0**	419.9

Changes in composition of CGUs under the new business line structure
With effect from 1 January 2012, we reorganised the group's structure into Business Lines, resulting in a change in operating segments and the composition of the cash generating units (CGUs). These 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 changed in January 2012 to align with the new Business Line structure. Going forward, management will monitor goodwill at operating segment level and goodwill has been reallocated on this basis. Goodwill that is specific to a particular operating segment has been included in the operating segment directly. All other goodwill has been reallocated to the appropriate operating segments prospectively using the three-year average forecast operating cash flow for 2012 to 2014 as the basis for the relative value approach.

Under the new business line structure, we have 23 CGUs which represents the smallest identifiable group of assets that generates independent cash flow from other groups of assets. In 2011, we had 17 CGUs under the previous geographical structure. For the purpose of goodwill impairment review, acquired goodwill has been allocated to nine groups of CGUs being the operating segments. The operating segments are Workwear, Facilities, UK Flat Linen, Scandinavian Flat Linen, Germany & Austria Healthcare, Ireland, Direct Sales, Clinical Solutions and Decontamination.

Notes to the consolidated financial statements

8 Goodwill (continued)

For reporting purposes, the goodwill has been allocated to the operating segments as outlined below. 2011 has been re-presented based upon the new segmental reporting adopted for 2012.

	2012		2011	
	Impairment charge £m	**Net book amount of goodwill £m**	Impairment charge £m	Net book amount of goodwill £m
Core Growth:				
Workwear	**–**	**157.5**	–	159.3
Facilities	**–**	**176.3**	–	170.4
UK Flat Linen	**–**	**19.9**	–	19.9
Manage for Value:				
Scandinavian Flat Linen	**–**	**41.6**	–	41.7
Germany and Austria Healthcare	**–**	**8.0**	–	7.8
Ireland	**–**	**2.2**	–	2.3
Direct Sales	**–**	**4.5**	–	4.5
Clinical Solutions	**–**	**14.0**	–	14.0
Decontamination	**–**	**–**	–	–
Total	**–**	**424.0**	–	419.9

Impairment testing of goodwill

The group reviews at each reporting date whether there is an indication that any of the CGU that contains 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 group of CGUs 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. Cash flows beyond the three-year period have been extrapolated using an estimated growth rate of 2% and are appropriate because these are long-term businesses. The growth rate of 2% does not exceed long-term GDP estimates for countries that the group operates within. The main assumptions on which forecast cash flows have been based are revenue, operating margin and cash growth. Projected cash flows have been discounted using pre-tax discount rates of 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.

The annual impairment testing carried out in the current year showed that the recoverable amount for all groups of CGUs to which goodwill is allocated exceeded the carrying amount of the groups of CGUs. At the time of the reallocation of goodwill an impairment test was also carried out which showed that no impairment was required.

This year there are no reasonably possible changes in assumptions that would cause an impairment of goodwill. Last year, we provided additional disclosures on the annual impairment testing results for Germany Healthcare and Clinical Solutions. In 2012, Clinical Solutions has performed well ahead of last year's plan and the latest forecast operating cash flow results reflect the current year's positive results, resulting in an increase in headroom. In 2012, Germany Healthcare's operating cash flow results were also better than plan and the goodwill impairment review carried out at the time of reallocation indicated no impairment was necessary.

9 Other intangible assets

	Computer software £m	Intellectual property rights £m	Customer contracts £m	Total £m
Cost				
At 1 January 2012	**39.8**	**1.4**	**163.3**	**204.5**
Acquisitions (note 25)	**–**	**–**	**27.4**	**27.4**
Additions	**3.3**	**–**	**0.2**	**3.5**
Disposals	**(2.1)**	**–**	**–**	**(2.1)**
Currency translation	**(0.4)**	**–**	**0.6**	**0.2**
At 31 December 2012	**40.6**	**1.4**	**191.5**	**233.5**
Aggregate amortisation				
At 1 January 2012	**26.2**	**1.4**	**100.8**	**128.4**
Charge for the year	**5.3**	**–**	**25.1**	**30.4**
Disposals	**(2.1)**	**–**	**–**	**(2.1)**
Currency translation	**(0.3)**	**–**	**0.1**	**(0.2)**
At 31 December 2012	**29.1**	**1.4**	**126.0**	**156.5**
Net book amount at 31 December 2012	**11.5**	**–**	**65.5**	**77.0**
Net book amount at 31 December 2011	**13.6**	**–**	**62.5**	**76.1**

	Computer software £m	Intellectual property rights £m	Customer contracts £m	Total £m
Cost				
At 1 January 2011	38.0	1.4	157.2	196.6
Acquisitions	–	–	12.7	12.7
Additions	3.1	–	–	3.1
Disposals	(0.7)	–	(3.6)	(4.3)
Currency translation	(0.6)	–	(3.0)	(3.6)
At 31 December 2011	39.8	1.4	163.3	204.5
Aggregate amortisation				
At 1 January 2011	21.7	1.4	82.2	105.3
Charge for the year	5.6	–	24.0	29.6
Disposals	(0.6)	–	(3.3)	(3.9)
Currency translation	(0.5)	–	(2.1)	(2.6)
At 31 December 2011	26.2	1.4	100.8	128.4
Net book amount at 31 December 2011	13.6	–	62.5	76.1
Net book amount at 31 December 2010	16.3	–	75.0	91.3

All amortisation charges have been charged through other operating expenses. The following useful lives have been determined for the intangible assets acquired during the year:

- Computer software three to five years.
- Intellectual property rights three to five years.
- Customer contracts two to five years.

Notes to the consolidated financial statements

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 2012	**247.6**	**490.8**	**582.6**	**1,321.0**
Additions at cost	**5.4**	**24.4**	**127.8**	**157.6**
Acquisitions (note 25)	**1.2**	**2.0**	**1.7**	**4.9**
Disposals	**(0.7)**	**(13.4)**	**(80.1)**	**(94.2)**
Reclassified to assets held for sale	**(2.1)**	**–**	**–**	**(2.1)**
Currency translation	**(2.4)**	**(3.1)**	**(5.3)**	**(10.8)**
At 31 December 2012	**249.0**	**500.7**	**626.7**	**1,376.4**
Accumulated depreciation				
At 1 January 2012	**92.0**	**334.0**	**374.2**	**800.2**
Charge for the year	**7.6**	**34.9**	**119.8**	**162.3**
Disposals	**(0.3)**	**(12.7)**	**(78.5)**	**(91.5)**
Reclassified to assets held for sale	**(0.2)**	**–**	**–**	**(0.2)**
Currency translation	**(1.2)**	**(2.7)**	**(4.2)**	**(8.1)**
At 31 December 2012	**97.9**	**353.5**	**411.3**	**862.7**
Net book amount at 31 December 2012	**151.1**	**147.2**	**215.4**	**513.7**
Net book amount at 31 December 2011	**155.6**	**156.8**	**208.4**	**520.8**

	2012 £m	2011 £m
Plant and machinery net book value includes:		
Assets held under finance leases	**6.9**	7.9
Finance lease additions	**2.5**	2.5
Split of depreciation:		
Owned assets	**(159.1)**	(160.3)
Leased assets	**(3.2)**	(3.6)
	(162.3)	(163.9)

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 2011	248.5	498.3	624.8	1,371.6
Additions at cost	5.5	26.6	131.3	163.4
Acquisitions	–	0.2	0.8	1.0
Disposals	(1.8)	(27.1)	(162.0)	(190.9)
Currency translation	(4.6)	(7.2)	(12.3)	(24.1)
At 31 December 2011	247.6	490.8	582.6	1,321.0
Accumulated depreciation				
At 1 January 2011	85.9	326.2	425.1	837.2
Charge for the year	8.4	37.8	117.7	163.9
Disposals	(0.3)	(25.1)	(160.1)	(185.5)
Currency translation	(2.0)	(4.9)	(8.5)	(15.4)
At 31 December 2011	92.0	334.0	374.2	800.2
Net book amount at 31 December 2011	155.6	156.8	208.4	520.8
Net book amount at 31 December 2010	162.6	172.1	199.7	534.4

11 Inventories

	As at 31 December 2012 £m	As at 31 December 2011 £m
Raw materials	**6.8**	4.2
Work in progress	**4.6**	10.8
Finished goods	**24.0**	24.1
	35.4	39.1

The cost of inventories recognised as an expense in ‘cost of sales’ during the year amounted to £8.4 million (2011: £7.6 million). During the year £0.4 million of inventory was written off (2011: £1.1 million).

12 Trade and other receivables

	As at 31 December 2012 £m	As at 31 December 2011 £m
Current:		
Trade receivables	**131.2**	120.4
Less: Provision for impairment of receivables	**(5.0)**	(5.1)
	126.2	115.3
Other receivables	**8.0**	12.4
Prepayments and accrued income	**30.2**	28.7
	164.4	156.4

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 2012 £m	As at 31 December 2011 £m
Sterling	**32.2**	36.6
Euro	**38.5**	34.3
Swedish krona	**33.2**	27.0
Danish krone	**15.9**	18.4
Other	**14.4**	11.4
	134.2	127.7

Provision for impairment of receivables

	As at 31 December 2012 £m	As at 31 December 2011 £m
At 1 January	**5.1**	5.8
Exchange adjustments	**–**	–
Charge for the year	**1.8**	0.6
Uncollectable amounts written off, net of recoveries	**(1.9)**	(1.3)
At 31 December	**5.0**	5.1

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

12 Trade and other receivables (continued)

As at 31 December 2012, trade receivables of £56.0 million (2011: £49.2 million) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	As at 31 December 2012 £m	As at 31 December 2011 £m
Up to one month	**44.4**	38.9
One to three months	**8.3**	7.2
Over three months	**3.3**	3.1
	56.0	49.2

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

13 Cash and cash equivalents

	As at 31 December 2012 £m	As at 31 December 2011 £m
Cash at bank and in hand	**73.5**	91.6
Short-term bank deposits	**0.2**	0.3
	73.7	91.9

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

14 Trade and other payables

	As at 31 December 2012 £m	As at 31 December 2011 £m
Non-current:		
Accruals and deferred income	**1.9**	–
	1.9	–
Current:		
Trade payables	**55.8**	46.3
Other tax and social security payable	**27.5**	29.8
Other payables	**9.8**	11.7
Deferred consideration payable on acquisitions	**2.3**	0.7
Accruals and deferred income	**90.3**	86.4
	185.7	174.9

15 Borrowings

Current	As at 31 December 2012 £m	As at 31 December 2011 £m
Bank loans – unsecured	**0.2**	0.1
Finance lease obligations	**2.5**	2.8
	2.7	2.9

Non-current	As at 31 December 2012 £m	As at 31 December 2011 £m
Private Placement notes – unsecured	**341.8**	357.6
Bank loans – unsecured	**187.9**	239.5
	529.7	597.1
Finance lease obligations	**5.0**	5.5
	534.7	602.6

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.

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 2012		As at 31 December 2011	
	£m	EIR %	£m	EIR %
Borrowings under the revolving credit facilities				
Sterling	**50.0**	**1.50**	97.0	2.14
Euro	**50.7**	**1.11**	46.0	5.23
Danish krone	**43.8**	**5.15**	45.1	5.29
Swedish krona	**43.2**	**4.50**	52.1	4.78
	187.7	**2.94**	240.2	3.89
Borrowings under the private placement (2006)				
Euro	**61.3**	**4.52**	62.8	4.52
Danish krone	**49.4**	**2.01**	52.0	2.67
Swedish krona	**67.0**	**4.49**	66.1	4.49
Currency translation	**(21.1)**	**–**	(15.9)	–
	156.6	**3.81**	165.0	3.98
Borrowings under the private placement (2009)				
Sterling	**25.0**	**5.74**	25.0	5.74
Euro	**141.3**	**5.22**	144.8	5.22
Currency translation	**18.9**	**–**	22.8	–
	185.2	**5.30**	192.6	5.30
Unamortised loan costs	**(3.0)**	**–**	(4.2)	–
Other bank borrowings				
Danish krone	**0.6**	**3.45**	–	–
Euro	**2.8**	**5.37**	3.6	5.00
	529.9	**3.97**	597.2	4.33

In July 2011, the group refinanced its two existing revolving credit facilities, for £420 million and €200 million to a new revolving credit facility for €535 million. This facility expires on 15 July 2016.

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.

15 Borrowings (continued)

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. For further details of the group's borrowings see note 16.

The private placement amounts in the table above are stated at the year end exchange rates.

As underlying currencies have been swapped from US dollars via derivative contracts, the group has a loss on financial instruments (see note 16) which is offset by the currency translation gain on the underlying borrowing noted above. The borrowing under the US private placements of £341.8 million reflects the £25 million, the US$509 million translated at the year end sterling to dollar rate and the impact of fair value hedge movement.

Fair value of financial assets and liabilities

	As at 31 December 2012		As at 31 December 2011	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Long-term borrowings	**(534.7)**	**(586.7)**	(602.6)	(659.1)
Fair value of other financial assets and liabilities				
Short-term borrowings	**(2.7)**	**(2.7)**	(2.9)	(2.9)
Trade and other payables (note 14)	**(68.0)**	**(68.0)**	(58.7)	(58.7)
Trade and other receivables (note 12)	**134.2**	**134.2**	127.7	127.7
Short-term bank deposits (note 13)	**0.2**	**0.2**	0.3	0.3
Cash at bank and in hand (note 13)	**73.5**	**73.5**	91.6	91.6

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.

Maturity of financial liabilities

	As at 31 December 2012			As at 31 December 2011		
	Borrowings £m	**Finance leases £m**	**Total £m**	Borrowings £m	Finance leases £m	Total £m
Within one year	**0.2**	**2.5**	**2.7**	0.1	2.8	2.9
In more than one year but not more than two years	**32.8**	**2.3**	**35.1**	0.2	2.9	3.1
Over two years but not more than five years	**268.4**	**2.7**	**271.1**	358.6	2.6	361.2
Over five years	**228.5**	**–**	**228.5**	238.3	–	238.3
	529.9	**7.5**	**537.4**	597.2	8.3	605.5

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 2012 £m	As at 31 December 2011 £m
Expiring in more than two years	**249.5**	208.0
	249.5	208.0

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

	As at 31 December 2012 £m	As at 31 December 2011 £m
Not later than one year	**2.6**	3.1
Later than one year but not more than five	**5.1**	5.4
	7.7	8.5
Future finance charges on finance leases	**(0.2)**	(0.2)
Present value of finance lease liabilities	**7.5**	8.3

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16 Derivative financial instruments

The derivatives we have 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 both interest rate swaps and 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 'Amendments to IFRS 7 Financial Instruments: Disclosure'.

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

	As at 31 December 2012			As at 31 December 2011		
	Assets fair value £m	Liabilities fair value £m	Notional £m	Assets fair value £m	Liabilities fair value £m	Notional £m
Fair value hedges						
Cross-currency interest rate swaps	**4.2**	**–**	**30.9**	6.8	–	32.3
	4.2	**–**		6.8	–	
Cash flow hedges						
Interest rate swaps	**–**	**(1.3)**	**72.4**	–	(4.0)	119.3
Cross-currency interest rate swaps	**14.5**	**(1.7)**	**283.9**	28.9	–	297.0
Forward foreign exchange contracts	**–**	**(0.2)**	**4.0**	0.1	–	4.1
	14.5	**(3.2)**		29.0	(4.0)	
Net investment hedges						
Cross-currency interest rate swaps	**19.7**	**(33.6)**	**315.8**	17.5	(34.8)	330.4
	19.7	**(33.6)**		17.5	(34.8)	
Total	**38.4**	**(36.8)**		53.3	(38.8)	

The ineffective portion arising from fair value hedges was a profit of £171,629 (2011: profit of £74,595).

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

	As at 31 December 2012						As at 31 December 2011					
	In one year or less	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years	In one year or less	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years
Fair value hedges												
Asset	**–**	**4.2**	**–**	**–**	**–**	**–**	–	–	6.8	–	–	–
Cash flow hedges												
Asset	**–**	**–**	**–**	**6.5**	**–**	**8.0**	0.1	–	–	–	11.3	17.6
Liability	**(1.5)**	**–**	**–**	**0.2**	**–**	**(1.9)**	(1.1)	(2.9)	–	–	–	–
Net investment hedges												
Asset	**–**	**(0.3)**	**–**	**2.1**	**–**	**17.9**	–	–	(0.3)	–	1.7	16.1
Liability	**(0.6)**	**(5.0)**	**–**	**(14.8)**	**–**	**(13.2)**	(0.7)	–	(5.9)	–	(15.2)	(13.0)
Total												
Asset	**–**	**3.9**	**–**	**8.6**	**–**	**25.9**	0.1	–	6.5	–	13.0	33.7
Liability	**(2.1)**	**(5.0)**	**–**	**(14.6)**	**–**	**(15.1)**	(1.8)	(2.9)	(5.9)	–	(15.2)	(13.0)

16 Derivative financial instruments (continued)

Background

The group has in issue a number of derivative contracts to reduce the interest rate exposure on its revolving credit facility:

– In January 2008, a notional principal amount of DKK 400 million was swapped from floating to fixed rates. This swap has been designated as a cash flow hedge.
– In September 2008, a notional principal amount of SEK 300 million was swapped from floating to fixed rates. The swap entered into has been designated as a cash flow hedge.

The group has in issue US$509 million and £25 million long-term senior guarantee notes under private placements in the US. In May 2006 the group placed US$250 million at fixed rates for periods between eight and twelve years and in December 2009 the group undertook a further placement of US$259 million and £25 million at fixed rates for periods between seven and twelve years. 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. 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 interest rate swaps have resulted in the recognition of a derivative liability of £1.3 million. At 31 December 2012 the fixed interest rates vary from 4.14% to 4.54%, the floating Danish krone rate being CIBOR and the floating Swedish krona rate being STIBOR. The blended fixed rate for the group on these interest rate swaps amount is 4.3%.

Of the US$509 million private placements US$459 million was swapped into fixed rates via sterling swaps. The fixed rate on the US private placements which has been swapped varies from 4.92% to 5.97%. The derivative asset recognised on five of these fifteen instruments is £14.5 million of which the currency component is a loss of £5.7 million with a loss of £1.6 million taken to the hedging reserve. The derivative liability on the ten remaining instruments is £1.7 million of which the currency component is a loss of £7.4 million with £1.4 million taken to the hedging reserve. The exchange component of this derivative movement has been accounted for as a component part of currency translation (£13.1 million loss). The £3.0 million loss has been taken to the hedging reserve and will be continuously released to the income statement until the repayment of the private placement.

The forward foreign exchange contracts have resulted in the recognition of a derivative liability of £0.2 million (2011: asset of £0.1 million). During the year a loss of £0.3 million (2011: gain of £1.2 million) was recognised in equity. This equity transfer will then be recognised in the income statement in line with the hedged transaction.

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 2012 the fixed rate borrowings vary between rates of 4.40% and 5.57% on the fixed European swaps. The floating Danish krone swap varies against CIBOR.

These swaps are accounted for as hedges of the group's assets in the relevant countries. The movement on the derivative liability arising has been accounted for as a component part of currency translation (£3.3 million profit).

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 2012 was £187.7 million (2011: £240.2 million). The foreign exchange gain of £1.7 million on translation is taken to reserves as a component part of currency translation. The swaps used in relation to this hedge have a maturity of between one and two years with no contractual re-pricing.

Fair value hedges

US$50 million of the 2006 US private placement was swapped into a floating Danish krone 309.1 million, via a sterling swap. The sterling swap is dealt with as a fair value hedge. The ineffective portion of the fair value hedge resulted in a profit of £171,629 (2011: profit £74,595).

The fair value hedge has resulted in the recognition of a £4.2 million derivative asset.

Notes to the consolidated financial statements

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.

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 2012 and 2011, derivative financial instruments were used to manage foreign currency risk as follows:

							As at 31 December 2012
	Sterling £m	Euro £m	US dollar £m	Danish krone £m	Swedish krona £m	Other £m	Total £m
Cash and cash equivalents	**27.0**	**46.1**	**–**	**34.4**	**43.6**	**15.9**	**167.0**
Bank overdrafts	**(64.2)**	**(27.4)**	**–**	**–**	**–**	**(1.7)**	**(93.3)**
Net cash and cash equivalents (note 13)	**(37.2)**	**18.7**	**–**	**34.4**	**43.6**	**14.2**	**73.7**
Borrowings, excluding finance lease liabilities	**(72.0)**	**(53.5)**	**(316.8)**	**(44.4)**	**(43.2)**	**–**	**(529.9)**
Finance lease liabilities	**(2.8)**	**–**	**–**	**–**	**(4.1)**	**(0.6)**	**(7.5)**
Pre-derivative position	**(112.0)**	**(34.8)**	**(316.8)**	**(10.0)**	**(3.7)**	**13.6**	**(463.7)**
Derivative effect	**(0.2)**	**(202.7)**	**316.8**	**(47.1)**	**(65.2)**	**–**	**1.6**
Post-derivative position	**(112.2)**	**(237.5)**	**–**	**(57.1)**	**(68.9)**	**13.6**	**(462.1)**

							As at 31 December 2011
	Sterling £m	Euro £m	US dollar £m	Danish krone £m	Swedish krona £m	Other £m	Total £m
Cash and cash equivalents	34.6	48.4	–	20.9	22.3	10.2	136.4
Bank overdrafts	(19.7)	(11.7)	–	–	–	(13.1)	(44.5)
Net cash and cash equivalents (note 13)	14.9	36.7	–	20.9	22.3	(2.9)	91.9
Borrowings, excluding finance lease liabilities	(117.8)	(49.6)	(332.6)	(45.1)	(52.1)	–	(597.2)
Finance lease liabilities	(4.6)	(0.1)	–	–	(3.2)	(0.4)	(8.3)
Pre-derivative position	(107.5)	(13.0)	(332.6)	(24.2)	(33.0)	(3.3)	(513.6)
Derivative effect	0.1	(202.9)	332.6	(56.4)	(58.9)	–	14.5
Post-derivative position	(107.4)	(215.9)	–	(80.6)	(91.9)	(3.3)	(499.1)

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

17.1 Financial risk factors (continued)

ii) Price risk

The group is not exposed to any equity securities or commodities price risk.

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 2012 and 2011, the group's borrowings at variable rate were denominated in sterling, euro, Swedish krona and Danish krone. As at 31 December 2012, the group has the following swaps to convert floating rate debt to fixed rate debt: DKK 400 million and SEK 300 million.

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 2012 £m	As at 31 December 2011 £m
Fixed interest rate borrowings		
In one year or less	**2.7**	2.9
In more than one year, but not more than two years	**35.1**	3.1
In more than two years but not more than five years	**83.4**	121.0
In more than five years	**228.5**	238.3
	349.7	365.3
Floating interest rate borrowings	**187.7**	240.2
Total borrowings	**537.4**	605.5

During 2012 and 2011, net debt was managed using derivative instruments to hedge interest rate risk as follows:

	As at 31 December 2012			As at 31 December 2011		
	Fixed-rate £m	**Floating-rate £m**	**Total £m**	Fixed-rate £m	Floating-rate £m	Total £m
Cash and cash equivalents	**–**	**73.7**	**73.7**	–	91.9	91.9
Borrowings	**(349.7)**	**(187.7)**	**(537.4)**	(365.3)	(240.2)	(605.5)
Pre-derivative net debt position	**(349.7)**	**(114.0)**	**(463.7)**	(365.3)	(148.3)	(513.6)
Derivative effect (note i)	**(43.9)**	**45.7**	**1.8**	(79.4)	93.8	14.4
Post-derivative net debt position	**(393.6)**	**(68.3)**	**(461.9)**	(444.7)	(54.5)	(499.2)

(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 minimum rating of 'A' 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 2012 and 31 December 2011, 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 £245.8 million (2011: £272.9 million). The group does not hold any collateral as security.

Notes to the consolidated financial statements

17.1 Financial risk factors (continued)

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.

The table below analyses the group's financial liabilities 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 2012. Balances due within 12 months equal their carrying balances as the impact of the discount is not significant.

	As at 31 December 2012				
	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**	**32.8**	**268.4**	**228.5**	**529.9**
Interest payments on borrowings	**4.4**	**4.4**	**8.9**	**2.8**	**20.5**
Finance lease liabilities	**2.6**	**2.4**	**2.7**	**–**	**7.7**
Other non-interest bearing liabilities	**155.3**	**–**	**–**	**–**	**155.3**
Derivative financial liabilities					
Derivative contracts – payments	**14.7**	**13.9**	**39.4**	**29.9**	**97.9**
Total at 31 December 2012	**177.2**	**53.5**	**319.4**	**261.2**	**811.3**

	As at 31 December 2011				
	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	0.1	0.2	358.6	238.3	597.2
Interest payments on borrowings	7.9	7.9	20.7	4.3	40.8
Finance lease liabilities	2.9	3.0	2.6	–	8.5
Other non-interest bearing liabilities	141.6	–	–	–	141.6
Derivative financial liabilities					
Derivative contracts – payments	17.1	15.3	40.4	30.6	103.4
Total at 31 December 2011	169.6	26.4	422.3	273.2	891.5

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 2012 and 31 December 2011. 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.

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 2012 and 31 December 2011, 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 2012 Equity £m	As at 31 December 2011 Equity £m
Euro exchange rate + 10%	**21.6**	19.6
Euro exchange rate –10%	**(26.4)**	(24.0)
Danish krone exchange rate +10%	**5.2**	7.3
Danish krone exchange rate –10%	**(6.3)**	(9.0)
Swedish krona exchange rate +10%	**6.3**	8.4
Swedish krona exchange rate –10%	**(7.7)**	(10.2)

The table below shows the sensitivity of post-tax profit to interest rates as at 31 December 2012 and 31 December 2011, 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 2012 Income statement £m	As at 31 December 2011 Income statement £m
UK interest rates ±100bp	**(0.9)**	(0.8)
Euro interest rates ±100bp	**(0.3)**	0.4
Danish krone interest rates ±100bp	**–**	(0.1)
Swedish krona interest rates ±100bp	**0.3**	–

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.

Notes to the consolidated financial statements

17.2 Capital management (continued)
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 2012 £m	As at 31 December 2011 £m
Total borrowings	**537.4**	605.5
Less cash and cash equivalents	**(73.7)**	(91.9)
Net debt	**463.7**	513.6
Total equity	**493.9**	458.5
Total capital	**957.6**	972.1

18 Provisions

	Vacant properties £m	Restructuring £m	Property disposals £m	Onerous contract provision £m	Total £m
At 1 January 2012	**0.2**	**2.5**	**2.5**	**5.5**	**10.7**
Charged/(released) in the year	**–**	**1.5**	**–**	**(2.2)**	**(0.7)**
Utilised in the year	**(0.1)**	**(2.3)**	**–**	**–**	**(2.4)**
Currency translation	**–**	**(0.1)**	**–**	**–**	**(0.1)**
At 31 December 2012	**0.1**	**1.6**	**2.5**	**3.3**	**7.5**
Represented by:					
Non-current	**–**	**–**	**2.5**	**0.8**	**3.3**
Current	**0.1**	**1.6**	**–**	**2.5**	**4.2**
	0.1	**1.6**	**2.5**	**3.3**	**7.5**

Vacant properties
Vacant property provisions are made in respect of vacant and partly sub-let leasehold properties to the extent that the future rental payments are expected to exceed future rental income. It is further assumed, where reasonable, that the properties will be able to be sub-let beyond the present sub-let lease agreements.

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

Property disposals
The group has outstanding warranties, indemnities and guarantees given previously on a number of properties operated by businesses which have been disposed. The majority of these expire in 2017 with the remaining expiring by 2022.

Onerous contract provision
The group has a provision for future losses on two decontamination contracts which are considered to be onerous. The utilisation of the provision is shown within administrative expenses in the income statement.

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:

	2012 £m	2011 £m
At 1 January	**(34.7)**	(39.0)
Acquisitions (note 25)	**(4.1)**	(0.8)
(Charged)/credited to income (note 5)	**(4.0)**	0.6
Other movements	**–**	0.2
Credited to equity	**4.3**	3.5
Currency translation	**0.2**	0.8
At 31 December	**(38.3)**	(34.7)

19 Deferred tax (continued)

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 2012 £m	As at 31 December 2011 £m
Deferred tax assets	**8.6**	14.1
Deferred tax liabilities	**(46.9)**	(48.8)
	(38.3)	(34.7)

(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 2012	**(51.9)**	**(4.6)**	**(1.3)**	**(7.2)**	**(65.0)**
Transfer from assets	**–**	**–**	**(1.1)**	**–**	**(1.1)**
Acquisitions (note 25)	**(3.6)**	**–**	**–**	**(0.5)**	**(4.1)**
Charged to income	**(0.3)**	**(1.3)**	**–**	**(0.2)**	**(1.8)**
Credited to equity	**0.1**	**0.2**	**2.4**	**–**	**2.7**
Reclassification of asset	**0.6**	**–**	**–**	**(0.6)**	**–**
Currency translation	**0.4**	**–**	**–**	**–**	**0.4**
At 31 December 2012	**(54.7)**	**(5.7)**	**–**	**(8.5)**	**(68.9)**

Deferred tax assets

	Provisions £m	Pensions £m	Tax losses £m	Derivatives £m	Other £m	Total £m
At 1 January 2012	**4.8**	**5.7**	**9.5**	**–**	**10.3**	**30.3**
Transfer from liabilities	**–**	**–**	**–**	**1.1**	**–**	**1.1**
Credited/(charged) to income	**(0.8)**	**(1.8)**	**(0.1)**	**–**	**0.5**	**(2.2)**
Credited to equity	**–**	**–**	**–**	**–**	**1.6**	**1.6**
Reclassification of asset	**(2.0)**	**1.8**	**–**	**–**	**0.2**	**–**
Currency translation	**0.1**	**–**	**(0.2)**	**–**	**(0.1)**	**(0.2)**
At 31 December 2012	**2.1**	**5.7**	**9.2**	**1.1**	**12.5**	**30.6**

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 2012 £m	As at 31 December 2011 £m
Unused tax losses	**2.2**	2.0

Included in unused tax losses is an amount of £1.1 million (2011: £1.1 million) which will expire between 2013 and 2017 if the relevant losses are not used.

Following changes to tax legislation, from 1 July 2009 the receipt of overseas dividends will be largely exempt from UK tax and consequently no deferred tax is recognised on unremitted earnings from overseas subsidiaries.

Notes to the consolidated financial statements

20 Share capital

	Ordinary shares millions	Ordinary shares £m
Allotted and fully paid		
At 1 January 2012	**171.8**	**51.5**
Allotted in respect of share option schemes	**0.5**	**0.2**
At 31 December 2012	**172.3**	**51.7**

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

Potential issues of ordinary shares
Share options
Certain senior executives hold options to subscribe for shares in the company at prices ranging from £2.91 to £4.4575 under approved and unapproved share option schemes. Options on 484,764 shares were exercised in 2012 (20,400 at an exercise price of £2.91, 47,000 at an exercise price of £3.67, 120,174 at an exercise price of £4.4575, 50,086 at an exercise price of £4.45, 246,297 at an exercise price of £3.23 and 807 at an exercise price of £3.47) . For arrangements granted since October 2002, which were exercised in the year, the weighted average market price of at the time of exercise was £5.63. The number of shares subject to options is given below:

	Not exercised at 31 December 2012	Not exercised at 31 December 2011	Price per share pence
The Davis 1998 Share Option Scheme			
Date of grant 11 October 2002	**-**	20,400	291.00
10 October 2003	**23,000**	70,000	367.00
2 June 2005	**162,698**	282,872	445.75
Berendsen Sharesave Plan 2006			
Date of grant 31 October 2007	**6,039**	66,468	445.00
29 October 2009	**249,623**	548,539	323.00
1 December 2011	**409,046**	475,683	347.00
Berendsen Irish SAYE Scheme 2009			
Date of grant 29 October 2009	**12,410**	32,263	323.00
	862,816	1,496,225	

20 Share capital (continued)

Share awards

As at 31 December 2012, the following conditional share awards granted to directors and staff remain outstanding:

	31 December 2012	31 December 2011
Performance Share Plan		
Date of grant 5 March 2009	**–**	858,320
4 March 2010	**516,433**	516,433
3 March 2011	**435,097**	435,097
7 March 2012	**450,639**	–
Deferred Bonus Share Plan		
4 March 2010	**71,599**	71,599
3 March 2011	**81,179**	81,179
7 March 2012	**84,208**	–
Executive Incentive Plan		
Date of grant 30 September 2009	**–**	829,832
4 March 2010	**887,169**	906,482
4 March 2011	**771,468**	818,050
Share award pursuant to Listing Rule 9.4.2(2)[1]		
Date of grant 17 December 2009	**130,446**	130,446
Co-Investment Plan		
Date of grant 15 April 2010	**729,603**	729,603
12 April 2011	**677,912**	677,912
10 April 2012	**707,572**	–
One-off Share award		
Date of grant 2 April 2012	**19,730**	–
Berendsen Long-term Incentive Plan (3 years)		
Date of grant 7 March 2012	**186,356**	–
Berendsen Long-term Incentive Plan (2 years)		
Date of grant 7 March 2012	**412,331**	–
	6,161,742	6,054,953

1 For further details refer to report on directors' remuneration page 79.

21 Share-based payments

The following share-based expenses charged in the year (net of deferred tax) are included within administration expenses:

	Year to 31 December 2012 £m	Year to 31 December 2011 £m
Performance share plans	**1.0**	1.0
Executive incentive plan	**0.3**	1.9
Share award pursuant to Listing Rule 9.4.2(2)	**–**	0.2
Co-Investment plan	**2.0**	1.5
Berendsen Long-term Incentive Plans	**1.2**	–
Executive and Sharesave option schemes	**0.2**	0.2
	4.7	4.8

Notes to the consolidated financial statements

21 Share-based payments (continued)

Share options

During the year the group had nine share-based payment arrangements granted since October 2002, 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)
The Davis 1998 Share Option Scheme										
Date of grant 10 October 2003	401,500	10 years	367.0	367.0	60	25%	1 year	4.2%	3.5%	59.86
2 June 2005	460,000	10 years	445.8	445.8	12	25%	2.5 years	4.2%	3.5%	72.71
Berendsen Sharesave Plan 2006										
Date of grant 31 October 2007	163,090	3.5 years	445.0	556.3	152	22%	0.5 years	5.0%	4.0%	147.8
29 October 2009	364,364	3.5 years	323.0	418.0	407	30%	0.5 years	2.0%	4.8%	65.32
29 October 2009	301,044	5.5 years	323.0	418.0	152	27%	2.5 years	2.0%	4.8%	65.32
27 October 2011	360,278	3.5 years	278.0	347.0	458	29%	2.5 years	0.6%	4.2%	75.26
27 October 2011	118,964	5.5 years	278.0	347.0	92	27%	4.5 years	1.2%	4.2%	74.02
Berendsen Irish SAYE Scheme 2009										
Date of grant 29 October 2009	31,844	3.5 years	323.0	418.0	24	30%	0.5 years	2.0%	4.8%	65.32
29 October 2009	20,639	5.5 years	323.0	418.0	11	27%	2.5 years	2.0%	4.8%	65.32

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 UK employees. The options granted under the Irish scheme are available to all Republic of Ireland 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.

21 Share-based payments (continued)

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

The Davis 1998 Share Option Scheme

	1 January 2012	Number of shares Granted	Exercised	Lapsed	31 December 2012	Exercise price (pence)	Exercise period
10 October 2003	**70,000**	**–**	**(47,000)**	**–**	**23,000**	**367.00**	**Oct 2006 – Oct 2013**
2 June 2005	**282,872**	**–**	**(120,174)**	**–**	**162,698**	**445.75**	**Jun 2008 – Jun 2015**

	1 January 2011	Number of shares Granted	Exercised	Lapsed	31 December 2011	Exercise price (pence)	Exercise period
10 October 2003	77,593	–	(7,000)	(593)	70,000	367.00	Oct 2006 – Oct 2013
2 June 2005	290,000	–	(7,128)	–	282,872	445.75	Jun 2008 – Jun 2015

Berendsen Sharesave Plan 2006

	1 January 2012	Number of shares Granted	Exercised	Lapsed	31 December 2012	Exercise price (pence)	Exercise period
31 October 2007	**66,468**	**–**	**(50,086)**	**(10,343)**	**6,039**	**445.00**	**Dec 2012 – May 2013**
29 October 2009	**277,603**	**–**	**(224,855)**	**(39,855)**	**12,862**	**323.00**	**Dec 2012 – May 2013**
29 October 2009	**270,936**	**–**	**(5,331)**	**(28,844)**	**236,761**	**323.00**	**Dec 2014 – May 2015**
27 October 2011	**358,880**	**–**	**(807)**	**(51,310)**	**306,763**	**347.00**	**Dec 2014 – May 2015**
27 October 2011	**116,803**	**–**	**–**	**(14,520)**	**102,283**	**347.00**	**Dec 2016 – May 2017**

	1 January 2011	Number of shares Granted	Exercised	Lapsed	31 December 2011	Exercise price (pence)	Exercise period
31 October 2007	108,483	–	(12,846)	(95,636)	–	445.00	Dec 2010 – May 2011
31 October 2007	71,662	–	–	(5,194)	66,468	445.00	Dec 2012 – May 2013
29 October 2009	320,105	–	(1,642)	(40,860)	277,603	323.00	Dec 2012 – May 2013
29 October 2009	291,631	–	–	(20,695)	270,936	323.00	Dec 2014 – May 2015
27 October 2011	–	360,278	–	(1,398)	358,880	347.00	Dec 2014 – May 2015
27 October 2011	–	118,964	–	(2,161)	116,803	347.00	Dec 2016 – May 2017

Berendsen Irish SAYE Scheme 2009

	1 January 2012	Number of shares Granted	Exercised	Lapsed	31 December 2012	Exercise price (pence)	Exercise period
29 October 2009	**22,453**	**–**	**(16,111)**	**(3,742)**	**2,600**	**323.00**	**Dec 2012 – May 2013**
29 October 2009	**9,810**	**–**	**–**	**–**	**9,810**	**323.00**	**Dec 2014 – May 2015**

	1 January 2011	Number of shares Granted	Exercised	Lapsed	31 December 2011	Exercise price (pence)	Exercise period
29 October 2009	26,956	–	–	(4,503)	22,453	323.00	Dec 2012 – May 2013
29 October 2009	19,253	–	–	(9,443)	9,810	323.00	Dec 2014 – May 2015

Notes to the consolidated financial statements

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 5 March 2009	858,320	3 years	236.8	6	29%	n/a	3 years	1.7%	4.8%	210.02
4 March 2010	516,433	3 years	408.8	6	30%	n/a	3 years	1.9%	4.8%	353.97
3 March 2011	435,097	3 years	488.1	6	29%	n/a	3 years	1.9%	4.2%	430.05
7 March 2012	450,639	3 years	517.9	7	29%	n/a	3 years	0.6%	7.3%	416.56
Deferred Bonus Share Plan										
Date of grant 4 March 2010	71,599	3 years	408.8	5	30%	n/a	3 years	1.9%	4.8%	56.24
3 March 2011	81,179	3 years	488.1	6	25%	n/a	3 years	1.4%	4.2%	52.53
7 March 2012	84,208	3 years	517.9	7	26%	n/a	3 years	0.6%	7.3%	44.01
Executive Incentive Plan										
Date of grant 30 September 2009	984,460	3 years	404.6	84	30%	n/a	3 years	1.9%	4.8%	358.85
4 March 2010	1,051,540	3 years	408.8	94	30%	n/a	3 years	1.9%	4.8%	353.97
4 March 2011	917,367	3 years	488.1	92	29%	n/a	3 years	1.9%	4.2%	430.05
Share award pursuant to Listing Rule 9.4.2(2)										
Date of grant 17 December 2009	130,446	2-3 years	383.3	1	30%	n/a	3 years	1.9%	4.8%	339.96
Co-Investment Plan										
Date of grant 15 April 2010	729,603	3 years	420.6	9	30%	n/a	3 years	1.9%	4.8%	353.97
12 April 2011	677,912	3 years	488.1	8	29%	n/a	3 years	1.8%	4.2%	430.05
10 April 2012	707,572	3 years	518.0	11	25%	n/a	3 years	0.5%	7.3%	416.54
One-off Share Award										
Date of grant 2 April 2012	19,730	3 years	523.0	1	25%	n/a	3 years	0.6%	7.3%	421.53
Berendsen Long-term Incentive Plan										
Date of grant 7 March 2012	209,624	3 years	517.9	11	26%	n/a	3 years	0.6%	7.3%	416.56
7 March 2012	427,399	2 years	517.9	83	26%	n/a	2 years	0.4%	7.3%	447.92

21 Share-based payments (continued)

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 have been satisfied.

The Deferred Bonus Share Plan (DBSP) awards are conditional on the employee completing three years service from the date of the grant.

The Executive Incentive Plan (EIP) awards are conditional on the employee achieving relevant, stretching three-year performance targets.

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

The Co-Investment Plan (CIP) awards include an element conditional on the employee completing three years service from the date of the grant, as well as an element conditional on the employee achieving relevant, stretching three-year performance targets.

The Berendsen Long-Term Incentive Plan (BLTIP) awards are conditional on the employee achieving relevant, stretching three or two-year performance targets.

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.

The remuneration committee approved the grant of a one-off share award to Peter Ventress, who joined as Chief Executive from 1 January 2010. The share award pursuant to Listing Rule 9.4.2(2) is an award over the company's shares that, at the time of grant, had the market value of £500,000 and was structured so as to broadly replicate the terms of the incentive awards he forfeited when he resigned from his former employer. The award is not performance related (reflecting the terms of the forfeited award). This can be exercised at any time up to 17 December 2019 being the tenth anniversary of the grant date.

A one-off share award was granted on 2 April 2012 following the purchase of the Decontam business in Germany. The award is not performance related and will vest on 2 April 2015. If, however, prior to the vesting of the award, the individual ceases to be an employee of the company by reason of notice of termination of his employment (whether given or received), the award will lapse.

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

Performance Share Plan

		Number of shares				
	1 January 2012	**Granted**	**Vested**	**Lapsed**	**31 December 2012**	**Vesting period/date**
5 March 2009	**858,320**	**–**	**(498,169)**	**(360,151)**	**–**	**4 March 2012**
4 March 2010	**516,433**	**–**	**–**	**–**	**516,433**	**4 March 2013**
3 March 2011	**435,097**	**–**	**–**		**435,097**	**3 March 2014**
7 March 2012	**–**	**450,639**	**–**	**–**	**450,639**	**7 March 2015 to 7 March 2019**

		Number of shares				
	1 January 2011	Granted	Vested	Lapsed	31 December 2011	Vesting date
6 March 2008	384,316	–	–	(384,316)	–	5 March 2011
5 March 2009	858,320	–	–	–	858,320	4 March 2012
4 March 2010	516,433	–	–	–	516,433	4 March 2013
3 March 2011	–	435,097	–	–	435,097	3 March 2014

21 Share-based payments (continued)

Deferred Bonus Share Plan

	1 January 2012	Number of shares Granted	Vested	Lapsed	31 December 2012	Vesting date
4 March 2010	**71,599**	**–**	**–**	**–**	**71,599**	**4 March 2013**
3 March 2011	**81,179**	**–**	**–**	**–**	**81,179**	**3 March 2014**
7 March 2012	**–**	**84,208**	**–**	**–**	**84,208**	**7 March 2015**

	1 January 2011	Number of shares Granted	Vested	Lapsed	31 December 2011	Vesting date
5 March 2009	50,191	–	(50,191)	–	–	5 March 2012
4 March 2010	71,599	–	–	–	71,599	4 March 2013
3 March 2011	–	81,179	–	–	81,179	3 March 2014

Executive Incentive Plan

	1 January 2012	Number of shares Granted	Vested	Lapsed	31 December 2012	Vesting date
30 September 2009	**829,832**	**–**	**(480,152)**	**(349,680)**	**–**	**30 September 2012**
4 March 2010	**906,482**	**–**	**–**	**(19,313)**	**887,169**	**4 March 2013**
4 March 2011	**818,050**	**–**	**–**	**(46,582)**	**771,468**	**4 March 2014**

	1 January 2011	Number of shares Granted	Vested	Lapsed	31 December 2011	Vesting date
6 March 2008	522,153	–	(26,505)	(495,648)	–	6 March 2011
18 December 2008	54,210	–	–	(54,210)	–	18 December 2011
30 September 2009	974,711	–	(57,082)	(87,797)	829,832	30 September 2012
4 March 2010	1,044,232	–	(22,423)	(115,327)	906,482	4 March 2013
4 March 2011	–	917,367	(9,074)	(90,243)	818,050	4 March 2014

Share award pursuant to Listing Rule 9.4.2(2)

	1 January 2012	Number of shares Granted	Vested	Lapsed	31 December 2012	Vesting period
17 December 2009	**130,446**	**–**	**–**	**–**	**130,446**	**31 March 2012 to 17 December 2019**

	1 January 2011	Number of shares Granted	Vested	Lapsed	31 December 2011	Vesting period
17 December 2009	130,446	–	–	–	130,446	31 March 2012 to 17 December 2019

Co-Investment Plan

	1 January 2012	Number of shares Granted	Vested	Lapsed	31 December 2012	Vesting period/date
15 April 2010	**729,603**	**–**	**–**	**–**	**729,603**	**15 April 2013**
12 April 2011	**677,912**	**–**	**–**	**–**	**677,912**	**12 April 2014**
10 April 2012	**–**	**707,572**	**–**	**–**	**707,572**	**10 April 2015 to 10 April 2019**

	1 January 2011	Number of shares Granted	Vested	Lapsed	31 December 2011	Vesting date
15 April 2010	729,603	–	–	–	729,603	15 April 2013
12 April 2011	–	677,912	–	–	677,912	12 April 2014

21 Share-based payments (continued)

One-off Share Award

	1 January 2012	Number of shares Granted	Vested	Lapsed	31 December 2012	Vesting date
2 April 2012	–	19,730	–	–	19,730	1 April 2015

Berendsen Long-term Incentive Plan

	1 January 2012	Number of shares Granted	Vested	Lapsed	31 December 2012	Vesting date
7 March 2012	–	209,624	–	(23,268)	186,356	7 March 2015
7 March 2012	–	427,399	–	(15,068)	412,331	7 March 2014

22 Principal subsidiary undertakings

Company	Class of shares held	Country of incorporation
UK and Ireland		
The Sunlight Service Group Limited(1)	Ordinary	England
Spring Grove Services Limited	Ordinary	Republic of Ireland
Central Laundries Limited	Ordinary	Northern Ireland
IH Decontamination Services (Cardiff) Limited	Ordinary	England
IH Sterile Services Limited	Ordinary	England
Berendsen Finance Limited(1)(2)	Ordinary	England
Continental Europe		
Berendsen A/S(2)(3)	Ordinary	Denmark
Berendsen Textil Service A/S(1)	Ordinary	Denmark
Berendsen Textil Service AB	Ordinary	Sweden
Berendsen Sourcing AB	Ordinary	Sweden
Berendsen Textil Service AB – Filial I Finland	Ordinary	Sweden
Berendsen Tekstil Service AS	Ordinary	Norway
AS Emblému Pakláju Serviss	Ordinary	Latvia
UAB Tebúnie Švara	Ordinary	Lithuania
Berendsen Beteiligungs GmbH	Ordinary	Germany
Berendsen GmbH	Ordinary	Austria
Berendsen Textiel Service BV	Ordinary	Holland
Groene Team B.V.	Ordinary	Holland
Berendsen Textile Service Sp.z.o.o.	Ordinary	Poland
Berendsen Textile Servis s.r.o.	Ordinary	Czech Republic
Berendsen Textile Service A/S	Ordinary	Estonia
AS Svarmil	Ordinary	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 holding company. The principal activity of all other companies is that of textile maintenance.

(3) On 1 January 2012, the company changed its name to Berendsen A/S from Sophus Berendsen A/S.

Notes to the consolidated financial statements

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 2012 £m**	Year to 31 December 2011 £m Restated
Profit for the year	**72.9**	57.5
Adjustments for:		
Taxation	**22.0**	21.8
Amortisation of intangible assets	**30.4**	29.6
Depreciation of property, plant and equipment	**162.3**	163.9
Profit on sale of property, plant and equipment	**(1.2)**	(1.1)
Change to long-term employee benefits	**–**	(3.1)
Restructuring costs (non-cash element)	**–**	1.8
Finance income	**(2.2)**	(1.7)
Finance costs	**27.8**	29.7
Special pension contribution payments (note 27)	**(5.0)**	(5.0)
Other movements	**0.2**	(1.9)
Changes in working capital (excluding effect of acquisitions, disposals and exchange differences on consolidation):		
Inventories	**3.9**	(1.8)
Trade and other receivables	**(0.1)**	7.2
Trade and other payables	**7.6**	0.9
Provisions	**(0.9)**	(11.2)
Cash generated from operations	**317.7**	286.6

In accordance with paragraph 14 of IAS 7 the group has accounted for the special pension contribution payments made in 2012, £5 million, as part of its cash generated from operations. In 2011 the special pension payment was shown as part of the cash used in investing activities and consequently the 2011 cash flow statement has been restated to show this amount, also £5 million, within cash generated from operations, for comparative purposes. This reclassification has no impact in either year on the net increase or decrease in cash. In the cash flow statement, proceeds from sale of property (including assets held for sale), plant and equipment comprise:

	Year to 31 December 2012 £m	Year to 31 December 2011 £m
Net book amount	**2.7**	3.7
Profit on sale of property, plant and equipment	**1.2**	1.1
Proceeds from sale of property, plant and equipment	**3.9**	4.8

	Year to 31 December 2012 £m	Year to 31 December 2011 £m
Free cash flow	**125.1**	93.1
Analysis of free cash flow		
Net cash generated from operating activities	**274.8**	240.7
Add back fundamental restructuring cash paid	**–**	6.6
Add back special pension contribution payments	**5.0**	5.0
Purchases of property, plant and equipment	**(155.1)**	(160.9)
Proceeds from the sale of property, plant and equipment	**3.9**	4.8
Purchases of intangible assets	**(3.5)**	(3.1)
Free cash flow	**125.1**	93.1

24 Reconciliation of net cash flow to movement in net debt

	Year to 31 December 2012 £m	Year to 31 December 2011 £m
(Decrease)/increase in cash	**(16.4)**	19.9
Cash outflow from movement in debt and lease financing	**55.1**	10.6
Decrease in net debt resulting from cash flows	**38.7**	30.5
New finance leases	**(2.5)**	(2.5)
Bank loans and lease obligations acquired with subsidiaries	**(0.8)**	–
Currency translation	**14.5**	(1.4)
Decrease in net debt during the year	**49.9**	26.6
Net debt at beginning of year	**(513.6)**	(540.2)
Net debt at end of year	**(463.7)**	(513.6)

25 Acquisitions and disposals

Acquisitions

During the year the group acquired the trade and assets of a number of textile maintenance businesses with the primary acquisition being the ISS washroom business (Groene Team) in Netherlands, which was acquired in October 2012.

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

	Groene Provisional fair values £m	**Other acquisitions Provisional fair values £m**	**Total Provisional fair values £m**
Intangible assets (note 9)	**14.7**	**12.7**	**27.4**
Property, plant and equipment (note 10)	**0.5**	**4.4**	**4.9**
Inventory	**0.3**	**–**	**0.3**
Trade and other receivables	**6.5**	**0.5**	**7.0**
Cash and cash equivalents	**0.1**	**–**	**0.1**
Bank overdrafts	**–**	**(0.4)**	**(0.4)**
Trade and other payables	**(1.5)**	**(0.3)**	**(1.8)**
Interest bearing loans and borrowings	**–**	**(0.8)**	**(0.8)**
Deferred tax liabilities (note 19)	**(1.7)**	**(2.4)**	**(4.1)**
Net assets acquired	**18.9**	**13.7**	**32.6**
Goodwill (note 8)	**6.4**	**(0.6)**	**5.8**
Consideration	**25.3**	**13.1**	**38.4**
Consideration satisfied by:			
Cash	**23.9**	**12.5**	**36.4**
Deferred consideration	**1.4**	**0.6**	**2.0**
	25.3	**13.1**	**38.4**

Acquisition related costs of £0.5 million (2011: £0.3 million) are included in the income statement.

Shown below are the revenues and profit for the year after tax as if the above acquisitions had been made at the beginning of the period. The information is not 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.

	2012 £m
Revenue	**21.1**
Profit after tax	**3.7**

Notes to the consolidated financial statements

25 Acquisitions and disposals (continued)

From the date of acquisition to 31 December 2012, the above acquisitions contributed £7.6 million to revenue and £1.6 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	**36.7**
Deferred consideration paid for previous acquisitions	**0.4**
	37.1

During the year a revision to the fair value of assets acquired as a result of acquisitions made in 2011 resulted in a credit of £0.6 million to goodwill.

26 Employees and directors

Staff costs for the group during the year:

	Year to 31 December 2012 £m	Year to 31 December 2011 £m
Wages and salaries	**320.3**	333.6
Social security costs	**43.5**	46.7
Other pension costs	**11.9**	10.4
Share-based payment charges (note 21)	**4.7**	4.8
	380.4	395.5

Average monthly number of people (including directors) employed

	2012 Number	2011 Number
By business line		
Workwear	**3,732**	3,872
Facility	**1,680**	1,625
UK Flat Linen	**4,719**	5,083
Total Core	**10,131**	10,580
Clinical Solutions and Decontamination	**1,290**	1,284
Flat Linen outside UK	**3,178**	3,392
Total Manage for Value	**4,468**	4,676
Central	**389**	383
Group	**14,988**	15,639

Key management compensation

	Year to 31 December 2012 £m	Year to 31 December 2011 £m
Salaries and short-term employee benefit	**5.4**	4.5
Post-employment benefit contributions	**0.5**	0.5
Share-based payments	**2.8**	2.4
	8.7	7.4

The key management compensation above includes seven (2011: seven) Berendsen plc directors and five (2011: five) executive board members who are not Berendsen plc directors.

26 Employees and directors (continued)

Directors

	Year to 31 December 2012 £m	Year to 31 December 2011 £m
Salaries and short-term employee benefits	**2.2**	2.0
Post-employment benefit contributions	**0.2**	0.2
Share-based payments	**1.1**	1.0
	3.5	3.2

As at 31 December 2012, two (2011: two) directors were accruing retirement benefits under money purchase schemes, in respect of their services to the company.

Further details of the directors' emoluments, including benefits received by the highest paid director, are disclosed in the Remuneration report on page 69.

27 Pension commitments

Defined contribution schemes

Pension costs for defined contribution schemes are as follows:

	Year to 31 December 2012 £m	Year to 31 December 2011 £m
Defined contribution schemes (note i)	**10.2**	12.2

(i) Total included within staff costs (note 26).

Defined benefit plans

Within the United Kingdom, the group principally operates a registered defined benefit scheme (The Davis Service Group Retirement Benefits Scheme). There was a triennial valuation in February 2010. In 2012, £5 million (2011: £5 million) was contributed to the fund, with a further £5 million planned in 2013.

Overseas, the only significant defined benefit pension arrangements are the defined benefit scheme operated in Ireland and unfunded schemes within Sweden, Germany and Norway. Under such schemes the group discharges its pension obligations through schemes administered by insurance companies or government agencies.

The overall surplus on the funded plans is £19.5 million (of which £18.8 million surplus is in respect of the main UK plan). There is a deficit of £40.0 million on unfunded plans.

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 scheme.

The actuarial valuations of the principal scheme, together with eight other defined benefit schemes operated by the group have each been updated as at 31 December 2012 by qualified actuaries using revised assumptions that are consistent with the requirements of IAS 19. The principal assumptions made by the actuaries were:

	2012 %	2011 %
Rate of increase in pensionable salaries	**2.8**	2.8
Rate of increase in pensions in payment and deferred pensions	**2.9**	2.8
Discount rate	**4.2**	4.5
Inflation rate – RPI	**2.9**	2.8
Inflation rate – CPI	**2.3**	2.0
Expected return on plan assets		
– Equities	**7.9**	7.9
– Bonds	**3.5**	3.5

Mortality rate

Assumptions regarding future mortality experience are set based on advice, published statistics and experience in each territory.

Notes to the consolidated financial statements

27 Pension commitments (continued)

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

	2012	2011
Male	**21.9**	21.9
Female	**23.1**	23.1

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

	2012	2011
Male	**23.4**	23.4
Female	**24.8**	24.7

	As at 31 December 2012 £m	As at 31 December 2011 £m
The amounts recognised in the balance sheet are determined as follows:		
Present value of obligations	**(302.7)**	(279.3)
Fair value of plan assets	**282.2**	251.1
Net liability recognised in balance sheet	**(20.5)**	(28.2)
Analysed as:		
Pension scheme surplus	**19.5**	10.3
Pension scheme deficit and unfunded schemes	**(40.0)**	(38.5)
	(20.5)	(28.2)

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

	2012 %	2011 %
European equities	**22**	26
North American equities	**9**	7
Asia Pacific equities	**8**	7
European bonds	**44**	27
European gilts	**4**	21
Cash	**–**	3
Other	**13**	9
	100	100

Other assets consist principally of investments in a managed dynamic asset allocation fund. The objectives of the fund are to hold a diversified basket of assets which is proactively changed to avoid the risks of a static portfolio.

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and other investments reflect long-term real rates of return experienced in the respective markets.

	Year to 31 December 2012 £m	Year to 31 December 2011 £m
The amounts recognised in the income statement are as follows:		
Current service cost	**2.2**	2.7
Past service cost – amendment from RPI to CPI	**(0.4)**	(0.1)
Interest cost	**12.1**	12.8
Expected return on plan assets	**(15.1)**	(15.7)
Curtailment gain	**–**	(1.6)
Total included within staff costs (note 26)	**(1.2)**	(1.9)

27 Pension commitments (continued)

	2012 £m	2011 £m
Changes in the present value of the defined benefit obligation are as follows:		
Present value of obligation as at 1 January	**279.3**	242.0
Current service cost	**2.2**	2.7
Interest cost	**12.1**	12.8
Past service cost	**(0.4)**	(0.1)
Curtailment gain	**–**	(1.6)
Actuarial gain	**19.3**	31.5
Benefits paid	**(9.8)**	(7.9)
Contributions by members	**0.1**	0.3
Currency translation	**(0.1)**	(0.4)
Present value of obligations as at 31 December	**302.7**	279.3

	2012 £m	2011 £m
Changes in the fair value of the plan assets are as follows:		
Fair value of plan assets as at 1 January	**251.1**	238.4
Expected return on plan assets	**15.1**	15.7
Employer special contributions	**5.0**	5.0
Contributions – employee and employer	**2.7**	4.5
Benefits paid	**(8.9)**	(8.2)
Actuarial gain/(loss)	**17.5**	(4.0)
Currency translation	**(0.3)**	(0.3)
Fair value of plan assets as at 31 December	**282.2**	251.1

Cumulative actuarial gains and losses recognised in equity

	2012 £m	2011 £m
1 January	**(127.0)**	(91.5)
Net actuarial losses recognised in the year	**(1.8)**	(35.5)
	(128.8)	(127.0)

The actual return on plan assets was a gain of £32.6 million (2011: gain of £11.7 million).

The pension surplus 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.

Notes to the consolidated financial statements

27 Pension commitments (continued)

History of experience gains and losses

	As at 31 December 2012	As at 31 December 2011	As at 31 December 2010	As at 31 December 2009	As at 31 December 2008
Experience adjustments arising on scheme assets:					
Amount (£m)	**17.5**	(4.0)	7.9	18.9	(45.4)
Percentage of scheme assets	**6%**	2%	3%	9%	25%
Experience adjustments arising on scheme liabilities:					
Amount (£m)	**(19.3)**	(31.5)	5.7	(37.7)	(27.6)
Percentage of scheme liabilities	**6%**	11%	2%	15%	14%
Present value of obligations (£m)	**(302.7)**	(279.3)	(242.0)	(246.6)	(203.4)
Fair value of plan assets (£m)	**282.2**	251.1	238.4	213.7	179.9
Net liability recognised in balance sheet (£m)	**(20.5)**	(28.2)	(3.6)	(32.9)	(23.5)

The company will adopt IAS19 (Amended) – 'Employee Benefits', with effect from 1 January 2013 in line with required practice. As this is a change of accounting policy, the 2012 accounts presented here will be restated with effect from 1 January 2012. Had the new accounting standard been adopted in 2012, then we estimate that pension costs would have been £3.3 million higher than reported this year under the existing accounting standard.

28 Operating lease commitments – minimum lease payments

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

	2012		2011	
	Property £m	**Vehicles, plant and equipment £m**	Property £m	Vehicles, plant and equipment £m
Within one year	**4.2**	**4.7**	5.0	4.9
Later than one year and less than five years	**8.5**	**13.6**	12.8	12.8
After five years	**24.8**	**6.1**	26.5	6.8
	37.5	**24.4**	44.3	24.5

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 2012 £m	As at 31 December 2011 £m
Contracts placed for future capital expenditure not provided in the financial statements:		
Property, plant and equipment	**8.8**	6.5

30 Contingent liabilities

The group operates from 130 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 and Holland. The company expects to have its warranties, which were contractually received in a clear and unequivocal manner, to be confirmed in full. The company does not expect to incur any significant loss in respect of these or any other sites.

31 Related parties

There have been no significant related party transactions in the year ended 31 December 2012 (2011: nil).

Independent auditors' report to the members of Berendsen plc

We have audited the parent company financial statements of Berendsen plc for the year ended 31 December 2012 which comprise the Company balance sheet, the Accounting policies to the parent company financial statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' responsibilities statement on page 85, the directors are responsible for the preparation of the parent company 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 parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and 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 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.

Scope of the audit of the financial statements

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. In addition, we read all the financial and non-financial information in the Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

– give a true and fair view of the state of the company's affairs as at 31 December 2012;
– 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

– the part of the Report on directors' remuneration to be audited has been properly prepared in accordance with the Companies Act 2006; and
– the information given in the Directors' report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

– adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
– the parent company financial statements and the part of the Report on directors' remuneration to be audited are not in agreement with the accounting records and returns; or
– certain disclosures of directors' remuneration specified by law are not made; or
– we have not received all the information and explanations we require for our audit.

Other matters

We have reported separately on the group financial statements of Berendsen plc for the year ended 31 December 2012.

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. Information published on the internet is accessible in many countries which may have different legal requirements relating to the preparation and dissemination of financial statements.

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

28 February 2013

Parent company financial statements

The following parent company statements are prepared under UK GAAP 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 145 and 146 and a separate independent auditors' report on page 143.

Company balance sheet at 31 December 2012

	Notes	As at 31 December 2012 £m	As at 31 December 2011 £m
Fixed assets			
Tangible assets	2	**0.7**	0.8
Investments	3	**705.8**	721.3
		706.5	722.1
Current assets			
Debtors: amounts falling due within one year	4	**43.0**	20.8
Derivative financial instruments falling due within one year		**–**	0.1
Debtors: amounts falling due after more than one year	4	**270.0**	282.5
Derivative financial instruments falling due after more than one year		**38.4**	53.2
Cash at bank and in hand		**17.4**	18.8
		368.8	375.4
Creditors: amounts falling due within one year	5	**(92.8)**	(24.8)
Derivative financial instruments falling due within one year		**(2.1)**	(1.8)
Net current assets		**273.9**	348.8
Total assets less current liabilities		**980.4**	1,070.9
Creditors: amounts falling due after more than one year	6	**(604.5)**	(673.7)
Derivative financial instruments falling due after more than one year		**(34.7)**	(37.0)
Provisions for liabilities	7	**(2.8)**	(4.1)
Net assets before pension asset		**338.4**	356.1
Pension asset		**18.8**	13.6
Net assets		**357.2**	369.7
Capital and reserves			
Called up share capital	8	**51.7**	51.5
Share premium account	9	**98.4**	96.8
Other reserves	9	**16.1**	16.4
Capital redemption reserve	9	**150.9**	150.9
Profit and loss account	9	**40.1**	54.1
Total shareholders' funds	10	**357.2**	369.7

The financial statements on pages 144 to 151 were approved by the board and signed on its behalf.

Peter Ventress
Chief Executive Officer

Kevin Quinn
Chief Financial Officer
28 February 2013

Berendsen plc
Registered no. 1480047

Accounting policies to the parent company financial statements

These financial statements for the parent company are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of fixed asset investments, financial assets and financial liabilities (including derivative instruments) and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently, are set out below.

Tangible fixed assets

Tangible fixed assets 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

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

Fixed asset 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 reserves. 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.

Dividend distribution

Final dividend distribution to the company's shareholders is recognised as a liability to 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.

Deferred taxation

Deferred taxation is provided on a full provision basis, without discounting, on all timing differences which have arisen but not reversed at the balance sheet date. Except where otherwise required by Accounting Standards, no timing differences are recognised in respect of:

(a) Property revaluation surpluses where there is no commitment to sell the asset;

(b) Gains on sale of assets where those gains have been rolled over into replacement assets;

(c) Additional tax which would arise if profits of overseas subsidiaries were distributed; and

(d) Deferred tax assets except to the extent that it is more likely than not that they will be recovered.

Pension costs

It is the policy of the company to fund defined benefit pension liabilities, on the advice of external actuaries, by payments to schemes controlled by independent trustees. Pension costs are charged against profits on a systematic basis over the service lives of the eligible employees, based on payroll, actuarial methods and assumptions, in accordance with the actuaries' advice. The costs of defined contribution schemes or pension arrangements of a similar nature are charged against income as contributions become payable to the relevant scheme or arrangement.

The company's pension cost charged to the income statement is in accordance with FRS 17 – 'Retirement Benefits'.

The FRS 17 valuation has been carried out at bid-value based on the recent amendment to FRS 17 – 'Retirement Benefits'.

The company's share of the defined benefit surplus or deficit is recognised in the balance sheet. Key assumptions and other disclosures for this plan are included in the disclosures in note 27 to 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.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest method and if included in a fair value hedge relationship are revalued to reflect the fair value movements on the hedged risk associated with loans and other borrowings. 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.

Accounting policies to the parent company financial statements

Provisions

Provisions for vacant properties, restructuring costs and legal 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. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

Derivatives and other financial instruments

Financial instruments

Financial instruments are reported and measured in accordance with FRS 25 and FRS 26 respectively. The company has availed itself of the exemption not to present FRS 29 disclosures in the notes to the entity financial statements as full equivalent disclosures are presented within the consolidated financial statements.

Financial instruments comprise non-derivative financial assets and liabilities, including amounts owed by and to group companies and borrowings and financial derivatives, whose value changes in line with movements in market rates. The company uses derivative financial instruments to hedge exposure to interest rate risks arising from financing and investment activities. In accordance with its treasury policy, the company does not hold or issue derivative financial instruments for trading purposes. Fair value hedging, cash flow hedging and net investment hedging is applied.

Non-derivative financial assets are classified as loans and receivables. The company's financial assets are stated at the lower of their initial cost (including accrued interest receivable) and their estimated recoverable amount.

Non-derivative financial liabilities are classified as borrowings. They are stated at their redeemable value, including accrued interest payable, less transaction costs that have not yet been recognised in the profit and loss account.

Where the change in value of a non-derivative financial liability, due to the movement in market interest rates, has been hedged with a financial derivative, its value is adjusted for the change in market value due to the financial risk being hedged. Where such fair value hedging relationships exist, the change in the value of the liability being hedged should broadly offset the change in market value of the hedging instrument and any difference is recognised immediately in the profit and loss account.

Derivative financial instruments are stated at their market value in the balance sheet and are classified as current assets or liabilities, unless they form part of a hedging relationship, in which case their classification follows the classification of the hedged financial asset or liability. Thus all currently held derivative financial instruments are classified as long term.

Interest expense reflects the underlying cost of borrowing arising from interest rate swaps. Net payments and receipts under interest rate swap contracts are accrued over the period to which they relate and added to or credited against interest expense. No accounting entries are required for the principal amount of interest rate swaps as it is purely a notional figure and does not represent an asset, a liability or a contingency.

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 the company purchases the company's own equity share capital, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the 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 shareholders.

Employee share schemes

In accordance with the FRS 20 'Accounting for share-based payments', an expense is recognised in the income statement 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 trust is an Employee Share Ownership Plan and under UK GAAP is accounted for in accordance with 'UITF Abstract 38 Accounting for ESOP Trusts'.

Cash at bank and in hand

Cash includes cash in hand and bank deposits repayable on demand.

Cash flow statement and related party disclosures

The parent company is included in the consolidated financial statements, which are publicly available. Consequently, the company has followed convention and not prepared a cash flow statement.

There are no related party transactions other than those with group undertakings.

Notes to the parent company financial statements

1 Parent company income statement

As permitted by Section 408 of the Companies Act 2006, the company has not presented its own income statement. The profit of the company for the year attributable to shareholders was £24.7 million (2011: £45.3 million profit).

The fees payable to the company's auditors for the audit of the parent company are included in the group fees disclosed in note 3 of the group financial statements.

2 Tangible assets

	Short leasehold property £m	Plant and machinery owned £m	Total £m
Cost:			
At 1 January 2012	0.3	1.0	1.3
Additions at cost	–	0.1	0.1
At 31 December 2012	0.3	1.1	1.4
Accumulated depreciation			
At 1 January 2012	0.1	0.4	0.5
Charge for the year	–	0.2	0.2
At 31 December 2012	0.1	0.6	0.7
Net book amount			
At 31 December 2012	0.2	0.5	0.7
At 31 December 2011	0.2	0.6	0.8

3 Fixed asset investments

	Interests in group undertakings £m
Cost or valuation	
At 1 January 2012	722.4
Currency translation	(15.5)
At 31 December 2012	706.9
Amounts provided	
At 1 January 2012	(1.1)
Amount provided in the year	–
At 31 December 2012	(1.1)
Net book amount	
At 31 December 2012	705.8
At 31 December 2011	721.3

Disclosure of the company's subsidiaries is given in note 22 of the group financial statements.

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

Notes to the parent company financial statements

4 Debtors

	As at 31 December 2012 £m	As at 31 December 2011 £m
Amounts falling due within one year:		
Amounts due from group undertakings	**39.5**	13.8
Other debtors	**0.1**	1.3
Taxation	**3.0**	5.4
Deferred tax asset	**0.1**	0.1
Prepayments and accrued income	**0.3**	0.2
	43.0	20.8
Amounts falling due after more than one year:		
Amounts due from group undertakings	**266.2**	280.9
Deferred tax asset	**3.8**	1.6
	270.0	282.5

Full disclosures relating to the company's derivative financial instruments and financial risk management strategies are given in notes 16 and 17 of the group financial statements.

Deferred tax asset comprises of deferred tax asset on capital allowances and provisions of £0.1 million (2011: £0.2 million), share options of £2.6 million (2011: £1.3 million), pensions of £nil (2011: £0.2 million) and derivatives of £1.2 million (2011: £1.4 million).

5 Creditors: amounts falling due within one year

	As at 31 December 2012 £m	As at 31 December 2011 £m
Bank overdrafts	**84.1**	16.8
Trade creditors	**0.2**	0.4
Amounts owed to group undertakings	**2.7**	1.2
Other creditors	**1.6**	1.5
Other taxes and social security	**0.1**	0.1
Accruals and deferred income	**4.1**	4.8
	92.8	24.8

6 Creditors: amounts falling due after more than one year

	As at 31 December 2012 £m	As at 31 December 2011 £m
Bank loans	**526.6**	593.6
Amounts owed to group undertakings	**77.9**	80.1
	604.5	673.7

Full disclosures relating to the company's derivative financial instruments and financial risk management strategies are given in notes 16 and 17 of the group financial statements.

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

7 Provisions for liabilities

	Property disposals £m	Deferred tax £m	Total £m
At 1 January 2012	**2.5**	**1.6**	**4.1**
Credited in the year	**–**	**(1.3)**	**(1.3)**
At 31 December 2012	**2.5**	**0.3**	**2.8**
Represented by:			
Non-current	**2.5**	**0.3**	**2.8**

Property disposals
The group has outstanding warranties, indemnities and guarantees on a number of properties operated by former subsidiaries which were issued prior to the sale of these businesses. The majority of these expire in 2017 with the remaining expiring by 2022.

Deferred tax
Deferred tax provision comprises of deferred tax liability on share options of £0.3 million (2011: £0.2 million) and deferred tax liability on derivatives of £nil (2011: £1.4 million).

8 Called up share capital

	Ordinary shares millions	Ordinary shares £m
Authorised		
Ordinary shares of 732,150,842 at 30 pence per share (2011: 732,150,842 at 30 pence per share)	**732.2**	**219.6**
Allotted and fully paid		
At 1 January 2012	**171.8**	**51.5**
Allotted in respect of share option schemes	**0.5**	**0.2**
At 31 December 2012	**172.3**	**51.7**

Notes to the parent company financial statements

9 Reserves

	Share premium account £m	Other reserve £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 1 January 2012	**96.8**	**16.4**	**150.9**	**54.1**	**318.2**
Issue of share capital in respect of share option schemes (note i)	**1.6**	**-**	**-**	**-**	**1.6**
Purchase of own shares by the Employee Benefit Trust	**-**	**-**	**-**	**(5.4)**	**(5.4)**
Actuarial gain recognised in pension scheme net of deferred tax	**-**	**-**	**-**	**0.1**	**0.1**
Value of employee service in respect of share option schemes and share awards	**-**	**-**	**-**	**6.4**	**6.4**
Dividends paid (note ii)	**-**	**-**	**-**	**(40.6)**	**(40.6)**
Profit for the financial year	**-**	**-**	**-**	**24.7**	**24.7**
Hedging reserve net of deferred tax	**-**	**(0.3)**	**-**	**-**	**(0.3)**
Currency translation net of deferred tax	**-**	**-**	**-**	**0.8**	**0.8**
At 31 December 2012	**98.4**	**16.1**	**150.9**	**40.1**	**305.5**

(i) Share option scheme disclosures are given in note 20 of the group financial statements.

(ii) Disclosure of dividends paid is given in note 6 of the group financial statements.

10 Reconciliation of movements in shareholders' funds

	2012 £m	2011 £m
Profit for the financial year	**24.7**	45.3
Dividends paid	**(40.6)**	(37.3)
Currency translation net of deferred tax	**0.8**	(5.8)
Actuarial gain/(loss) recognised in pension scheme net of deferred tax	**0.1**	(9.6)
Issue of share capital in respect of share option schemes	**1.8**	0.1
Purchase of own shares by the Employee Benefit Trust	**(5.4)**	0.2
Hedging reserve net of deferred tax	**(0.3)**	1.1
Value of employee service in respect of share option schemes and share awards	**6.4**	5.5
Net addition to shareholders' funds	**(12.5)**	(0.5)
Shareholders' funds at 1 January	**369.7**	370.2
Shareholders' funds at 31 December	**357.2**	369.7

The company has an Employee Benefit Trust to administer the share plans and to acquire company shares, using funds contributed by the group, to meet commitments to group employees. At 31 December 2012, the Trust held 2,882,275 (2011: 2,915,296) shares.

Value of employee service in respect of share options is £6.4 million in 2012. This includes the group charge of £4.7 million and deferred tax of £1.7 million.

11 Contingent liabilities

The company has guaranteed the liabilities of its subsidiaries, Spring Grove Ireland Limited, Spring Grove Services 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 FRS 26 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.

12 Other financial commitments

	2012 Land and buildings £m	2011 Land and buildings £m
As at 31 December 2012 annual commitments under non-cancellable operating leases comprise those which expire as follows:		
Within one year	–	–
Within two to five years	0.3	0.3
	0.3	0.3

Five year record

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Revenue	**985.1**	992.0	986.1	970.9	953.9
Operating profit	**120.5**	107.3	61.4	85.3	85.7
Analysed as:					
Operating profit before exceptional items and amortisation of customer contracts and intellectual property rights	**145.6**	139.8	123.9	115.3	116.6
Exceptional items	**–**	(8.5)	(40.9)	(12.7)	(11.5)
Amortisation of customer contracts and intellectual property rights	**(25.1)**	(24.0)	(21.6)	(17.3)	(19.4)
Operating profit	**120.5**	107.3	61.4	85.3	85.7
Finance costs	**(27.8)**	(29.7)	(28.1)	(25.1)	(28.7)
Finance income	**2.2**	1.7	1.3	1.5	3.4
Profit before taxation	**94.9**	79.3	34.6	61.7	60.4
Taxation	**(22.0)**	(21.8)	(12.2)	(15.9)	(18.3)
Profit for the year	**72.9**	57.5	22.4	45.8	42.1
Profit attributable to non-controlling interest	**0.5**	0.5	0.6	0.7	0.4
Profit attributable to equity shareholders	**72.4**	57.0	21.8	45.1	41.7
	72.9	57.5	22.4	45.8	42.1
Shareholders' funds	**489.2**	454.1	463.8	472.0	492.7
Earnings per share expressed in pence per share					
– Basic	**42.8**	33.8	12.9	26.6	24.5
– Adjusted	**52.2**	48.4	41.7	39.4	39.3
Dividend per ordinary share expressed in pence	**25.5**	23.4	21.2	20.0	20.0
Dividend times covered – on profit attributable to equity shareholders	**1.7**	1.4	0.6	1.3	1.2
– on adjusted earnings	**2.0**	2.1	2.0	2.0	2.0

Shareholder information

Advisers

Investment Bankers	Rothschild
Stockbrokers	JPMorgan Cazenove
	Oriel Securities
Solicitors	Slaughter and May
Auditors	PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, London
Registrars	Equiniti

Financial calendar – 2013

Final results announced	1 March
Annual general meeting	25 April
Ordinary final dividend paid	3 May
Interim results announced	23 August
Ordinary interim dividend paid	11 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 Shareview. 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 or the investor relations sections of the company's website www.berendsen.com. The Shareview Dealing service is also available by telephone on 08456 037037 between 8.00 am and 4.30 pm, Monday to Friday (excluding 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: 0871 384 2179* or if calling from overseas: +44 (0) 121 415 7047

* Calls to this number are charged at 8p per minute from a BT landline; other telephone provider costs may vary. Lines are open 8.30 am to 5.30 pm, 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.

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