This announcement contains inside information

BERENDSEN PLC RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2016

3 March 2017

Key Financial Highlights (£m)[4]	2016	2015	Change	
			Reported	Underlying[2]
Adjusted results[1]:				
Revenue[3]	1,110	1,018	9%	2%
Operating profit	161.0	153.8	5%	-4%
Operating margin	*14.5%*	*15.1%*		
Profit before tax	140.6	135.1	4%	
Earnings per share (basic)	63.1p	60.4p	4%	
Dividend per share	33.0p	31.5p	5%	
Return on invested capital (ROIC)	9.6%	10.3%		
Statutory results:				
Revenue	1,110	1,018		
Profit before tax	120.3	113.4		
Operating profit	140.7	132.1		
Operating margin	12.7%	13.0%		
Earnings per share (basic)	53.3p	51.9p		

Notes:

[1] Before exceptional costs, goodwill impairment and amortisation of customer contracts
[2] Adjusted growth at constant exchange rates ("CER") and excluding acquisitions and disposals
[3] 2015 revenue has been restated to standardise the treatment of residual value income (note 2)
[4] Reconciliation of statutory and adjusted performance measures is set out in note 29

Financial Summary

- Underlying revenue grew 2% to £1.1 billion; reported revenue grew 9%
- Adjusted operating profit of £161 million, in line with trading update in October 2016; reported operating profit grew 7% to £140.7 million
- Second half performance impacted by legacy issues in UK textiles (Workwear, Hospitality & Healthcare); UK textile profits reduced by £10m compared to prior year
- Progress across the rest of the Group maintained
- Dividend increased by 5% to 33.0p, reflecting positive outlook for growth and ongoing balance sheet strength

Outlook

- Group continues to take significant steps to resolve the issues that surfaced in the UK in 2016
- Profitability in 2017 will be more second half weighted (approximately 40:60 split) than in previous years
- First half of 2017 will continue to be impacted by legacy operations in the UK; benefits will start coming through in the second half of 2017
- Expect further progress across the rest of the Group in 2017
- Adjusted operating profit for 2017 expected to be approximately £150 million
- Greater visibility and increasing confidence in the medium term growth opportunities

Strategy Update

- Strategy is driving improvements in people, processes, controls and operational visibility
- Capital investment in plant and machinery is being increased and accelerated
- Group expects to invest c.£150m per annum in plant and machinery in each of the next 3 years
- Continue to see good opportunities in attractive customer markets

James Drummond, Chief Executive Officer, commented: "2016 was a difficult year for our UK textile operations, but we are confident that the actions we are taking will drive tangible improvements across all aspects of our operations. This will enable us to better serve our existing customers and make the most of the opportunities we see in our markets.

"2017 will be a year of transition: in the first half, we will continue to be impacted by legacy issues in the UK; in the second half, we will start to see benefits coming through from our ongoing investment in plants, people and systems. During 2016 we made significant progress in installing common processes and controls across the Group. This will allow greater visibility of the performance across each of our businesses, and will strengthen our ability to share best practice across the Group.

Over the medium term, our strategy will enable us to progressively capture the sizeable opportunity for margin improvement, particularly in the UK, as we minimise the significant cost of inefficiency in our legacy operations in the UK. In addition, the capital investment programme, which we are increasing and accelerating, gives us greater visibility and increasing confidence in our medium term growth opportunities across the Group."

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Analyst Meeting

The company will present to analysts at 9:00 am today. A live audiocast of the presentation and questions will be available on the company's website on www.berendsen.com/investors. Questions will only be taken at the meeting.

2016 FULL-YEAR RESULTS ANNOUNCEMENT

1. Results Overview
2. Outlook
3. CEO Review & Strategy Update
4. Business Line Performance Reviews
5. Other Financial Items

1. RESULTS OVERVIEW

Unless otherwise stated, all commentary in this section is on an underlying basis (note 29). Growth figures are at constant currency rates and exclude the impact of acquisitions, disposals and internal transfers. Operating profit is adjusted to exclude the impact of exceptional items and amortisation of customer contracts.

Reported revenue grew 9% to £1,110 million (2015 restated: £1,018 million). Underlying revenue grew 2%, driven by good growth in Facility, Hospitality and Workwear, whilst Healthcare was flat.

Adjusted operating profit, before exceptional items and amortisation of customer contracts, grew by 5% to £161.0 million (2015: £153.8 million); underlying adjusted operating profit declined by 4%, as an increase in profitability in Europe was more than offset by a £10 million decline in UK textiles. In the UK, the Healthcare and Hospitality Business Lines were impacted by increased levels of operational instability, due to past underinvestment in people, plant and machinery, which resulted in higher costs being incurred to maintain customer service levels, against the headwind of cost inflation due to increases in the National Living Wage (NLW). The UK Workwear business was impacted by lower than expected operational efficiency in its legacy plants and adverse customer mix; changes in required hygiene standards in the UK food production sector resulted in an increase in textile usage, which resulted in higher textile and processing costs within fixed price contracts. These issues are explained in greater detail in the Business Line operating reviews.

As part of the Berendsen Excellence strategy, the Group has already taken significant steps to address the problems in the UK. The attractive market opportunities in the UK and Europe are unchanged, and in order to maximise the ability of each of our businesses to capture these growth opportunities, capital investment is being accelerated and increased. This is addressed in more detail in the Strategy Review section.

Net finance costs increased to £20.4 million (2015: £18.7 million), as a lower underlying finance cost was more than offset by the impact from foreign currency translation and higher other interest payable. Therefore, adjusted profit before tax grew by £5.5 million to £140.6 million (2015: £135.1 million).

Reported profit before tax, including the amortisation of customer contracts of £7.4 million (2015: £14.4 million) and exceptional costs of £12.9 million (2015: £7.3 million), increased by £6.9 million to £120.3 million (2015: £113.4 million). The effective tax rate on adjusted profit before taxation was 23.1% (2015: 23.4%).

Basic adjusted earnings per share were 63.1 pence (2015: 60.4 pence), and basic reported earnings per share were 53.3 pence (2015: 51.9 pence). The dividend per share for the year increased by 5% to 33.0p (2015: 31.5p), reflecting the positive outlook for growth and the ongoing strength of the balance sheet.

2. OUTLOOK

The foundation of the strategy was a review of the Group's customer markets, which confirmed market leading positions in each of our Business Lines and identified significant opportunities for growth both in the UK and across Europe. Our view of the attractive market opportunity in the UK is unchanged, despite the operational issues we encountered in the UK during 2016; it simply reinforces the need for the implementation of the strategy to improve and invest in our people, capabilities and operations, which we started to do in 2016.

In the short term, profitability will continue to be impacted by the underlying performance of the legacy operations in the UK. These issues are being addressed and we are confident that the actions being taken will make significant and sustainable improvements to our operations. The benefits of these actions will start coming through in the second half of 2017. Outside of UK textiles, the Group expects to make continued progress. Profitability is expected to be more weighted to the second half (approximately 40:60 split), than in previous years. Against this backdrop, we expect adjusted operating profit for 2017 to be approximately £150 million.

Whilst the execution risk to short term performance remains, our confidence and visibility of medium term growth has improved. The markets we operate in remain robust, with significant opportunities for growth in existing customer segments as well as continuing to develop new market and service opportunities. The work we have done in 2016 in defining and piloting our new operating models, and the opportunity to minimise the significant cost of inefficiency in our legacy operations in the UK, gives us confidence in the opportunity to drive margin improvement. We are accelerating and increasing the level of capital investment across the Group against clearly defined expectations for returns; the Group expects to invest c.£450 million in plant and machinery over the next 3 years. As a result, we now have greater visibility and increasing confidence in the medium term growth opportunities for the Group.

3. CEO REVIEW & STRATEGY UPDATE

The Group has made good progress over the last 12 months, implementing the Berendsen Excellence strategy, which launched in November 2015. However the financial performance of the Group has been mixed; whilst the majority of our operations outside the UK continued to make good progress, 2016 also exposed further legacy issues within the UK textile operations.

The Berendsen Excellence strategy is designed to improve the capability of our operations, improve the quality of our services and provide a platform for sustainable growth, based on four key pillars: customer focus, operational excellence, organisational capability and effective use of capital. However, the strategy recognised that each of the businesses was starting from a different base level. For our stronger businesses, with defined customer opportunities and proven business models, such as Workwear, Cleanroom and Mats, capital investment has been

accelerated. However, in the UK, margins in the Healthcare and Hospitality textile businesses have been under pressure for several years. The strategy review recognised that the quality of the UK operations was not at the same level as our European operations. Investment in the UK in people, plant and machinery has lagged our operations in mainland Europe over a number of years, where greater levels of investment have been directed, as previously reported. This has led to lower productivity, increasing costs of quality and increasing operational instability. Initiatives were already being put in place to address these issues. However, the pace of decline increased in 2016, particularly in the second half, and was further compounded by the unit cost of quality increasing, particularly due to increases in the National Living Wage.

In response, our plans have been reviewed and adapted; we have accelerated and increased the scope of the actions that will deliver stability in the UK, whilst also increasing the pace at which we are driving improvements across the whole organisation. We are increasing our customer focus, we are investing more into the capabilities of our people, we have designed and tested new operating models for our UK businesses and we are accelerating and increasing the level of capital investment both in the UK and across Europe. We have upgraded the quality and capabilities of the senior leadership team, who are committed to driving improvements in everything we do right across the organisation. Most importantly, the need for change is recognised and supported by people across the organisation.

Despite the problems we faced in the UK, we have made good progress over the last 12 months, with much already achieved as a result of the enormous contribution of all our staff. There is still a lot of work to do during 2017, as we finish building the foundations for the future of the Group. We expect to start seeing tangible benefits coming through in the second half of 2017. The acceleration of investment in people, processes, systems, plant and machinery will ensure that the Group enters 2018 with the ability to capture the significant opportunities we have identified.

Berendsen Excellence Strategy Update

Customer Focus

During the first half of 2016 the Group completed the implementation of the Business Line structure, with the creation of the Healthcare and Hospitality Business Lines, in addition to the previously established Facility and Workwear Business Lines. Moving to a Business Line structure, and away from a country-based model, aligns operations directly with customer segmentations; it is leading to a greater focus on understanding customer needs, identifying new growth opportunities and developing new service offerings and service models.

The development of a customer relationship management (CRM) tool, Berendsen Advance, was launched in the second half of 2016. The new system will standardise processes and data capture across all Business Lines and geographies, enhance customer targeting, drive closer integration with customers, help to identify and monitor new business opportunities and aid operational resource planning. The tool will also be integrated into new

governance and controls, introduced in 2016, for bidding on contracts: A new 'capex and bids committee' was introduced in January 2016, chaired by the Group CEO or CFO, to review new tenders. Contract terms and conditions are being critically assessed for both risk management and commercial opportunity, to ensure that they are clear in the service levels being provided and reflect the value of the service being delivered. Over time these actions will help to drive improvements in the quality of the order book, with particular opportunities in UK Workwear.

The Group has been developing differentiation in its service offering, increasing value to its customers. For Hospitality, this has resulted in new tiered service level offerings, that allow a flexible 'point of delivery' to integrate into the customer's existing supply chain and increase efficiency of textile supply at the customer site; these are manufacturing and supply chain best practices which have been successfully applied in other industries for many years, but new to the textile industry. In Workwear, the business has extended its multinational service offering, which allows for single source supply across a number of European countries; the largest of which was awarded in 2016, providing garments for 14,000 employees across 6 European countries.

The Group has made progress in developing new partnerships and making better use of existing relationships to increase its scope of services, into new and adjacent markets. In Healthcare, the business has had notable success in the care home and medical device sterilisation pilots. The business redesigned and developed its care home operating model used in Germany, for a new premium service offering in the UK. Following a successful pilot, the Group is now investing in dedicated care home plants in the UK. In addition the business is exploring the potential for the expansion of medical device services, for the sterilisation and rental of critical medical devices to practitioners.

A key part of improving value for customers is service development and product innovation, with notable successes during the year. The Washroom business has improved its service offering, by reducing its use of third party resellers, increasing its direct customer relationships and establishing the provision of proprietary, and higher quality, products and content. Within the Mats business a new microfiber mat has been successfully introduced, that is visually cleaner, more absorbent and dries quicker. In the Healthcare business, the use of RFID tagging has been designed into the standard model of service, which offers full traceability and enables more efficient and flexible solutions through collection, distribution and handling.

Operational Excellence

The Group is focused on driving improvements in operational and financial visibility across the Group, as it implements standard processes and controls across each of the Business Lines. This will ensure improved speed of information flow within and from the plants, allow constant and consistent monitoring, improve planning and decision making, enable both proactive and reactive continuous improvement programmes and ensure capital is being efficiently allocated across the Group. A new common set of Key Performance Indicators has been designed and agreed for use by all of the Business Lines, with launch of the first version of the Berendsen Management System in February 2017.

New operating models have been developed for the Healthcare and Hospitality businesses, prioritised for implementation in the UK. The review and design process incorporated consultation with strategic customers to identify current and future customer needs, as well as working closely with the original equipment manufacturers in a different relationship to provide dedicated turnkey solutions, that create a single sourced plant flow system. The new operating models are based on demand pull principles, replacing supply push practices, which reduce levels of wasted production. The plants will provide higher capacity levels, allowing greater headroom for planned maintenance and variability in demand, and minimise manual movement of products. Overall, plant efficiency is expected to increase by over 30% post implementation. Whilst we are accelerating investment in the conversion of existing plants and building new plants, not all legacy plants will be converted immediately. In advance of these upgrades, current operations and performance levels have been reviewed to identify operating constraints and bottle neck processes. Immediate capital investments are being made in these legacy plants, to remove the bottle necks and replace machinery that is beyond its economic life, with benefits expected to start coming through in the second half of 2017. The KPIs have been reviewed, to ensure that from now on the right information is being captured that most accurately reflects the performance and success of operations.

A new project management framework has been implemented, to ensure all projects are aligned with the Group's strategic priorities and that appropriate levels of governance are being consistently applied. The web-based tool will track project progress against cost and schedule, and monitor post-implementation benefits against expectations. This will reduce the risk of implementing new capital projects, and maximise returns, through better support, improved forecasting, clear processes and controls, improved knowledge sharing across the Group and better understanding of challenges and benefits.

People

A new focus on health and safety is driving a change and improvement in culture across the Group. In mid-2016, the Group introduced the new Berendsen Incident Reporting System (BIRS), following an independent review of Group's health and safety policies, which is driving engagement throughout the Group and will be continually improved as the Group works towards its objective of zero accidents. At the same time the new system has also been valuable in identifying opportunities for operational improvement. The significant increase in safety observations over the last 12 months has given greater visibility of trends and opportunities for improvement, and has been particularly helpful in the Group's understanding of the operational challenges of the UK businesses. The benefits to the Group will increase during 2017, as the Group now has comparisons from 2016 against which to identify trends; this will enhance the analysis of the data and allow the business to proactively target weaknesses. Further improvements need to be made, with a new health and safety e-learning course launched in early 2017.

The senior leadership of the Group has been strengthened through a mix of internal promotions and external hires. The Group appointed new leadership teams for the Healthcare and Hospitality Business Lines. In addition a number of new roles have been established, with new positions for business development, legal counsel and the Berendsen

Excellence project office. In addition, new leadership for HR has also been appointed. Overhead increases have been tightly controlled, with the cost of new capabilities largely being offset by improved organisational design.

During the second half of 2016 the Group initiated an Organisational Capability Review (OCR) of the individuals, structure processes and systems of the UK business. This showed an immediate requirement for investment in people to drive improvements in the performance of the UK business. A major review of all 436 managerial positions in the UK was carried out by an independent HR consultancy in conjunction with Group HR and the Business Line leadership teams. As a result of this process, the structure of the UK operations is being streamlined, with the number of managerial positions reducing by approximately 5-10%. Training and development plans have been formalised and tailored to the individual's specific development needs, with ongoing reviews structured within the plan. New talent is also being attracted from outside the industry, with approximately 40% of managerial posts being taken up by new joiners with LEAN industrial processing backgrounds.

The Group is also investing in the capabilities of its people, through increased training, monitoring and formalised development structures. A new career path and appraisal framework has been designed, to align remuneration and benefits to performance and ensure the review and grading of staff is harmonised across the Group. This will enhance talent and succession planning across the Group, and ensure more targeted training and development is put in place. In addition, all new joiners now have formalised induction programmes, to ensure best practice is maintained. This framework was implemented in the UK at the start of 2017, with roll out across the Group expected in the second half of 2017. The Group is investing more in training. During 2016, courses were developed for LEAN training, to drive continuous operational improvement across the Group; approximately 600 staff completed level 1 and 2 courses during 2016. Following training, employees are empowered to design and develop continuous improvement projects with clearly demonstrable benefits to their business area; this has contributed over £1 million of annualised efficiency gains in 2016, with a further £2 million expected in 2017. The Berendsen Academy is being revised and restructured, to provide essential online training and resources, to improve management and commercial capabilities.

Efficient use of capital

As part of the Berendsen Excellence strategy, capital investment is being accelerated. At the same time, capital allocation discipline is being maintained, to ensure all new capital projects deliver growth and returns in excess of the Group's internal hurdle rates. Following the trading update in October 2016, the Group reviewed its medium term capital investment plans; this considered the operational issues in the UK and also the significant growth opportunities in mainland Europe.

In the UK, this will lead to higher levels of maintenance capital in the existing legacy plants, as well as increased capital investment in new plants and plant conversions. Short term maintenance capital will be used to upgrade specific pieces of machinery, to reduce the risk of disruption and areas of process bottle necks. This will reduce unplanned machine downtime and improve the efficiency of legacy plants, which impacted the second half of 2016, and reduce the cost of quality. In addition, the UK businesses will be upgrading legacy plants to their respective

new operating models, which allow differentiated customer service offerings, deliver operating efficiencies and improved profitability and increase headroom capacity for growth; in Workwear remaining legacy plants will be upgraded to the CL2000 operating model, whilst in Healthcare and Hospitality plants will be upgraded to the new operating models, which have been developed, piloted and tested during the course of 2016. Plants will be upgraded through a combination of brownfield conversions, where the existing site allows, and new build plants; this will also result in some plant consolidation during the process. Importantly, the new capital investment will deliver increases in productivity of over 30% and result in a significant increase in overall capacity in a reduced number of plants, better enabling the Group to maximise the growth opportunities that it sees in the UK.

Outside the UK, the existing plants are largely sufficiently invested, such that the levels of maintenance capital are reflective of normal ongoing requirements. The majority of currently identified new plant investment, including brownfield conversions and new builds, is targeted within the Facility, particularly in Cleanroom, and Workwear Business Lines, as previously guided. There are further opportunities for investment to increase productivity and to increase capacity to match the growth opportunities we see, such as in Scandinavia and Ireland. The Group is developing and assessing investment plans for the Healthcare business in Germany and for each of the Business Lines in Ireland, where the Group now sees opportunity for growth; these plans are expected to be finalised over the next 12–18 months.

Overall, the Group now expects to invest approximately £150 million per annum in plant and machinery for each of the next 3 years. This represents total capital investment in plant and machinery of c.£450 million over that period, of which c.£200 million is expected to be invested in the UK and c.£250 million is expected to be invested in mainland Europe. Of this, approximately one third of the capital invested will be in respect of maintenance and to improve plant efficiency; the payback period of this investment is expected to be within three years. The remaining two thirds will be invested in brownfield plant conversions and new build plants; the payback period for plant conversions is expected to be within four years, and within six years for new build plants. All new capital invested is expected to deliver a minimum 15% pre-tax return, enabling the Group to achieve its target of a sustainable double digit Return on Invested Capital (ROIC).

In addition to organic growth, the Group continues to see opportunities for selective M&A in line with our capital allocation priorities; in the short term this is focused on bolt-on acquisitions, with the potential for more strategic acquisitions over the medium term. A new formalised structure has been put in place at the centre; a new Business Development director has built a team to manage the pipeline of acquisition targets, to ensure all transactions are aligned to the Group's strategic goals and to drive post transaction integration to ensure benefits are captured in full. As previously stated, the pace of converting these opportunities will be slow initially, with one small acquisition and one disposal completed in second half of 2016, but will increase over time.

4. BUSINESS LINE PERFORMANCE REVIEWS

Unless otherwise stated, all commentary in this section is on an underlying basis. Growth figures are at constant currency rates and exclude the impact of acquisitions and internal transfers. Operating profit is adjusted to exclude the impact of exceptional items and amortisation of customer contracts. Revenue in 2015 has been re-presented to standardise the treatment of residual value income (See Note 1).

NEW reporting structure	2016			2015		
	Revenue (£m)	**Operating profit[1] (£m)**	**Operating margin (%)**	**Revenue[2] (£m)**	**Operating profit[1] (£m)**	**Operating margin (%)**
Workwear	347.0	66.9	19.3%	314.1	65.3	20.8%
Facility	258.9	65.1	25.1%	225.6	58.1	25.8%
Healthcare	316.6	27.6	8.7%	299.1	29.8	10.0%
Hospitality	187.3	9.5	5.1%	179.3	11.9	6.6%
Central	0.2	(8.1)			(11.3)	
Total	**1,110.00**	**161.0**	**14.5%**	**1,018.10**	**153.8**	**15.1%**

OLD reporting structure	2016			2015		
	Revenue (£m)	Operating profit[1] (£m)	Operating margin (%)	Revenue[2] (£m)	Operating profit[1] (£m)	Operating margin (%)
Workwear	347	66.9	19.3%	314.1	65.3	20.8%
Facility	258.9	65.1	25.1%	225.6	58.1	25.8%
UK Flat Linen	209.9	16.8	8.0%	210.1	22.8	10.9%
Flat Linen - outside the UK	221.7	15	6.8%	196.3	13.7	7.0%
Clinical Sol. & Decon.	72.3	5.3	7.3%	72.0	5.2	7.2%
Central	0.2	(8.1)			(11.3)	
Total	**1,110.00**	**161.0**	**14.5%**	**1,018.10**	**153.8**	**15.1%**

Notes:

[1] Before exceptional costs, goodwill impairment and amortisation of customer contracts

[2] 2015 revenue has been restated to standardise the treatment of residual value income (See Note 1)

Workwear

Revenue in the Workwear Business Line grew by 10% to £347.0 million (2015: £314.1 million); underlying revenue growth was 2%, as growth in Europe offset a 1% decline in the UK. The adjusted operating profit increased to £66.9 million (£65.3 million), but the adjusted operating margin decreased to 19.3% (2015: 20.8%), predominately due to weakness in the UK. Reported operating profit was £64.0 million (2015: £64.6 million).

The UK accounts for approximately 30% of Workwear revenues, and is the largest single operation within the Business Line. Revenue declined by 1% compared to the prior year, as new contract wins were more than offset by a planned decline in smaller and lower value customers. During the first half, the business increased minimum order values to focus on larger customers, where the business is able to deliver greater value by managing complex supply chain relationships and ensure higher integrity garments, particularly where safety and hygiene properties are key. Whilst revenue from larger customers has increased, the number of new contract awards has been lower than

anticipated and the quality of these new orders has been lower than required. Volumes increased compared to the prior year, driven by an increase in textile usage in the food sector, where changes in required hygiene standards have driven an increase in the number of garment changes. This increase in volume drove an increase in direct processing costs and higher textile depreciation costs of approximately £2 million, as more garments were brought into circulation to address the higher levels of demand in fixed price contracts. These cost increases were partially offset by efficiency gains, particularly in the CL2000 plants; however the legacy plants, which have not yet been converted to the CL2000 operating model, have seen a reduction in margin, due to their lower capacity and capability to manage variability in levels of demand and product types, as well as declining productivity due to machine reliability. A new managing director for the business was appointed in the second half to realign the business, and improve its value proposition, within its key customer segments; over time this will drive an improvement in quality and size of the order book.

As part of the Berendsen Excellence strategy, capital investment into the UK Workwear business has been accelerated. In the UK, the business operates from 10 plants, of which six have been converted to the CL2000 operating model, including Durham and Birmingham which became operational in the third and fourth quarters of 2016, respectively. In advance of the conversion or closure of the four remaining legacy plants, the level of maintenance capital investment will be increased in 2017, to target 'at risk' machinery and drive operational and processing efficiency. One plant conversion is planned for the second half of 2017, with a further two new builds scheduled in 2018 & 2019, which will complete the upgrade of all plants in the UK to the CL2000 operating model.

Outside of the UK, revenues grew by over 3% at constant exchange rates, with similar growth levels in each of the business's largest mainland European markets, Germany, Holland and Sweden. Operating profit in these markets grew compared to the prior year, but the operating margin was slightly lower. Margins declined due to increased investment in textiles in Germany, Holland and Sweden; we believe there is opportunity to improve the control of textile investment and efficiency in these markets. The business continued to invest in plants in mainland Europe, with the completion of one new build plant and two plant conversions. A further two new builds are currently under construction in 2017, with plans for a third currently under review, in addition to a number of brownfield conversions also planned for 2017.

Facility

Revenue in the Facility Business Line grew by 15% to £258.9 million (2015: £225.6 million); underlying revenue growth was 4% as increases in Cleanroom and Mats more than offset an expected small decline in Washroom. Adjusted operating profit grew by £7.0 million to £65.1 million (2015: £58.1 million). As a result, the adjusted operating margin was slightly lower than the prior year at 25.1% (2015: 25.8%). Reported operating profit was £58.2 million (2015: £44.4 million).

The Facility Business Line is made up of three distinct services, reporting under a single structure: Cleanroom, Mats and Washroom.

Revenue in Cleanroom, which accounts for approximately 25% of the Facility Business Line revenue, continued to grow strongly. Underlying revenue growth was over 5% in each of its markets, with double digit growth in the UK and Germany. Growth was driven by higher than expected sales to new customers, whilst revenue from existing customers was in line with expectations. The Cleanroom business delivers very high integrity textile solutions, primarily for highly regulated pharmaceutical or technology sites; the business offers expertise in managing contamination control in cleanroom environments, with a constantly expanding and evolving set of solutions designed to answer specific customer needs and exceed increasing regulatory standards. In addition, a network of back-up facilities offers our customers a unique and market-leading operating platform. Cleanroom plants are configured on the CL2000 operating mode, similar to Workwear, which allows variable workflow patterns to be processed efficiently with lower direct inputs. This enables tailored and bespoke customer solutions, to be delivered with operating efficiency, increases customer satisfaction, and drives continuous improvement in service offerings.

Revenue in the Mats business, which accounts for approximately 60% of the Facility Business Line revenue, grew by approximately 3%, reflecting a strong performance in Sweden, Holland and Eastern Europe. Sales of new mats benefitted from the investment in new sales capability and the introduction of a new microfiber mat, which is visually cleaner, more absorbent and dries more quickly. During the second half, the business made a small acquisition in Denmark; such a bolt on acquisition gives rise to synergies from distribution and procurement, whilst also providing extra capacity for growth and better customer service by being closer to the customer.

Revenue in the Washroom business, which accounts for approximately 15% of the Facility Business Line revenue, declined slightly, as expected. During 2016 the business decided to reduce its reliance on third-party resellers, where the business does not have direct customer relationships and exerts lower levels of pricing control. At the same time, the business increased its direct sales capability whilst also expanding its direct supply chain to increase the use of proprietary products. As a result of these actions, higher margins offset the reduction in revenue to leave profitability flat.

Healthcare

Revenue in the Healthcare Business Line grew by 6% to £316.6 million (2015: £299.1 million); underlying revenue growth was flat as good growth in Sweden and Ireland offset a small decline in the UK. Adjusted operating profit declined by £2.2 million to £27.6 million (2015: £29.8 million), as a result of a deteriorating performance in the UK textile business. As a result, the adjusted operating margin declined to 8.7% (2015: 10.0%). Reported operating profit was £24.2 million (2015: £23.2 million). A new managing director, recruited from the Healthcare industry, was appointed in April to lead the newly created Healthcare Business Line.

Revenues in the UK Healthcare textile business, which account for approximately 30% of total Healthcare revenues, declined by 2% due to lower levels of contract retention, particularly in the second half. Good progress has been made to improve the customer value proposition, with particular focus on the sales and customer service capabilities, although these benefits will only impact in future years. Profitability declined by approximately £3

million as a result of higher textile costs and a deteriorating performance in operations due to past underinvestment in people, plant and machinery. This was exacerbated by the lower than expected recovery of National Living Wage (NLW) inflation and lower than expected levels of order intake and contract retention. Planned improvements in plant productivity, expected to mitigate cost inflation from NLW increases, did not materialise due to increased levels of machine downtime and process bottle necks; this further resulted in the business increasing the levels of textiles in circulation, increasing costs by c.£1 million, in order to meet customer service levels. Maintenance and repair costs also increased by c.£1 million as a result. The net impact of these factors, including a reduction in overhead costs, resulted in profitability being approximately £3 million lower than the prior year.

Capital investment in the UK business is being increased, to both improve the efficiency of the existing plants and to upgrade plants, over time, to the new operating model. Investment in maintenance capital for the legacy plants will increase in 2017, to target stability of machinery performance and drive operational and processing efficiency in identified process areas. In addition, the business has developed and tested a new operating model which will drive significant efficiency benefits, improve quality, reduce the cost to serve customers and will significantly increase headroom capacity. Plants will be upgraded through a combination of existing plant conversions and new build plants, with the first new build plant, in the South East, expected to start construction in the second half of 2017. In addition, the Group's OCR process is upgrading the quality of operational managers within the business, through significant investment in training, development and new hires. The investments in people and plant are expected to drive efficiency improvements from the second half of 2017, with a full year impact in 2018.

Revenues in Healthcare linen outside the UK, which account for approximately 45% of total healthcare revenues, grew by 2% at constant currency, as growth in Germany and Sweden more than offset a small decline in Denmark. Operating profits declined compared to the prior year, due to the closure of a plant in Erbach, Germany, with associated costs of approximately £2m. These closure costs have been charged as part of normal operations. A new operations director for Germany was appointed in the second half; the German business is currently implementing operational improvement plans which, once completed, are expected to lead to capital investment plans being finalised over the next 12-18 months.

Revenues in the clinical solutions and decontamination businesses, which are based in the UK and account for approximately 25% of total healthcare revenues, were in line with the previous year; profitability also remained stable. The clinical solutions business provides single use garments, reusable textiles, custom procedure trays, disposable medical packs and single use instruments. The decontamination business provides cleaning and sterilisation services for surgical and dental instruments. During 2016 the business has been developing, in partnership with its customers, an expansion to its medical devices offering to include a rental service for critical surgical instruments. This complex service, based on high integrity sterilisation, requires a flexible service offering to ensure the provision of devices are available at the point of use. The initial pilot, for the provision of endoscopes, has progressed well and is expected to result in a roll out to further sites during 2017. Having identified further growth opportunities in this segment, the business has committed new capital investment in this area.

Hospitality

Revenue in the Hospitality Business Line grew by 4% to £187.3 million (2015: £179.3 million); underlying revenue growth was 3%, driven by good growth in Scandinavia and a 1% increase in the UK. Adjusted operating profit declined by £2.4 million to £9.5 million (2015: £11.9 million), due to a weaker performance in the UK. As a result, the adjusted operating margin was lower than the prior year at 5.1% (2015: 6.6%). Reported operating profit was £8.0 million (2015: £11.9 million).

Revenues in the UK linen business, which account for approximately 65% of total Hospitality revenues, grew by 1%. However profitability fell by approximately £3 million due to higher levels of operational instability, particularly as seasonal volumes peaked in the summer months, when volumes can be up to 30% higher. The business incurred additional operational costs of c.£2 million due to increased levels of machine downtime, process bottle necks caused by inefficient machinery, and increased rework. In some plants the level of rework is as high as 15%. In order to meet customer service levels, the business increased staff levels, particularly with agency staff whose hourly rate is 20% higher. As a result, maintenance and repair costs also increased by c.£1 million. Transportation and logistics costs also increased by c.£1 million, as the instability in plant operations resulted in delivery scheduling inefficiencies, more frequent customer deliveries and the need to transfer linen to neighbouring sites for processing; total delivery miles increased by over 10%, despite the volume of linen delivered increasing by just 1%. The net impact of these factors, including an increase in underlying volumes, resulted in profitability being approximately £3 million lower than the prior year.

Capital investment in the UK business is being increased, to both increase the efficiency of the existing plants and to upgrade plants, over time, to a new operating model. As a result, investment in maintenance capital for the legacy plants will increase in 2017, to target 'at risk' machinery and drive operational and processing efficiency in identified process areas ahead of the seasonal peak. In addition, the business has developed and tested a new operating model which will drive significant efficiency benefits, improve quality and service levels, reduce the cost to serve customers and will significantly increase headroom capacity. Plants will be upgraded through a combination of existing plant conversions and new build plants; the brownfield conversion of the first three existing plants will commence in the first half, with construction of two new builds due to start in 2017, one in the first half and one in the second half. In addition, the Group's OCR process is upgrading the quality of operational managers within the business, through significant investment in training, development and new hires. The investments in people and plant are expected to drive efficiency improvements from the second half, with a full year impact in 2018.

Revenues in Hospitality outside the UK, which account for approximately 30% of total healthcare revenues, grew by over 5% at constant currency, due to strong growth in both Sweden and Denmark. Operating profits grew compared to the prior year, as margins increased in Denmark whilst profitability in Sweden grew in line with revenue; this is as a result of market share gains, particularly in Sweden, and operational improvements made to the businesses in recent years.

In August 2016 the Hospitality business disposed of its direct sale business. This business contributed revenue of £10 million, (2015: £13 million) and operating profit of £1.5 million, (2015: £1.7 million). The gain on disposal of £0.8 million is shown as part of exceptional costs.

Central Costs

Central costs reduced by £3.2 million to £8.1 million (2015: £11.3 million), due to the impact from the lower vesting of share based compensation, which more than offset investments in capability at the centre of the Group. Central costs will increase in 2017 by approximately £5 million, as the provision for share based compensation returns to normalised levels and due to increases in pension and other costs.

5. OTHER FINANCIAL ITEMS

Dividends

The Board continues to recognise the importance of dividends to its shareholders, and remains committed to ensuring a progressive dividend policy. As a result, the Board is recommending a final dividend of 22.5 pence (2015: 21.5 pence), which, together with the interim dividend of 10.5 pence (2015: 10.0 pence), gives a total of 33.0 pence (2015: 31.5 pence). This represents an increase of 5% compared to the prior year, and reflects the Board's confidence in the growth outlook for the Group, and the ongoing strength of the balance sheet. See note 6 for further details.

Exceptional costs and customer contract amortisation

Exceptional costs increased by £5.6 million to £12.9 million (2015: £7.3 million). The largest items related to the implementation of the Berendsen Excellence strategic initiatives, which include: professional fees and consultancy costs of £4.7 million, relating to HR, legal and consultancy costs, and; restructuring and redundancy costs of £5.8 million. The Group also incurred £8.3 million of costs relating to merger and acquisition activity; included within this is the estimated cost of the Group's ongoing CMA investigation, which relates to entities acquired by the Group in 2014. Exceptional costs include an offset of £0.8 million, reflecting the profit resulting from the sale of Mitre Furnishing Group Limited along with a curtailment gain of £5.1 million resulting from the Group's decision to freeze its liability in respect of its pension scheme in Sweden and fund future pension liabilities through a multi-employer insurance plan linked to the scheme. Amortisation of acquired customer contracts was £7.4 million (2015: £14.4 million).

The Group expects further exceptional costs in 2017, relating to the implementation of the Berendsen Excellence strategic initiatives, of up to £10 million.

Cash flow

Cash flows from operating activities increased by £13.4 million to £322.3 million (2015: £308.9 million). Net cash generated from operating activities, after net interest paid of £18.9 million (2015: 17.7 million) and income tax paid

of £20.6 million (2015: 18.0 million), increased by £9.6 million to £282.8 million (2015: £273.2 million). Free cash flow, calculated as net cash generated from operating activities less net capital expenditure of £235.8 million (2015: £174.4 million), reduced to £47.0 million (2015: £102.5 million). See note 20.

The reduction in free cash flow conversion was primarily driven by a £51.6 million increase in capital expenditure on textiles, property, plant and equipment to £233.1 million (2015: £181.9 million); capital expenditure was £49.5 million above depreciation of £183.6 million (2015: £165.4 million). This includes an increase in investment in textiles of £21.2 million to £165.7 million (2015: £144.5 million), reflecting new contract activity and additional investment to boost textile supply in the UK Healthcare and Hospitality operations to maintain service levels following unplanned plant downtimes; in 2017 capital investment in textiles is expected to increase slightly to approximately £175 million. Plant investments in 2016 increased to £68.0 million (2015: £38.9 million), as the Group continued to upgrade Workwear plants, in the UK, Germany and Denmark, and added capacity to Facility's Cleanroom plants in Germany and Denmark. The Group expects capital investment in plants to increase further in 2017.

The Group's cash flow was also impacted by the net repayment of debt during the year including maturing elements of the Group's US private placement borrowings, drawn down initially in 2006 and 2009. Other items impacting the cash flow included dividends paid to shareholders of £54.8 million (2015: £52.1 million) and shares purchased for the Employee Benefit Trust of £5.0 million (2015: £14.2 million).

Balance Sheet

Net debt, defined as borrowing less cash deposits (note 21), as at 31 December 2016 was £429.4 million (2015: £370.9 million), reflecting cash flow conversion being offset by the negative impact of foreign exchange movements on non-sterling denominated debt. The impact of exchange rate movements increased net borrowings by £44.4 million (2015: £17.4 million).

The Group retains a strong balance sheet with funding flexibility for future growth and a ratio of net debt to earnings before exceptional items, interest, tax, depreciation and amortisation (EBITDA) of 1.0 times (2015: 1.0 times), compared with the lowest covenant level within the Group's borrowing portfolio of three times cover. The total facilities available to the Group are almost £869 million with our Revolving Credit Facility and our Private Placement notes extending from 2016 to 2025.

Return on Invested Capital

The Group is focused on creating shareholder value by ensuring that new capital investments generate returns in excess of the Group's weighted average cost of capital (WACC); the Group's stated target is to deliver the return on invested capital (ROIC) of above 10% (note 29).

The Group's ROIC reduced in 2016 by 70 bps to 9.6% (2015: 10.3%). This was primarily to due to a decline in adjusted operating profit at constant exchange rates and adverse foreign exchange movements. As part of the Berendsen

Excellence strategy, and in response to the legacy issues uncovered in the UK in 2016, the Group has guided to a period of increased capital investment over the medium term. The new capital investment will enable the Group to improve efficiency in operations, but will also increase capacity significantly over the medium term. This will improve the Group's ROIC, albeit with a lagged impact.

Forward-looking statements

This announcement contains forward-looking statements relating to the business, financial performance and results of the Company and the industry in which the Company operates. These statements may be identified by words such as "expectation", "belief", "estimate", "plan", "target", or "forecast" and similar expressions or the negative thereof; or by forward-looking nature of discussions of strategy, plans or intentions; or by their context. No representation is made that any of these statements or forecasts will come to pass or that any forecast results will be achieved. All statements regarding the future are subject to inherent risks and uncertainties and various factors could cause actual future results, performance or events to differ materially from those described or implied in these statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies, the environment in which the Company will operate in the future and of future events which may not prove to be accurate. None of the Company, its subsidiary undertakings, affiliates, agents or advisers or any of such persons' respective directors, officers, employees or agents nor any other person accepts any responsibility for the accuracy of the opinions expressed in this announcement or the underlying assumptions. Past performance is not an indication of future results and past performance should not be taken as a representation that trends or activities underlying past performance will continue in the future. The forward-looking statements in this announcement speak only as at the date of this announcement and the Company, its subsidiary undertakings, affiliates, agents and advisers and any of such persons' respective directors, officers, employees or agents expressly disclaim any obligation or undertaking to release any updates or revisions to these forward-looking statements to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based after the date of this announcement or to update or to keep current any other information contained in this announcement or to provide any additional information in relation to such forward-looking statements. You are therefore cautioned not to place any undue reliance on such forward-looking statements.

Consolidated income statement

For the year ended 31 December 2016	Note	Year to 31 December 2016 £m	Restated (Note 1) Year to 31 December 2015 £m
Revenue	2	**1,110.0**	1,018.1
Cost of sales		**(565.8)**	(516.1)
Gross profit		**544.2**	502.0
Other income		**2.8**	4.6
Distribution costs		**(208.3)**	(187.0)
Administrative expenses		**(172.4)**	(161.3)
Other operating expenses		**(25.6)**	(26.2)
Operating profit	2	**140.7**	132.1
Analysed as:			
Operating profit before exceptional items and amortisation of customer contracts	2	**161.0**	153.8
Exceptional items	5	**(12.9)**	(7.3)
Amortisation of customer contracts	10	**(7.4)**	(14.4)
Operating profit	2	**140.7**	132.1
Finance costs	3	**(21.1)**	(20.7)
Finance income	3	**0.7**	2.0
Profit before taxation	4	**120.3**	113.4
Taxation	6	**(28.8)**	(24.5)
Profit for the year		**91.5**	88.9
Analysed as:			
Profit attributable to non-controlling interest		**0.3**	0.2
Profit attributable to owners of parent company		**91.2**	88.7
Earnings per share expressed in pence per share			
– Basic	8	**53.3**	51.9
– Diluted	8	**53.2**	51.8

Consolidated statement of comprehensive income

For the year ended 31 December 2016	Note	**Year to 31 December 2016 £m**	Year to 31 December 2015 £m
Profit for the year		**91.5**	88.9
Other comprehensive income /(expense):			
Items that may be subsequently reclassified into profit or loss:			
Currency translation differences		**45.2**	(24.1)
(Loss)/gain on cash flow hedges	17	**(2.3)**	3.5
		42.9	(20.6)
Items that cannot be subsequently reclassified into profit or loss:			
Actuarial (losses)/gains		**(47.1)**	7.7
Other comprehensive expense for the year, net of tax		**(4.2)**	(12.9)
Total comprehensive income for the year		**87.3**	76.0
Attributable to:			
Non-controlling interest		**1.0**	0.2
Owners of parent company		**86.3**	75.8

Items in the statement above are disclosed net of tax. The tax relating to each component of other comprehensive income is disclosed in note 6.

Consolidated balance sheet

As at 31 December 2016	Note	**As at 31 December 2016 £m**	Restated (note 14) As at 31 December 2015 £m
Assets			
Intangible assets:			
– Goodwill	9	**407.3**	367.0
– Other intangible assets	10	**30.1**	25.9
Property, plant and equipment	11	**571.8**	477.1
Deferred tax assets		**12.7**	6.9
Derivative financial instruments	17	**73.8**	51.4
Pension scheme surplus	23	**–**	44.6
Total non-current assets		**1,095.7**	972.9
Assets classified as held for sale		**–**	–
Inventories	12	**55.7**	50.2
Income tax receivable		**8.7**	3.3
Derivative financial instruments		**2.1**	16.3
Trade and other receivables	13	**189.9**	169.9
Cash and cash equivalents	14	**310.1**	157.0
Total current assets		**566.5**	396.7
Liabilities			
Bank overdraft		**(226.1)**	(30.3)
Borrowings	16	**(0.6)**	(88.1)
Derivative financial instruments	17	**(0.3)**	(5.3)
Income tax payable		**(25.1)**	(16.5)
Trade and other payables	15	**(213.5)**	(196.8)
Provisions	19	**(7.5)**	(2.9)
Total current liabilities		**(473.1)**	(339.9)
Net current assets		**93.4**	56.8
Borrowings	16	**(512.8)**	(409.5)
Derivative financial instruments	17	**(14.6)**	(5.9)
Pension scheme deficits	23	**(39.4)**	(28.8)
Deferred tax liabilities		**(74.5)**	(65.4)
Trade and other payables	15	**(0.9)**	(1.1)
Total non-current liabilities		**(642.2)**	(510.7)
Net assets		**546.9**	519.0
Equity			
Share capital		**51.8**	51.8
Share premium		**99.7**	99.5
Other reserves		**(0.9)**	1.4
Capital redemption reserve		**150.9**	150.9
Retained earnings		**240.3**	211.3
Total equity attributable to owners of parent company		**541.8**	514.9
Non-controlling interest		**5.1**	4.1
Total equity		**546.9**	519.0

Consolidated cash flow statement

For the year ended 31 December 2016	Note	**Year to 31 December 2016 £m**	Year to 31 December 2015 £m
Cash flows from operating activities			
Cash generated from operations	20	**322.3**	308.9
Interest paid		**(19.6)**	(19.7)
Interest received		**0.7**	2.0
Income tax paid		**(20.6)**	(18.0)
Net cash generated from operating activities		**282.8**	273.2
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	22	**(6.2)**	(9.2)
Disposal of subsidiary undertaking	22	**8.0**	–
Purchases of property, plant and equipment	11	**(233.1)**	(181.5)
Proceeds from the sale of property, plant and equipment	22	**2.0**	13.3
Purchases of intangible assets	10	**(4.7)**	(6.2)
Net cash used in investing activities		**(234.0)**	(183.6)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**0.2**	0.1
Purchase of own shares by the Employee Benefit Trust		**(5.0)**	(14.2)
Payment of loan issue costs		**(0.2)**	(2.1)
Drawdown of borrowings		**42.4**	199.8
Repayment of borrowings		**(93.4)**	(172.7)
Repayment of finance leases/hire purchase liabilities		**(0.2)**	(5.7)
Acquisition of minority interest in a subsidiary	22	**–**	(0.9)
Dividends paid to owners of parent company	7	**(54.8)**	(52.1)
Dividends paid to non-controlling interest		**–**	(0.1)
Net cash used in financing activities		**(111.0)**	(47.9)
Net (decrease) / increase in cash	21	**(62.2)**	41.7
Cash and cash equivalents at beginning of year	14	**126.7**	96.9
Exchange gains/ (losses) on cash		**19.5**	(11.9)
Cash and cash equivalents at end of year net of overdrafts	14	**84.0**	126.7
Free cash flow	20	**47.0**	102.5

Consolidated statement of changes in equity

	Attributable to shareholders of the company							
For the year ended 31 December 2015	Share capital £m	Share premium £m	Other reserves £m	Capital redemption reserve £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
At 1 January 2015	51.8	99.4	(2.4)	150.9	200.5	500.2	5.2	505.4
Comprehensive income:								
Profit for the year	–	–	–	–	88.7	88.7	0.2	88.9
Other comprehensive income/(expense):								
Actuarial gains (note 23)	–	–	–	–	8.9	8.9	–	8.9
Cash flow hedges	–	–	4.3	–	–	4.3	–	4.3
Currency translation	–	–	–	–	(19.7)	(19.7)	–	(19.7)
Tax on items taken to equity (note 6)	–	–	(0.8)	–	(5.6)	(6.4)	–	(6.4)
Total other comprehensive income/(expense)	–	–	3.5	–	(16.4)	(12.9)	–	(12.9)
Total comprehensive income	–	–	3.5	–	72.3	75.8	0.2	76.0
Transactions with owners:								
Issue of share capital in respect of share option schemes	–	0.1	–	–	–	0.1	–	0.1
Purchase of own shares by the Employee Benefit Trust	–	–	–	–	(14.2)	(14.2)	–	(14.2)
Dividends (note 7)	–	–	–	–	(52.1)	(52.1)	(0.1)	(52.2)
Value of employee service in respect of share option schemes and share awards	–	–	–	–	4.8	4.8	–	4.8
Acquisition of non-controlling interest	–	–	0.3	–	–	0.3	(1.2)	(0.9)
Total transactions with owners	–	0.1	0.3	–	(61.5)	(61.1)	(1.3)	(62.4)
At 31 December 2015	51.8	99.5	1.4	150.9	211.3	514.9	4.1	519.0

For the year ended 31 December 2016	Share capital £m	Share premium £m	Other reserves £m	Capital redemption reserve £m	Retained earnings £m	Total £m	Non–controlling interest £m	Total equity £m
	Attributable to shareholders of the company							
At 1 January 2016	**51.8**	**99.5**	**1.4**	**150.9**	**211.3**	**514.9**	**4.1**	**519.0**
Comprehensive income:								
Profit for the year	**–**	**–**	**–**	**–**	**91.2**	**91.2**	**0.3**	**91.5**
Other comprehensive income/(expense):								
Actuarial losses (note 23)	**–**	**–**	**–**	**–**	**(57.5)**	**(57.5)**	**–**	**(57.5)**
Cash flow hedges	**–**	**–**	**(2.3)**	**–**	**–**	**(2.3)**	**–**	**(2.3)**
Currency translation	**–**	**–**	**–**	**–**	**44.7**	**44.7**	**0.7**	**45.4**
Tax on items taken to equity (note 6)	**–**	**–**	**–**	**–**	**10.2**	**10.2**	**–**	**10.2**
Total other comprehensive (expense)/ income	**–**	**–**	**(2.3)**	**–**	**(2.6)**	**(4.9)**	**0.7**	**(4.2)**
Total comprehensive income	**–**	**–**	**(2.3)**	**–**	**88.6**	**86.3**	**1.0**	**87.3**
Transactions with owners:								
Issue of share capital in respect of share option schemes	**–**	**0.2**	**–**	**–**	**–**	**0.2**	**–**	**0.2**
Purchase of own shares by the Employee Benefit Trust	**–**	**–**	**–**	**–**	**(3.6)**	**(3.6)**	**–**	**(3.6)**
Dividends (note 7)	**–**	**–**	**–**	**–**	**(54.8)**	**(54.8)**	**–**	**(54.8)**
Value of employee service in respect of share option schemes and share awards	**–**	**–**	**–**	**–**	**(1.2)**	**(1.2)**	**–**	**(1.2)**
Total transactions with owners	**–**	**0.2**	**–**	**–**	**(59.6)**	**(59.4)**	**–**	**(59.4)**
At 31 December 2016	**51.8**	**99.7**	**(0.9)**	**150.9**	**240.3**	**541.8**	**5.1**	**546.9**

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

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

Notes to the consolidated financial statements

1 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), and IFRS Interpretations Committee (IFRSIC) 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 available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The Berendsen plc's Report and Accounts 2016 (the "Annual Report") will be posted to shareholders on 20 March 2017. The Annual Report will also be made available on the company's website, www.berendsen.com, from 20 March 2017. The financial information set out herein does not constitute the company's statutory accounts for the year ended 31 December 2016 but is derived from those financial statements and the accompanying directors' report. The statutory accounts for 2016 will be delivered to the Registrar of Companies following the Company's Annual General Meeting which will be held on 27 April 2017. The auditors have reported on the company's statutory accounts; the report was unqualified and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

The comparative figures for the year ended 31st December 2015 are not the financial statements for the financial year but are derived from those accounts which have been reported on by the group's auditors and delivered to the Registrar of Companies. The report was unqualified and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

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

2 Segmental information

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

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

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

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

	Workwear £m	Facility £m	Healthcare £m	Hospitality £m	Unallocated £m	Group £m
Total segment revenue	**349.3**	**260.2**	**322.9**	**188.7**	**0.2**	**1,121.3**
Inter-segment revenue	**(2.3)**	**(1.3)**	**(6.3)**	**(1.4)**	**–**	**(11.3)**
Revenue from external customers	**347.0**	**258.9**	**316.6**	**187.3**	**0.2**	**1,110.0**
Operating profit before exceptional items and amortisation of customer contracts	**66.9**	**65.1**	**27.6**	**9.5**	**(8.1)**	**161.0**
Exceptional items (note 4)	**(2.3)**	**(0.7)**	**(3.1)**	**(1.5)**	**(5.3)**	**(12.9)**
Amortisation of customer contracts	**(0.6)**	**(6.2)**	**(0.3)**	**–**	**(0.3)**	**(7.4)**
Segment result	**64.0**	**58.2**	**24.2**	**8.0**	**(13.7)**	**140.7**
Net finance costs						**(20.4)**
Profit before taxation						**120.3**
Taxation						**(28.8)**
Profit for the year						**91.5**
Profit attributable to non-controlling interest						**0.3**
Profit attributable to owners of parent company						**91.2**
Capital expenditure	**99.3**	**62.3**	**58.2**	**35.0**	**(5.3)**	**249.5**
Depreciation (note 11)	**73.5**	**32.4**	**49.0**	**33.9**	**(5.2)**	**183.6**
Amortisation (note 10)	**2.3**	**6.8**	**1.2**	**0.7**	**0.4**	**11.4**

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

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

2 Segmental information (continued)

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

	Workwear £m	Facility £m	Healthcare £m	Hospitality £m	Unallocated £m	Group Restated* £m
Total segment revenue	315.8	226.5	303.6	180.9	–	1,026.8
Inter-segment revenue	(1.7)	(0.9)	(4.5)	(1.6)	–	(8.7)
Revenue from external customers	314.1	225.6	299.1	179.3	–	1,018.1
Operating profit before exceptional items and amortisation of customer contracts	65.3	58.1	29.8	11.9	(11.3)	153.8
Exceptional items	(0.2)	–	(6.4)	–	(0.7)	(7.3)
Amortisation of customer contracts	(0.5)	(13.7)	(0.2)	–	–	(14.4)
Segment result	64.6	44.4	23.2	11.9	(12.0)	132.1
Net finance costs						(18.7)
Profit before taxation						113.4
Taxation						(24.5)
Profit for the year						88.9
Profit attributable to non-controlling interest						0.2
Profit attributable to owners of parent company						88.7
Capital expenditure	77.3	34.9	51.2	38.5	(3.9)	198.0
Depreciation (note 11)	62.9	28.3	46.1	31.9	(3.8)	165.4
Amortisation (note 10)	2.3	14.1	1.0	1.2	0.1	18.7

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

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

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

	Workwear £m	Facility £m	Healthcare £m	Hospitality £m	Unallocated £m	Group £m
Operating assets	**436.4**	**373.0**	**278.9**	**147.3**	**19.2**	**1254.8**
Operating liabilities	**(74.7)**	**(53.7)**	**(32.9)**	**(37.5)**	**(23.1)**	**(221.9)**

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

	Workwear £m	Facility £m	Healthcare £m	Hospitality £m	Unallocated £m	Group £m
Operating assets	364.9	299.3	264.9	143.2	17.8	1090.1
Operating liabilities	(64.8)	(39.4)	(46.4)	(33.8)	(16.4)	(200.8)

2 Segmental information (continued)

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

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

Unallocated assets include operating assets relating to corporate segments.

Unallocated liabilities include operating liabilities for corporate segments.

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

3 Net finance costs

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

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

4 Expenses by nature

	Year to 31 December 2016 £m	Year to 31 December 2015 £m
The following items have been included in arriving at operating profit before exceptional items:		
Staff costs	**413.9**	390.1
Depreciation of property, plant and equipment (note 11):		
– Owned assets	**182.9**	163.9
– Under finance leases	**0.7**	1.5
Amortisation of intangible assets (included within other operating expenses) (note 9):		
– Customer contracts	**7.4**	14.4
– Computer software	**4.0**	4.3
Loss on sale of property, plant and equipment (note 22)	**1.0**	(2.8)
Cost of inventories recognised as an expense in ‘cost of sales’	**7.1**	8.8
Net cost of inventories written off	**0.1**	0.1
Other operating lease rentals payable:		
– Plant and machinery	**18.1**	16.5
– Property	**8.4**	8.1
Services provided by the company’s auditors and its associates		
Fees payable to the company’s auditors for the audit of the parent company and consolidated financial statements	**0.2**	0.2
Fees payable to the company’s auditors and its associates for other services:		
– The audit of the company’s subsidiaries	**0.8**	0.7
– Tax advisory services	**0.2**	0.2
– Tax compliance services	**0.1**	0.1
Total services	**1.3**	1.2

5 Exceptional items

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

	Year to 31 December 2016 £m	Year to 31 December 2015 £m
Strategy implementation costs:		
Professional fees and consultancy costs	**4.7**	0.7
Restructure and redundancy costs	**5.8**	0.2
Other exceptional costs/(income):		
Costs relating to merger and acquisition activity	**8.3**	-
Disposal of subsidiary	**(0.8)**	-
Goodwill impairment (note 9)	**-**	6.4
Curtailment gain (note 23)	**(5.1)**	-
Total	**12.9**	7.3

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

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

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

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

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

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

6 Taxation

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

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

6 Taxation (continued)

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

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

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

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

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

7 Dividends

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

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

8 Earnings per share

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

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

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

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

8 Earnings per share (continued)

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

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

9 Goodwill

	2016 £m	2015 £m
Cost		
At 1 January	**441.3**	460.0
Acquisitions (note 22)	**–**	0.8
Disposals (note 22)	**(12.1)**	–
Currency translation	**51.1**	(19.5)
At 31 December	**480.3**	441.3
Accumulated amortisation and impairment		
At 1 January	**74.3**	69.8
Impairment	**–**	6.4
Disposals (note 22)	**(7.6)**	–
Currency translation	**6.3**	(1.9)
At 31 December	**73.0**	74.3
Net book amount at 31 December	**407.3**	367.0

Composition of CGUs

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

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

9 Goodwill (continued)

Under the new Business Line structure we have 46 CGU's which represent the smallest identifiable group of assets that generate independent cash flows from other groups of assets. In 2015 we had 23 CGU's under the previous Core and Manage for Value Business Line structure. For the purposes of goodwill impairment review, acquired goodwill has been allocated to 4 groups of CGU's being the operating segments. The operating segments are Workwear, Facility, Hospitality and Healthcare. The operating segments identified in 2015 were Workwear, Facility, UK Flat Linen, Scandinavian Flat Linen, Germany and Austria Healthcare, Ireland, Direct Sales, Clinical Solutions and Decontamination. In 2016, Germany and Austria Healthcare and Clinical Solutions have been reallocated to Healthcare along with the proportion of Scandinavian Flat Linen that relates to Healthcare. The balance of Scandinavian Flat Linen has been reallocated to Hospitality whilst Ireland is now split across Hospitality, Healthcare and Workwear. UK Flat Linen has now been reallocated to Healthcare and Hospitality. The Direct Sale operating segment, reflecting the group's interest in the Mitre Furnishing Group Ltd was disposed of during the year (note 22).

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

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

Impairment testing of goodwill

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

- Sustainable revenue growth, prior to currency impacts, of at least GDP +3%;
- Continued margin improvement; and
- Targeted investment in plant and machinery for stability and growth in operations

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

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

10 Other intangible assets

	Computer software £m	Other intangible assets £m	Customer contracts £m	Total £m
Cost				
At 1 January 2016	**46.4**	**2.5**	**178.1**	**227.0**
Acquisitions (note 22)	**–**	**–**	**8.6**	**8.6**
Additions at cost	**4.5**	**–**	**0.2**	**4.7**
Disposals	**(0.1)**	**–**	**(1.3)**	**(1.4)**
Currency translation	**4.3**	**–**	**23.1**	**27.4**
At 31 December 2016	**55.1**	**2.5**	**208.7**	**266.3**
Accumulated depreciation				
At 1 January 2016	**36.2**	**1.4**	**163.5**	**201.1**
Charge for the year	**4.0**	**–**	**7.4**	**11.4**
Disposals	**(0.1)**	**–**	**(1.3)**	**(1.4)**
Currency translation	**3.6**	**–**	**21.5**	**25.1**
At 31 December 2016	**43.7**	**1.4**	**191.1**	**236.2**
Net book amount at 31 December 2016	**11.4**	**1.1**	**17.6**	**30.1**
Net book amount at 31 December 2015	**10.2**	**1.1**	**14.6**	**25.9**

	Computer software £m	Other intangible assets £m	Customer contracts £m	Total £m
Cost				
At 1 January 2015	42.9	1.4	184.8	229.1
Acquisitions (note 22)	–	–	2.8	2.8
Additions at cost	5.1	1.1	–	6.2
Disposals	(0.1)	–	–	(0.1)
Currency translation	(1.5)	–	(9.5)	(11.0)
At 31 December 2015	46.4	2.5	178.1	227.0
Accumulated depreciation				
At 1 January 2015	33.2	1.4	157.4	192.0
Charge for the year	4.3	–	14.4	18.7
Disposals	–	–	–	–
Currency translation	(1.3)	–	(8.3)	(9.6)
At 31 December 2015	36.2	1.4	163.5	201.1
Net book amount at 31 December 2015	10.2	1.1	14.6	25.9
Net book amount at 31 December 2014	9.7	–	27.4	37.1

All amortisation charges have been charged through other operating expenses.

11 Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Textile assets and washroom equipment £m	Total £m
Cost				
At 1 January 2016	**228.3**	**447.6**	**534.2**	**1,210.1**
Additions at cost	**21.2**	**46.8**	**165.7**	**233.7**
Acquisitions (note 22)	**0.6**	**0.7**	**1.2**	**2.5**
Reclassification within fixed assets	**2.0**	**(2.0)**	**–**	**–**
Disposals	**(0.8)**	**(32.2)**	**(109.9)**	**(142.9)**
Disposal of subsidiary undertaking	**(1.1)**	**(0.1)**	**–**	**(1.2)**
Currency translation	**27.0**	**42.9**	**61.9**	**131.8**
At 31 December 2016	**277.2**	**503.7**	**653.1**	**1,434.0**
Accumulated depreciation				
At 1 January 2016	**100.7**	**320.0**	**312.3**	**733.0**
Charge for the year	**5.2**	**29.6**	**148.8**	**183.6**
Reclassification within fixed assets	**0.8**	**(0.8)**	**–**	**–**
Disposals	**(0.3)**	**(31.6)**	**(108.0)**	**(139.9)**
Disposal of subsidiary undertaking	**(0.2)**	**–**	**–**	**(0.2)**
Currency translation	**13.1**	**32.2**	**40.4**	**85.7**
At 31 December 2016	**119.3**	**349.4**	**393.5**	**862.2**
Net book amount at 31 December 2016	**157.9**	**154.3**	**259.6**	**571.8**
Net book amount at 31 December 2015	**127.6**	**127.6**	**221.9**	**477.1**

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

11 Property, plant and equipment (continued)

	Land and buildings £m	Plant and machinery £m	Textile assets and washroom equipment £m	Total £m
Cost				
At 1 January 2015	238.7	462.8	674.6	1,376.1
Additions at cost	6.2	32.7	144.5	183.4
Acquisitions (note 22)	2.0	3.6	–	5.6
Disposals	(8.0)	(34.7)	(253.2)	(295.9)
Reclassified to inventory	–	–	(0.4)	(0.4)
Currency translation	(10.6)	(16.8)	(31.3)	(58.7)
At 31 December 2015	228.3	447.6	534.2	1,210.1
Accumulated depreciation				
At 1 January 2015	105.3	333.6	456.4	895.3
Charge for the year	6.8	28.1	130.5	165.4
Disposals	(6.2)	(28.7)	(250.7)	(285.6)
Currency translation	(5.2)	(13.0)	(23.9)	(42.1)
At 31 December 2015	100.7	320.0	312.3	733.0
Net book amount at 31 December 2015	127.6	127.6	221.9	477.1
Net book amount at 31 December 2014	133.4	129.2	218.2	480.8

12 Inventories

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

13 Trade and other receivables

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

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

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

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

Provision for impairment of trade receivables

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

13 Trade and other receivables (continued)

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

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

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

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

14 Cash and cash equivalents

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

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

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

15 Trade and other payables

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

16 Borrowings

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

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

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:

16 Borrowings (continued)

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

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

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

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

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

For further details of the group's derivative financial instruments against its borrowings see note 17.

16 Borrowings (continued)

As underlying currencies have been swapped from US dollars via derivative contracts, the group has a gain on financial instruments (see note 17) which is offset by the currency translation loss on the underlying borrowings noted above. The borrowing under the US private placements (2006 and 2009) of £291.6 million reflects the £25 million and the US$329 million translated at the year end sterling to dollar rate.

Fair value of financial assets and liabilities

	As at 31 December 2016		As at 31 December 2015	
	Book value £m	**Fair value £m**	Book value £m	Fair value (restated) £m
Long-term borrowings	**(512.8)**	**(558.8)**	(409.5)	(471.1)
Fair value of other financial assets and liabilities:				
Short-term borrowings	**(0.6)**	**(0.6)**	(88.1)	(88.1)
Trade and other payables (note 15)	**(76.8)**	**(76.8)**	(70.1)	(70.1)
Trade and other receivables (note 13)	**152.3**	**152.3**	130.6	130.6
Cash at bank and in hand (note 14) including overdrafts	**84.0**	**84.0**	126.7	126.7

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

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

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

Maturity of financial liabilities

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

16 Borrowings (continued)

Borrowing facilities

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

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

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

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

17 Derivative financial instruments

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

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

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

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

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

17 Derivative financial instruments (continued)

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

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

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

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

Background

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

17 Derivative financial instruments

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

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

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

Cash flow hedges

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

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

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

Net investment hedges

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

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

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

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

18 Financial risk management

18.1 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

18 Financial risk management (continued)

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.

18.2 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method (see notes 16 and 17). The different levels have been defined as follows:

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

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

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

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

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

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

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

Total liabilities	–	(11.2)	–	(11.2)

18 Financial risk management (continued)

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

Specific techniques used to value financial instruments include:

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

19 Provisions

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

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

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

20 Cash flow from operating activities

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

Cash generated from operations	**Year to 31 December 2016 £m**	Year to 31 December 2015 £m
Profit for the year	**91.5**	88.9
Adjustments for:		
Taxation	**28.8**	24.5
Goodwill impairment	**–**	6.4
Amortisation of intangible assets	**11.4**	18.7
Depreciation of property, plant and equipment	**183.6**	165.4
Loss/ (profit) on sale of property, plant and equipment	**1.0**	(2.8)
Profit on sale of subsidiary	**(0.8)**	–
Finance income	**(0.7)**	(2.0)
Finance costs	**21.1**	20.7
Special pension contribution payments (note 23)	**–**	(3.7)
Curtailment gain	**(5.1)**	–
Other movements	**(3.7)**	3.7
Changes in working capital (excluding effect of acquisitions, disposals and exchange differences on consolidation):		
Inventories	**(3.1)**	(1.9)
Trade and other receivables	**(7.3)**	(11.5)
Trade and other payables	**3.0**	2.5
Provisions	**2.6**	–
Cash generated from operations	**322.3**	308.9

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

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

20 Cash flow from operating activities (continued)

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

21 Reconciliation of net cash flow to movement in net debt

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

22 Acquisitions and disposals

a) Acquisitions

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

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

	Total Provisional fair values £m
Intangible assets (note 10)	**8.6**
Property, plant and equipment (note 11)	**2.5**
Trade and other receivables	**0.2**
Trade and other payables	**(0.7)**
Bank loans	**(2.8)**
Deferred tax liabilities	**(1.8)**
Net assets acquired	**6.0**
Consideration	**6.0**
Consideration satisfied by:	
Cash	**6.0**

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

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

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

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

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

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

22 Acquisitions and disposals (continued)

b) Disposal of a subsidiary

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

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

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

(c) Details of the sale of the subsidiary

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

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

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

23 Pension commitments

Defined contribution schemes
Pension costs for defined contribution schemes are as follows:

	Year to 31 December 2016 £m	Year to 31 December 2015 £m
Defined contribution schemes	**14.0**	12.2

Defined benefit plans
The Group operates a number of defined benefit schemes and unfunded schemes. Of these, the principal schemes are the defined benefit plans in the UK and the unfunded scheme in Sweden. In 2016 the group has taken the opportunity to reduce its exposure to its ongoing pension deficit in Sweden by freezing the existing liability and funding future accruals through a multi-employer insurance plan linked to the scheme. This has resulted in a curtailment gain in relation to this scheme of £5.1m, before a tax charge of £1m, which is included within the group's exceptional costs for 2016 (see note 5).

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

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

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

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

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

23 Pension commitments (continued)

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

24 Contingent liabilities

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

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

25 Related parties

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

26 Forward looking statements

This announcement contains certain statements about the future outlook for the group. Although the company believes that expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different. These forward-looking statements speak only as at the date of this announcement. The company undertakes no obligation to update any forward-looking statements, save in respect of any requirement under applicable law or regulation. Factors that may affect the group's operations are described in note 28 "Principal risks and uncertainties" below.

27 Responsibility statements

The company's Annual Report for the year ended 31 December 2016, which will be published on 20 March 2016, contains the following statement regarding responsibility for the financial statements and management report included in the Annual Report:

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, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and

ii) the strategic report, and the Directors' Report, includes a fair review of the development and performance of the business and the position of the business and the performance of the Group together with a description of the principal risks and uncertainties they face.

28 Principal risks and uncertainties

	Risk	Potential impact	Movement since January 2016	Current mitigating actions	Further mitigating actions in 2017
1	**Business disruption and lack of focus resulting from strategic organisational changes.** Strategic focus area • Operational excellence	Reduction in future profitability, and impact on KPIs • Revenue growth • Earnings per share • Cash flow • Net debt to EBITDA • Return on invested capital • Dividend per share	**Increased** Due to the increased number of strategic initiatives.	• The Executive Board reviews monthly the progress on strategy implementation and business performance against targets agreed. • New KPI's defined and agreed. • Monitoring of project tracker for Group initiatives. • Dedicated PMO resource for all major projects and project management system in place.	• The current mitigating actions will continue. In addition, the new KPIs will be monitored going forward. • Project activity to be monitored weekly by business lines and monthly by Group.
2	**Not having the IT and shared services capability needed to support the delivery of the business strategy.** Strategic focus area • Underpins all our four strategic areas.	Insufficient support to the new Group strategy and impact on KPIs • Revenue growth • Earnings per share • Return on invested capital	**No change**	• A Shared Service project is looking at ensuring that shared services support is strengthened and aligned to business needs. Part of this project covers IT capability. The project is being supported by a consultancy firm with expertise in the subject.	• Continue with our current mitigating actions.
3	**Not embedding the necessary LEAN capabilities to support the delivery of the business strategy across businesses.** Strategic focus area • Underpins all our four strategic areas	Insufficient support to the new Group strategy and impact on KPIs • Revenue growth • Earnings per share • Major injury rate • CO2 emissions • Senior management retention rate • Return on invested capital	**No change**	• The Berendsen Excellence function is now fully set up and its Continuous Improvement department is driving a number of LEAN training initiatives. Also it is supporting through a network of Black Belts the design and implementation of New Operating Models based on the LEAN principles. • An Organisational Capability Review project which consists of a people capability review, also helps with building leadership capabilities across businesses based on the LEAN principles.	• Delivery of LEAN training and implementation of new operating models will continue in 2017. • Berendsen management system in place from February 2017 to monitor KPIs. • Sites benchmarking against Berendsen Excellence model.

	Risk	Potential impact	Movement since January 2016	Current mitigating actions	Further mitigating actions in 2017
4	**Not having the right people capability and alignment to support the delivery of the business strategy and sustain past business performance capability.** Strategic focus area • Underpins all our four strategic areas	Insufficient support to the new Group strategy and impact on KPIs • Revenue growth • Earnings per share • Major injury rate • CO_2 emissions • Senior management retention rate • Return on invested capital	**New** People capability to deliver change at the same time as sustaining good performance is key for the success of our new strategy.	• The Organisational Capability Review project is being delivered. The project aim is for the business to have the right people in the right place according to business needs and strategy. The project is being supported by a consultancy firm with expertise in the subject.	• The delivery of the Organisational Capability Review project will continue in 2017.
5	**Not being able to execute the M&A pipeline.** Strategic focus area • Customer/market growth	Reduction in future profitability, and impact on KPIs • Revenue growth • Cash flow	**New** The new strategy aims for high growth targets which need also to be delivered through M&A.	• A dedicated business development team is in place to support the business with the execution of acquisitions. • A defined framework and process for acquisitions and integrations is in place.	• Continue with our current mitigating actions.
6	**Not embedding the necessary capabilities to strengthen customer engagement and ensure bidding success rates and customer retention increase across the business.** Strategic focus area • Customer/market growth	Reduction in future profitability, and impact on KPIs • Revenue growth • Cash flow	**New** Focus on customer needs is at the heart of our new strategy.	• New defined standard framework will be used to help implement pipeline management.	• Berendsen Advance (CRM) will be used across all businesses. Training will be provided to users by July 2017.

	Risk	Potential impact	Movement since January 2016	Current mitigating actions	Further mitigating actions in 2017
7	**Brexit.** Strategic focus area • Underpins all our four strategic areas.	Inability to execute the business strategy and impact on KPIs • Revenue growth • Earnings per share • Cash flow • Senior management retention rate • Net debt to EBITDA • Return on invested capital • Dividend per share	**New** The UK has voted in favour of leaving the EU and Article 50 is expected to be triggered in March '17 when negotiations to exit will commence.	• A Brexit detailed risk assessment has been performed to understand how the different elements of a Brexit would impact on our business model and strategy. • High-level mitigation options have been defined for each of the risks identified. • Regular meetings with Group management take place for continuous monitoring of the situation and assessment of risks identified.	• Regular meeting with Group management will continue to ensure close monitoring on the development of Brexit. • Implementation of mitigation actions according to developments and as appropriate. • Add to contractual terms and conditions a clause to allow flexibility to deal with Brexit risks.

	Risk	Potential impact	Movement since January 2016	Current mitigating actions		Further mitigating actions in 2017
8	**Failure to deliver Health and Safety systems to reduce accidents and improve safety.** Strategic focus area • Operational excellence to be the best	Damage to our reputation and/or loss of licence to operate and impact on KPIs • Revenue growth • Major injury rate	**No change**	• Group Health and Safety Policy in place. • Local health, safety and fire management systems in place. • Regularly updated and monitored cleaning and maintenance programmes.	• Prompt incident reporting procedures maintained. • Regular Board review of major incidents and statistics. • Clear Health and Safety Strategy defined.	• Implementation of the Health and Safety strategy. • Upgrade of incident reporting system (BIRS).
9	**Textile suppliers are found not to be adopting appropriate employment and human rights practices.** Strategic focus area • Operational excellence	Damage to our reputation, and/or loss of licence to operate, loss of goodwill. Significant shareholder concern Impact on KPI • Earnings per share	**No change**	• Regular visits to major suppliers by experienced internal personnel and external parties to assess suppliers' compliance with appropriate working practices.	• Supplier Code of Conduct and Whistleblowing Policy are included in all suppliers' contracts. • Prompt incident reporting procedures maintained.	• Continue with our current mitigating actions.

	Risk	Potential impact	Movement since January 2016	Current mitigating actions		Further mitigating actions in 2017
10	**Inadequate talent management and inability to recruit and retain sufficiently qualified and experienced senior management.** Strategic focus area • People effectiveness	Lack of internal succession for key management roles. Short/medium term disruption in the event of sudden departures due to lack of skilled management Impact on KPI • Senior management retention rate	**Increased** the organisational changes being delivered increase the risk of people leaving the business. Past underinvestment in people in the UK.	• Employee survey taking place every two years (last one took place in 2015). Results of the 2015 employee survey have been reviewed by all businesses and 'you said' 'we will' actions were agreed and acted upon in 2016.	• Performance and development review process in place. • Management trainee scheme in place. • Short and long-term management incentive plans in place.	• Review and update of the Berendsen LEAD model. • Review of the Berendsen Academy.
11	**Failure of sales to deliver the necessary new contract wins to drive targeted organic growth.** Strategic focus area • Customer/market growth	Reduction in future profitability, and impact on KPI • Revenue growth	**No change**	• The new business strategy is being implemented. Split of business lines Healthcare, Hospitality, Mats and Washroom are delivering further focus on sales in each business line. • The reporting system provides monthly progress against business line budgets, including key performance indicators. • Monthly management accounts distributed to the Board include KPIs on organic growth, contract gains and customer losses.	• The growth targets have been increased from GDP +1-2% to GDP +2%. • New defined standard framework for business capture, using Microsoft Dynamics across businesses to help implement pipeline management.	• Complete implementation of the standard framework for business capture and CRM systems.

	Risk	Potential impact	Movement since January 2016	Current mitigating actions		Further mitigating actions in 2017
12	**Significant change in political environment arising from government policies or spending levels.** Strategic focus area • Customer/market growth and operational excellence	Reduction in future profitability, and impact on KPIs • Revenue growth • Earnings per share • Cash flow	**Increased** Brexit, outcomes of the recent US elections, upcoming elections in EU countries, all contribute to changes in the political landscape and potential changes in policy.	• Careful monitoring and planning of political developments. • Deep understanding of domestic market and political environment where we operate.	• Brexit detailed risk assessment completed and regularly monitored.	• Continue with our current mitigating actions.
13	**Non-compliance with laws and regulations.** Strategic focus area • Operational excellence	Damage to our reputation, and/or loss of licence to operate Impact on KPIs • Revenue growth • Earnings per share	**Increased** new regulations with significance for the Group are upcoming (i.e. the General Data Protection Regulation, Gender Pay Gap Reporting).	• Group policy, procedures and guidelines maintained and regularly monitored to ensure compliance to those laws and regulations identified as significant for the Group. • New policies developed and translated into local languages when needed.	• Ongoing training programme for employees. • Prompt incident reporting procedures maintained.	• Review and improve control framework around information management. • Improve anti-bribery and corruption training through e-learning.
14	**Environmental issues at laundries.** Strategic focus area • Operational excellence and effective use of capital	Emergence of unaccounted for liability, and adverse impact on reputation and retained earnings and KPI • Cash flow	**Increased** In 2016, we saw an increase in the number of incidents with environmental impact potential.	• Environmental policy and regular monitoring of compliance in place. • Established procedures for incident reporting to senior management with subsequent monitoring.	• Established indemnities with the previous owners of a number of acquired sites.	• Recommendations from a recently completed "AS IS" analysis on how we are managing environmental risk will be addressed.

Risk	Potential impact	Movement since January 2016	Current mitigating actions		Further mitigating actions in 2017
15 **Unforeseen loss of capacity (significant facility or business critical IT system becomes unavailable).** Strategic focus area • Operational excellence	Inability to service customer requirements and adverse impact on reputation and KPIs • Revenue growth • Earnings per share	**Increased** We saw in 2016 an increase in the number of incidents with potential to impact on loss of capacity. Past underinvestment in plant and machinery in the UK business.	• Group Business Continuity Policy in place which requires documented and evaluated business continuity plans for all 'significant' facilities to ensure that customer service is not significantly impacted during an interruption. The policy also required documented IT disaster recovery plans. • Regular desktop scenario-based testing of business continuity planning arrangements.	• Fire protection and security procedures at all 'significant' locations, including smoke detectors, sprinkler systems and alarm systems. • At least annually, audits of compliance with fire protection and security procedures. • Comprehensive group-wide property damage and business interruption insurance.	• Recommendations from a recently completed "AS IS" analysis on how we are managing business continuity risk will be addressed.
16 **Movements in exchange rates adversely affect the translation of our Group results into UK sterling.** Strategic focus area • Effective use of capital	Unexpected variations in Group net earnings KPI • Earnings per share	**Increased** There is higher volatility in currency exchange rates.	• Maintain and regularly monitor a high level of balance sheet hedging. • Regular communication with the market on impact on earnings.		• Continue with the current mitigating actions.

	Risk	Potential impact	Movement since January 2016	Current mitigating actions		Further mitigating actions in 2017
17	**Further economic downturn (low or negative GDP growth in Europe).** Strategic focus area • Effective use of capital and customer/market growth	Reduction in future profitability, adverse pressure on pricing and margins, and impact on KPIs • Cash flow • Net debt to EBITDA • Return on invested capital	**No change**	• Long-range plans for business lines to 2019 prepared. • Tight and closely monitored controls over capital expenditure and working capital.	• Monitoring of various lead indicators against previous experience including Hotel and Workwear volumes.	• Continue with the current mitigating actions.

29 Statutory and Alternative Performance Measures

Underlying revenue and underlying revenue growth

This is defined as year on growth in revenue excluding the impact of foreign currency translation and acquisitions or disposals and is a good indicator that we are capturing the opportunities available to us in our existing markets.

Adjusted operating profit, adjusted operating margin and adjusted profit before tax

Adjusted operating profit is the basis that the Group uses for its adjusted earnings per share calculation. The adjusted operating profit is presented to eliminate the impact of exceptional items, amortisation of customer contracts and non-recurring tax items for a transparent comparison of the year on year performance of the group's operations. Amortisation of customer contracts arising from acquisitions is excluded from underlying operating profit to avoid potential double counting of such costs within such measures.

Adjusted underlying profit growth

This is defined as year on year growth in adjusted operating profit after adjusting for the impact of foreign currency translation and acquisitions and disposals. This measure gives a good indication of the underlying growth in the Group's business activities.

Adjusted EPS

This shows EPS based upon adjusted operating profit. This presentation is shown because, in the opinion of the directors, this represents additional information to the readers of the financial statements, providing information attributable to the underlying activities of the business.

Adjusted net debt to EBITDA

This adjusted ratio is presented in accordance with the terms of the Group's Revolving Credit Facility. We believe that this ratio best captures the sustainability and soundness of our financial position. The ratio divides net debt, borrowings adjusted for cash deposits, by adjusted earnings before interest tax, depreciation and amortisation.

ROIC

We believe that a measure of return on invested capital (ROIC) that incorporates the value of goodwill and other intangible assets previously written off or amortised, reflects the full use of our shareholders' capital. This measure shows how effectively and efficiently we are allocating capital to our business.

Key financial measures

	2016 £m	2015 £m
Statutory		
Revenue	**1,110**	1,018.1
Revenue growth	**9%**	
Operating profit	**140.7**	132.1
Operating margin	**12.7%**	13.0%
Operating profit growth	**6.5%**	
Operating profit before tax	**120.3**	113.4
Basic earnings per share	**53.3**	51.9
Net debt to EBITDA	**1.31**	1.23

Alternative Performance Measures		
Underlying revenue growth	**2%**	
Adjusted operating profit	**161**	153.8
Adjusted operating margin	**14.5%**	15.1%
Adjusted operating profit growth	**5%**	
Adjusted profit before tax	**140.6**	135.1
Adjusted underlying profit growth	**(4%)**	
Adjusted earnings per share	**63.1**	60.4
Adjusted net Debt to EBITDA	**1.0**	1.0

Reconciliation of statutory and alternative performance measures – Consolidated

Revenue

	2016	2015
Statutory measure		
Statutory revenue	**1,110**	1,018.1
Statutory revenue growth	**9%**	

Alternative performance measure		
Statutory revenue	**1,110**	1,018.1
Adjust for acquisitions/disposals and internal transfers, where applicable	**(12.5)**	(13.0)
Impact of foreign exchange movements	**–**	70.3
Underlying revenue	**1,097.5**	1,075.4
Underlying revenue growth	**2%**	

Operating profit

	2016	2015
Statutory measure		
Operating profit	**140.7**	132.1
Operating profit growth	**6.5%**	
Operating profit margin	**12.7%**	13.0%
Operating profit margin growth	**(30) bps**	
Profit before tax	**120.3**	113.4

Alternative performance measure		
Operating profit	**140.7**	132.1
Intangible asset amortisation	**7.4**	14.4
Exceptional items	**12.9**	7.3
Adjusted operating profit	**161.0**	153.8
Adjusted profit before tax	**140.6**	135.1
Tax on adjusted operating profit	**32.4**	31.6
Effective tax rate on adjusted operating profit	**23.1%**	23.4%
Adjusted operating profit	**161.0**	153.8
Impact of acquisitions and disposals	**(1.6)**	(1.7)
Impact of foreign currency translation	**–**	13.3
Underlying adjusted operating profit	**159.4**	165.4
Adjusted operating profit margin	**14.5%**	15.1%
Adjusted operating profit growth	**5%**	
Adjusted operating margin growth	**(60) bps**	
Underlying profit growth	**(4%)**	

Earnings per share

	2016	2015
Statutory measure		
Basic Earnings per share	**53.3**	51.9

Alternative performance measure		
Basic Earnings per share	**53.3**	51.9
Intangible asset amortisation	**3.4**	6.5
Exceptional items	**6.6**	3.0
Impact of changes in tax rates	**(0.2)**	(1.0)
Adjusted earnings per share	**63.1**	60.4

Net Debt to EBITDA

	2016	2015
Statutory measure		
Net debt divided by EBITDA	**1.31**	1.23

Alternative performance measure		
Net debt	**429.4**	370.9
Adjust debt for underlying swap values and at average foreign currency translation rates	**(95.6)**	(64.4)
Adjusted EBITDA after intangible asset amortisation and exceptional costs	**348.6**	323.4
Adjusted net debt to EBITDA	**1.0**	1.0

12 month average return on invested capital

	2016 £m	2015 £m
Net operating profit after tax - Return		
Adjusted operating profit	**161.0**	153.8
Add back: Pension interest less returns on investment	**(1.8)**	(1.4)
Less tax at effective rates	**(36.7)**	(35.8)
Net operating profit after tax	**122.5**	116.6

Operating capital and Invested capital		
Total equity	**529.0**	494.2
Add back:		
Net debt	**424.6**	395.0
Retirement benefit obligations	**34.4**	(10.8)
Derivatives	**(59.7)**	(52.4)
Intangible Assets	**(414.4)**	(385.8)
Operating capital	**513.9**	440.2
Add back:		
Intangible assets (including goodwill previously written-off, amortisation and other)	**755.9**	690.8
Average invested capital	**1,269.8**	1,131.0
Return on operating capital (post tax)	**23.8%**	26.5%
Return on invested capital (post tax)	**9.6%**	10.3%

ROIC

We believe that a measure of return on invested capital (ROIC) that incorporates the value of goodwill and other intangible assets previously written off or amortised, reflects the full use of our shareholders' capital. This measure shows how effectively and efficiently we are allocating capital to our business

Reconciliation of statutory and alternative performance measures – Business Line

Workwear

	2016	2015
Statutory measure		
Statutory revenue	**347**	314.1
Statutory revenue growth	**10%**	

	2016	2015
Alternative Performance Measure		
Statutory revenue	**347**	314.1
Adjust for acquisitions, disposals and internal transfers, where applicable	**(1.6)**	–
Impact of foreign exchange movements	**–**	24.8
Underlying revenue	**345.4**	338.9
Underlying revenue growth	**2%**	

	2016	2015
Statutory measure		
Operating profit	**64.0**	64.6
Operating profit growth	**(1%)**	
Operating profit margin	**18.4%**	20.6%
Operating profit margin growth	**(220) bps**	

	2016	2015
Alternative Performance Measure		
Operating profit	**64.0**	64.6
Amortisation of customer contracts	**0.6**	0.5
Exceptional items	**2.3**	0.2
Adjusted operating profit	**66.9**	65.3
Adjusted operating profit growth	**2%**	
Adjusted operating profit margin	**19.3%**	20.8%

Facility

	2016	2015
Statutory measure		
Statutory revenue	**258.9**	225.6
Statutory revenue growth	**15%**	

Alternative Performance Measure		
Statutory revenue	**258.9**	225.6
Adjust for acquisitions, disposals and internal transfers, where applicable	**(0.9)**	–
Impact of foreign exchange movements	**–**	23.4
Underlying revenue	**258.0**	249.0
Underlying revenue growth	**4%**	

Statutory measure		
Operating profit	**58.2**	44.4
Operating profit growth	**31%**	
Operating profit margin	**22.5%**	19.7%
Operating profit margin growth	**280 bps**	

Alternative Performance Measure		
Operating profit	**58.2**	44.4
Amortisation of customer contracts	**6.2**	13.7
Exceptional items	**0.7**	–
Adjusted operating profit	**65.1**	58.1
Adjusted operating profit growth	**12%**	
Adjusted operating profit margin	**25.1%**	25.8%

Healthcare

	2016	2015
Statutory measure		
Statutory revenue	**316.6**	299.1
Statutory revenue growth	**6%**	

Alternative Performance Measure		
Statutory revenue	**316.6**	299.1
Adjust for acquisitions/disposals and internal transfers, where applicable	**(0.9)**	–
Impact of foreign exchange movements	**–**	15.8
Underlying revenue	**315.7**	314.9
Underlying revenue growth	**0%**	

Statutory measure		
Operating profit	**24.2**	23.2
Operating profit growth	**4%**	
Operating profit margin	**7.6%**	7.8%
Operating profit margin growth	**(20bps)**	

Alternative Performance Measure		
Operating profit	**24.2**	23.2
Amortisation of customer contracts	**0.3**	0.2
Exceptional items	**3.1**	6.4
Adjusted operating profit	**27.6**	29.8
Adjusted operating profit growth	**(7%)**	
Adjusted operating profit margin	**8.7%**	10%

Hospitality

	2016	2015
Statutory measure		
Statutory revenue	**187.3**	179.3
Statutory revenue growth	**4%**	

Alternative Performance Measure		
Statutory revenue	**187.3**	179.3
Adjust for acquisitions/disposals and internal transfers, where applicable	**(9.0)**	(13.0)
Impact of foreign exchange movements	**–**	6.3
Underlying revenue	**178.3**	172.6
Underlying revenue growth	**3%**	

Statutory measure		
Operating profit	**8.0**	11.9
Operating profit growth	**(33%)**	
Operating profit margin	**4.3%**	6.6%
Operating profit margin growth	**(230)bps**	

Alternative Performance Measure		
Operating profit	**8.0**	11.9
Amortisation of customer contracts	**–**	–
Exceptional items	**1.5**	–
Adjusted operating profit	**9.5**	11.9
Adjusted operating profit growth	**(20%)**	
Adjusted operating profit margin	**5.1%**	6.6%

Reconciliation of statutory and alternative performance measures – Old Business Line structure

Clinical Solutions and Decontamination	2016	2015
Alternative Performance Measure		
Statutory operating profit	4.7	5.2
Amortisation of customer contracts	–	–
Exceptional items	0.6	–
Adjusted operating profit	5.3	5.2
Adjusted operating profit margin	7.3%	7.2%
UK Flat Linen	2016	2015
Alternative Performance Measure		
Statutory operating profit	14.3	22.8
Amortisation of customer contracts	–	–
Exceptional items	2.5	
Adjusted operating profit	16.8	22.8
Adjusted operating profit margin	8%	10.9%
Flat linen outside the UK	2016	2015
Alternative Performance Measure		
Statutory operating profit	13.9	7.1
Amortisation of customer contracts	0.2	0.2
Exceptional items	0.9	6.4
Adjusted operating profit	15	13.7
Adjusted operating profit margin	6.8%	7%