1 March 2013

BERENDSEN plc

Full Year results announcement
for the year ended 31 December 2012

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

*before £nil (2011:£8.5 million) exceptional items and £25.1 million (£24.0 million) amortisation of customer contracts
**Underlying (at constant exchange rates and excluding acquisitions)

Full Year Highlights

- Good underlying growth in both revenue and profit
- Business line structure delivering benefits ahead of schedule in its first full year
- Increased rate of revenue growth in Core Growth businesses in second half
- Further operating margin improvements, up 70bps in the year
- Excellent free cash conversion at 142% of adjusted profit after tax: investments targeted to Core Growth opportunities
- Return on invested capital further improved to 8.5% (7.9%)
- Dividend up 9% in line with our progressive dividend policy

Iain Ferguson, Chairman of Berendsen, commented

“We are pleased to report this strong set of results, with our business line structure delivering benefits ahead of schedule in its first full year. The board expects trading trends in 2013 to be similar to last year and for Berendsen to achieve another year of good progress.”

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Analyst Meeting

The company will be presenting to a meeting of analysts at 9.00am today. A live audiocast of the presentation and questions, and the recording, will be available at the company’s website on www.berendsen.com. Questions will only be taken at the meeting.

Overview of the 12 months ended 31 December 2012

We are pleased to report a strong set of results for the Group with underlying revenue up 2% and underlying adjusted operating profit up 8% to £145.6 million (2011: £139.8 million). Our adjusted operating margin increased 70bps to 14.8%. Adjusted earnings per share were 52.2p compared with 48.4p last year, an increase of 8%. The Board is recommending a final dividend of 17.5 pence (16.0 pence) bringing the total dividend to 25.5 pence (23.4 pence), an increase of 9%.

Our free cash flow was 34% higher than last year at £125.1 million (£93.1 million) a conversion of 142% of our adjusted profit after tax. Our net debt reduced to £463.7 million compared to £513.6 million as at 31 December 2011.

We also improved our return on invested capital by 60bps from 7.9% in 2011 to 8.5%. Moving towards double digit returns remains a key strategic objective.

We are pleased with the progress we have made in implementing the various initiatives we identified in our Strategic Review. Our business line structure was fully in place from 1 January 2012 and we are now managing our operations along these business lines. We saw the benefits of this more focused structure during the year through a consistent approach to market opportunities in each business segment and the faster execution of best practice transfer to exploit the opportunities we see. At the same time we have a number of Group-wide programmes where we are targeting to capture the opportunities of scale, leveraging our resources in procurement, pricing and commercial terms management and working capital management. In 2013, we will build on this momentum adding service management to this programme. These front line initiatives are supported by a strengthening of our central capabilities in HR, procurement and business development.

We grew underlying revenue by 3.5% in our Core Growth businesses, which ended the year with a stronger second half: we also improved operating margins by 90bps with the benefit of the additional volume and the restructuring undertaken last year of our sales force to improve efficiency. Furthermore, whilst the aggregate revenue of our Manage for Value businesses declined, the operating margin increased by 40bps, assisted by restructuring last year. We remain committed to increasing value from both segments.

Results

Group revenue was £985.1 million in the year, down 1% on the prior year (2011: £992.0 million). Adjusted operating profit (before exceptional items and amortisation of customer contracts) was £145.6 million, compared with £139.8 million, an increase of 4%. Comparisons of revenue and adjusted operating profit performance to the equivalent period last year reflect the bolt-on acquisitions we made in the year and the impact of currency. Adjusting for these, underlying revenue grew 2% and adjusted operating profit grew 8%. Foreign exchange translation reduced revenue and adjusted operating profit by £33.9 million and £6.1 million respectively compared to the prior year.

Our net finance costs were £25.6 million compared with £28.0 million last year, notwithstanding the full year effect of the modest uplift in the pricing of the 5 year €535 million Revolving Credit Facility, which we signed in July 2011. The reduced cost reflects our strong cash flow. Adjusted profit before tax was £120.0 million (£111.8 million) and adjusted earnings per share were 52.2 pence (48.4 pence), up 8%.

Our effective tax rate on adjusted profit before tax was 26.1%, similar to last year (26.4%). We will benefit in 2013 from the planned reduction in country tax rates in the UK and Sweden, which will mean that our effective tax rate should be closer to 25.5% in 2013.

There were no exceptional items in the year. In 2011 net exceptional charges of £8.5 million were incurred. These costs related to the restructuring of our German Healthcare, Irish and Scandinavian flat linen businesses, which we are managing for value, and in rationalising the sales force in our Core Growth business; costs incurred in managing the change programmes identified in our Strategic Review and costs incurred in relation to acquisitions: credits were recognised for changes to long term employee benefits.

Amortisation of acquired customer contracts was £25.1 million (£24.0 million). After amortisation and net exceptional items, operating profit was £120.5 million (£107.3 million), profit before taxation was £94.9 million (£79.3 million) and basic earnings per share were up 27% to 42.8 pence compared with 33.8 pence in 2011.

As previously indicated, we are a well invested business. Our net capital expenditure was £154.7 million, compared to the previous year of £159.2 million. This was 94% (96%) of the depreciation charged. The investment in textiles and other rental assets was slightly lower than 2011 at £127.8 million (£131.3 million) but, at 107% of depreciation, this is supporting the higher underlying volumes and the new contract wins. Expenditure on plant and equipment was £27.3 million compared to £29.6 million last year and targeted at the higher growth areas of our business, such as the conversion of our plant in UK Workwear to the model we operate in Continental Europe and investment in our Cleanroom plant in Holland. For 2013, we expect net capital expenditure to be slightly below depreciation. Free cash flow was significantly higher at £125.1 million (£93.1 million). Our initiatives in capital efficiency improved cash flow with a positive inflow of £11.4 million (inflow of £6.3 million) in working capital and our cash tax rate is lower than the accounting rate because of the tax relief on the asset purchases we have made.

We contributed £5 million to the UK pension fund in the year and a further £5 million is planned this year, in line with the funding plan agreed following the 2010 triennial valuation. In 2013, we will therefore undertake our next triennial valuation. We expect the results of this to be agreed later in the year and for the funding plan for the next three years to commence from the start of 2014. We ended the year with net retirement benefit obligation liabilities for the Group of £20.5 million (£28.2 million) reflecting the decrease we have seen in discount rates following the lowering of bond yields offset by improved asset performance. The main UK pension fund shows an asset of £18.8 million (£10.3 million) on an IFRS accounting basis but a deficit at the triennial valuation for funding purposes, with our overseas pension funds showing a liability of £40.0 million (£38.5 million). These overseas plans are unfunded in line with local practice. As

indicated in note 16, the company will adopt IAS19 – "Employee Benefits", with effect from 1 January 2013 in line with required practice. As this is a change of accounting policy, the 2012 accounts presented here will be restated with effect from 1 January 2012. Had the new accounting standard been adopted in 2012, then we estimate that pension costs would have been £3.3 million higher than reported this year under the existing accounting standard and adjusted earnings per share 1.5 pence lower, with no impact on the cash flow of the business.

Acquisition spend amounted to £37.1 million (£13.7 million). This relates primarily to the acquisition we made in February 2012 to extend our Cleanroom footprint to Germany and the acquisition of Groene Team, a mat and washroom company in the Netherlands, which we announced in December 2012, substantially increasing our market position there. A number of small bolt-on acquisitions were made, primarily in Facility and Workwear in Scandinavia. These acquisitions are already contributing to Group profits. After a reduction of £14.5 million from exchange translation and dividends paid of £40.6 million (£37.3 million), net debt at 31st December 2012 was £463.7 million (£513.6 million).

Overall the Group retains a strong balance sheet with a ratio of net debt to earnings before exceptional items, interest, tax, depreciation and amortisation (EBITDA) of 1.48 times (2011: 1.66 times), compared with a covenant level of not more than three times. We have total private placement notes of £342 million with maturities between 2014, when £31 million equivalent is due to be repaid and 2021. In addition the Group's bank facilities extend to July 2016 and amount to £437 million, of which £250 million was undrawn at the year end.

We seek to create value by increasing our return on invested capital in line with our strategic objectives: we aim to increase our returns by growing revenues and margins and manage our invested capital by converting our growth to cash. This year we increased our return on invested capital by 60bps from 7.9% last year to 8.5%. Further improving these returns remains a key strategic objective, with a target towards double digit.

The Board is recommending a final dividend of 17.5 pence, which, together with the interim dividend of 8.0 pence paid in October 2012, gives a total of 25.5 pence, an increase of 9% on last year's level. The final dividend will be paid on 3 May 2013 to shareholders on the register at the close of business on 12 April 2013.

Business Line Performance

	12 months to 31 Dec 2012			12 months to 31 Dec 2011 (restated)**		
	Revenue	Operating Profit*	Operating Margin*	Revenue	Operating Profit*	Operating Margin*
Workwear	288.0	51.2	17.8%	286.5	49.7	17.3%
Facility	212.8	54.1	25.4%	207.3	48.3	23.3%
UK flat linen	196.7	26.2	13.3%	195.2	26.1	13.4%
Total Core Growth	697.5	131.5	18.9%	689.0	124.1	18.0%
Flat linen outside UK	218.0	21.0	9.6%	234.0	20.7	8.8%
Clinical Solutions and Decontamination	69.6	2.9	4.2%	69.0	3.3	4.8%
Total Manage for Value	287.6	23.9	8.3%	303.0	24.0	7.9%
Central Overheads	-	(9.8)		–	(8.3)	
Total Group	985.1	145.6	14.8%	992.0	139.8	14.1%

* before exceptional items and amortisation of customer contracts

** Flat linen outside UK 2011 operating profit has been reduced by £1.0 million and Workwear and Facility increased by £0.5 million each from the amounts previously disclosed to present a more consistent allocation of management charges in line with 2012

Core Growth

Workwear

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

We are pleased with the development of our sales operations with important changes being made market by market. A number of our lead indicators are also improving: we were almost 20% ahead of our targets on new contract sales in 2012, which included seven new contract wins with annual values of over £1m each, three of which were either new to outsourcing or added a significant portion of new business: our pipeline increased by 50% over the year. While this is encouraging, we believe there are further opportunities for improvement.

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

In the UK we have started the process of improving our market offerings and the new garment ranges we introduced in the first half continued to sell well, representing almost a quarter of new sales and at higher prices, reflecting the improved quality of our offering. We also completed in August the conversion of our plant in Rainhill, near Liverpool, to the proprietary production model we use in Continental Europe. This is based on the principles of self-managed teams and lean production techniques and we are already seeing benefits in productivity with greater employee engagement, opportunities to improve service further and a growing level of customer interest in the initiatives we have introduced. The UK market is not easy in this economic climate but we did see revenue growth in 2012, which we aim to build on in 2013.

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

Our outlook for Workwear in 2013 will see us build on the achievements of the second half 2012 and capture the benefits of the improvements and innovations the Business Line management team has introduced.

Facility

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

Our Mat and Washroom businesses delivered higher new contract sales with fewer sales people following the reorganisation last year. This delivered the sales efficiency we targeted with higher quality salespeople supported by a better ratio of sales coaches and managers and an increase in their potential for higher commissions. The Business Line organisation is driving the improvements in sales and marketing capability with a number of key changes. We are also focusing on our service and distribution model and the changes we identified in Norway last year to improve our distribution processes are now largely complete. We believe we have further opportunity to improve and increase our retention rates through service improvements.

In Scandinavia we saw some reduction in volume per contract in the second half, primarily in Denmark where the economy is still weak, but we made good progress overall. We also improved our market position in Holland with the acquisition of Groene Team in December 2012, which will add annual revenues of approximately £14 million. This further strengthens our capability in washroom services. Although washroom services is much smaller than mat services in the markets we serve, in many of the more developed facility markets of Europe, washroom is a larger business. This remains a significant opportunity for us, especially in Scandinavia.

In Poland, we returned to double digit revenue growth, primarily from new contract wins of virgin customers and as a result our margin increased to close to 20%. In our smaller markets, the Baltic and Czech Republic, we delivered double digit revenue growth.

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

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

UK Flat Linen

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

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

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

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

Manage for Value

Flat Linen outside the UK

This comprises our hotel and healthcare businesses in Denmark and Sweden, our healthcare businesses in Germany and Austria and our business in Ireland. Our flat linen business outside the UK saw revenues down at £218.0 million (£234.0 million) but adjusted operating profit was £21.0 million compared with £20.7 million last year. Adjusting for exchange, revenue was down 2% but adjusted operating profit was up 6%. The margin increased from 8.8% to 9.6%.

Our focus in these businesses is on operating margin improvement and cash generation, delivering from the existing asset base and maintaining our existing strong market positions. We will invest capital to maintain the quality of these businesses and to provide excellent service to our customers but we would not expect to expand our plant footprint or to consolidate our markets through acquisitions as the returns are less attractive than in our Core Growth businesses.

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

We have seen some price pressure coming through in the second half in Sweden with a number of unusually large contract renewals in our Healthcare business and we have a number of tenders outstanding in Germany. Our management teams are focused on capturing the opportunities to build stronger businesses, as demonstrated this year and they have much to contribute to the success of the Group.

Clinical Solutions and Decontamination

Revenue was up 1% on last year at £69.6 million (£69.0 million) with adjusted operating profit of £2.9 million compared to £3.3 million last year.

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

Losses on our decontamination contracts, for which we made provision at the end of 2010, were reduced from £4.4 million last year to £2.2 million. Our customers recognise the quality of our service and have worked with us to make the number of changes identified in our turnaround plan. We are planning the transition to our service of both new volume from our existing contracts and volume from a significant new contract. We remain on track with our turnaround plan and our focus is now on developing the opportunities that are being discussed with potential customers using our existing footprint.

Outlook

We are pleased to report this strong set of results, with our business line structure delivering benefits ahead of schedule in its first full year. The board expects trading trends in 2013 to be similar to last year and for Berendsen to achieve another year of good progress.

Consolidated income statement

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

Consolidated statement of comprehensive income

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

Items in the statement above are disclosed net of tax.

Consolidated balance sheet

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

Consolidated cash flow statement

For the year ended 31 December 2012	Notes	**Year to 31 December 2012 £m**	Year to 31 December 2011 £m Restated
Cash flows from operating activities			
Cash generated from operations	13	**317.7**	286.6
Interest paid		**(27.4)**	(28.5)
Interest received		**2.2**	1.7
Income tax paid		**(17.7)**	(19.1)
Net cash generated from operating activities		**274.8**	240.7
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	15	**(37.1)**	(13.7)
Purchases of property, plant and equipment		**(155.1)**	(160.9)
Proceeds from the sale of property, plant and equipment	14	**3.9**	4.8
Purchases of intangible assets	9	**(3.5)**	(3.1)
Net cash used in investing activities		**(191.8)**	(172.9)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**1.8**	0.1
Purchase of own shares by the Employee Benefit Trust		**(5.4)**	–
Payment of loan issue costs		**–**	(4.0)
Drawdown of borrowings		**10.6**	5.0
Repayment of borrowings		**(62.4)**	(7.8)
Repayment of finance leases/hire purchase liabilities		**(3.3)**	(3.8)
Dividends paid to company's shareholders	6	**(40.6)**	(37.3)
Dividends paid to non-controlling interest		**(0.1)**	(0.1)
Net cash used from financing activities		**(99.4)**	(47.9)
Net (decrease)/increase in cash	14	**(16.4)**	19.9
Cash and cash equivalents at beginning of year		**91.9**	74.0
Exchange losses on cash		**(1.8)**	(2.0)
Cash and cash equivalents at end of year		**73.7**	91.9
Free cash flow	13	**125.1**	93.1

Consolidated statement of changes in equity

	Attributable to shareholders of the company							
	Share capital £m	Share premium £m	Other reserves £m	Capital redemption reserve £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
At 1 January 2011	51.5	96.7	(0.7)	150.9	165.4	463.8	4.1	467.9
Comprehensive income:								
Profit for the year	–	–	–	–	57.0	57.0	0.5	57.5
Other comprehensive income:								
Actuarial losses	–	–	–	–	(35.5)	(35.5)	–	(35.5)
Cash flow hedges	–	–	1.6	–	–	1.6	–	1.6
Currency translation	–	–	–	–	(8.1)	(8.1)	(0.1)	(8.2)
Tax on items taken to equity	–	–	(0.4)	–	7.2	6.8	–	6.8
Total other comprehensive income	–	–	1.2	–	(36.4)	(35.2)	(0.1)	(35.3)
Total comprehensive income	–	–	1.2	–	20.6	21.8	0.4	22.2
Transactions with owners:								
Issue of share capital in respect of share option schemes	–	0.1	–	–	–	0.1	–	0.1
Purchase of own shares by the Employee Benefit Trust	–	–	–	–	0.2	0.2	–	0.2
Dividends (note 6)	–	–	–	–	(37.3)	(37.3)	(0.1)	(37.4)
Value of employee service in respect of share option schemes and share awards	–	–	–	–	5.5	5.5	–	5.5
Total transactions with owners	–	0.1	–	–	(31.6)	(31.5)	(0.1)	(31.6)
At 31 December 2011	51.5	96.8	0.5	150.9	154.4	454.1	4.4	458.5

Consolidated statement of changes in equity

	Attributable to shareholders of the company							
	Share capital £m	Share premium £m	Other reserves £m	Capital redemption reserve £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
At 1 January 2012	**51.5**	**96.8**	**0.5**	**150.9**	**154.4**	**454.1**	**4.4**	**458.5**
Comprehensive income:								
Profit for the year	–	–	–	–	**72.4**	**72.4**	**0.5**	**72.9**
Other comprehensive income:								
Actuarial losses	–	–	–	–	**(1.8)**	**(1.8)**	–	**(1.8)**
Cash flow hedges	–	–	**(0.4)**	–	–	**(0.4)**	–	**(0.4)**
Currency translation	–	–	–	–	–	–	**(0.1)**	**(0.1)**
Tax on items taken to equity	–	–	**0.1**	–	**2.6**	**2.7**	–	**2.7**
Total other comprehensive income	–	–	**(0.3)**	–	**0.8**	**0.5**	**(0.1)**	**0.4**
Total comprehensive income	–	–	**(0.3)**	–	**73.2**	**72.9**	**0.4**	**73.3**
Transactions with owners:								
Issue of share capital in respect of share option schemes	**0.2**	**1.6**	–	–	–	**1.8**	–	**1.8**
Purchase of own shares by the Employee Benefit Trust	–	–	–	–	**(5.4)**	**(5.4)**	–	**(5.4)**
Dividends (note 6)	–	–	–	–	**(40.6)**	**(40.6)**	**(0.1)**	**(40.7)**
Value of employee service in respect of share option schemes and share awards	–	–	–	–	**6.4**	**6.4**	–	**6.4**
Total transactions with owners	**0.2**	**1.6**	–	–	**(39.6)**	**(37.8)**	**(0.1)**	**(37.9)**
At 31 December 2012	**51.7**	**98.4**	**0.2**	**150.9**	**188.0**	**489.2**	**4.7**	**493.9**

The group has an Employee Benefit Trust to administer share plans and to acquire company shares, using funds contributed by the group, to meet commitments to group employees. At 31 December 2012, the Trust held 2,882,275 (2011: 2,915,296) shares.

Notes to the consolidated financial statements

Accounting policies 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), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by 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 2012 (the "Annual Report") will be posted to shareholders on 21 March 2013. The Annual Report will also be made available on the company's website, www.berendsen.com, from 21 March 2013. The financial information set out herein does not constitute the company's statutory accounts for the year ended 31 December 2012 but is derived from those financial statements and the accompanying directors' report. The statutory accounts for 2012 will be delivered to the Registrar of Companies following the Company's Annual General Meeting which will be held on 25 April 2013. 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 31 December 2011 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 237 (2) or (3) of the Companies Act 1985.

Notes to the consolidated financial statements

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 strategic review of the business presented in November 2010, from 1 January 2012 the Berendsen plc executive board manages the business under the business lines of Workwear, Facility, UK Flat Linen, Flat Linen outside the UK, and Clinical Solutions and Decontamination. From the same date the group's internal reporting structure was aligned on the same basis. 2011 segment information is presented on a basis consistent with the new reporting structure.

The results for the year ended 31 December 2012 under the business line structure are as follows:

	Core Growth				Manage for Value				
	Workwear £m	Facility £m	UK Flat Linen £m	Total Core Growth £m	Flat Linen outside UK £m	Clinical Solutions and Decontamination £m	Total Manage for Value £m	Unallocated	Group £m
Total segment revenue	**313.1**	**213.6**	**196.7**	**723.4**	**219.3**	**71.7**	**291.0**	**–**	**1,014.4**
Inter-segment revenue	**(25.1)**	**(0.8)**	**–**	**(25.9)**	**(1.3)**	**(2.1)**	**(3.4)**	**–**	**(29.3)**
Revenue from external customers	**288.0**	**212.8**	**196.7**	**697.5**	**218.0**	**69.6**	**287.6**	**–**	**985.1**
Operating profit before amortisation of customer contracts	**51.2**	**54.1**	**26.2**	**131.5**	**21.0**	**2.9**	**23.9**	**(9.8)**	**145.6**
Amortisation of customer contracts	**(7.0)**	**(17.4)**	**(0.2)**	**(24.6)**	**(0.1)**	**(0.4)**	**(0.5)**	**–**	**(25.1)**
Segment result	**44.2**	**36.7**	**26.0**	**106.9**	**20.9**	**2.5**	**23.4**	**(9.8)**	**120.5**
Net finance costs	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(25.6)**
Profit before taxation	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**94.9**
Taxation	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(22.0)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**72.9**
Profit attributable to non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**0.5**
Profit attributable to owners of parent company	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**72.4**
Capital expenditure	**61.4**	**61.7**	**33.1**	**156.2**	**33.9**	**2.7**	**36.6**	**0.6**	**193.4**
Depreciation (note 10)	**58.9**	**28.1**	**32.9**	**119.9**	**37.6**	**4.5**	**42.1**	**0.3**	**162.3**
Amortisation (note 9)	**8.6**	**18.1**	**1.9**	**28.6**	**0.8**	**0.7**	**1.5**	**0.3**	**30.4**

Unallocated costs includes group marketing and communication functions.

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

Sales between operating segments are carried out at arm's length. The company is domiciled in the UK.

2 Segmental information (continued)
The results for the year ended 31 December 2011 under the business line structure are as follows:

	Core Growth				Manage for Value				
	Workwear £m	Facility £m	UK Flat Linen £m	Total Core Growth £m	Flat Linen outside UK £m	Clinical Solutions and Decontamination £m	Total Manage for Value £m	Unallocated	Group £m
Total segment revenue	312.0	207.3	195.2	714.5	234.0	70.7	304.7	–	1,019.2
Inter-segment revenue	(25.5)	–	–	(25.5)	–	(1.7)	(1.7)	–	(27.2)
Revenue from external customers	286.5	207.3	195.2	689.0	234.0	69.0	303.0	–	992.0
Operating profit before exceptional items and amortisation of customer contracts	49.7	48.3	26.1	124.1	20.7	3.3	24.0	(8.3)	139.8
Exceptional items	0.7	(0.5)	1.3	1.5	(7.4)	–	(7.4)	(2.6)	(8.5)
Amortisation of customer contracts	(7.2)	(9.1)	(7.3)	(23.6)	–	(0.4)	(0.4)	–	(24.0)
Segment result	43.2	38.7	20.1	102.0	13.3	2.9	16.2	(10.9)	107.3
Net finance costs	–	–	–	–	–	–	–	–	(28.0)
Profit before taxation	–	–	–	–	–	–	–	–	79.3
Taxation	–	–	–	–	–	–	–	–	(21.8)
Profit for the year	–	–	–	–	–	–	–	–	57.5
Profit attributable to non-controlling interest	–	–	–	–	–	–	–	–	0.5
Profit attributable to owners of parent company	–	–	–	–	–	–	–	–	57.0
Capital expenditure	61.4	46.5	34.2	142.1	35.2	2.5	37.7	0.5	180.3
Depreciation (note 10)	58.8	26.9	31.0	116.7	42.2	4.7	46.9	0.3	163.9
Amortisation (note 9)	8.3	17.6	1.9	27.8	0.8	0.7	1.5	0.3	29.6

The 2011 operating profit before exceptional items and amortisation of customer contacts for the Workwear, Facility and Flat Linen outside UK business lines, have been restated to present a more consistent allocation of management charges in line with 2012.

The segment assets and liabilities at 31 December 2012 under the business line structure are as follows:

	Core Growth				**Manage for Value**				
	Workwear £m	**Facility £m**	**UK Flat Linen £m**	**Total Core Growth £m**	**Flat Linen outside UK £m**	**Clinical Solutions and Decontamination £m**	**Total Manage for Value £m**	**Unallocated**	**Group £m**
Operating assets	**390.2**	**381.5**	**147.1**	**918.8**	**232.5**	**61.9**	**294.4**	**1.3**	**1,214.5**
Operating liabilities	**(60.3)**	**(39.7)**	**(35.1)**	**(135.1)**	**(35.3)**	**(17.7)**	**(53.0)**	**(7.0)**	**(195.1)**

The business line split of operating assets and liabilities as at 31 December 2011 is as follows.

	Core Growth				Manage for Value				
	Workwear £m	Facility £m	UK Flat Linen £m	Total Core Growth £m	Flat Linen outside UK £m	Clinical Solutions and Decontamination £m	Total Manage for Value £m	Unallocated	Group £m
Operating assets	396.2	353.3	150.0	899.5	246.8	64.4	311.2	1.6	1,212.3
Operating liabilities	(64.5)	(30.9)	(34.1)	(129.5)	(37.1)	(19.2)	(56.3)	0.2	(185.6)

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

2 Segmental information (continued)
Business line operation liabilities consist primarily of trade and other payables.

Unallocated assets include operating assets relating to corporate segments.

Unallocated liabilities include operating liabilities for corporate segments.

	Year to 31 December 2012 £m	Year to 31 December 2011 £m
Analysis of external revenue by category:		
Sale of goods	**42.9**	42.2
Provision of services	**942.2**	949.8
	985.1	992.0
Analysis of external revenue by country:		
UK	**380.0**	375.1
Sweden	**149.9**	146.5
Germany	**126.9**	130.8
Denmark	**128.9**	136.6
Holland	**73.4**	73.0
Norway	**59.0**	58.7
Other	**67.0**	71.3
	985.1	992.0
Analysis of non-current assets by country:		
UK	**218.5**	224.2
Sweden	**144.0**	149.2
Germany	**114.8**	114.0
Denmark	**78.3**	82.4
Holland	**51.4**	27.1
Norway	**48.2**	57.3
Other	**359.5**	362.6
	1,014.7	1,016.8

2011 has been restated to more accurately reflect the allocation of centrally held goodwill.

3 Net finance costs

	Year to 31 December 2012 £m	Year to 31 December 2011 £m
Interest payable on bank borrowings	**(25.4)**	(27.3)
Interest payable on finance leases	**(0.2)**	(0.2)
Interest payable on other borrowings	**(1.0)**	(1.5)
Amortisation of issue costs of bank loans (note i)	**(1.2)**	(0.7)
Fair value loss on interest rate swaps (fair value hedge)	**(1.2)**	(0.5)
Fair value adjustment of bank borrowings attributable to interest rate risk	**1.2**	0.5
Finance costs	**(27.8)**	(29.7)
Finance income	**2.2**	1.7
Net finance costs	**(25.6)**	(28.0)

(i) This relates to loan issue costs arising on the 2011 €535 million Revolving Credit Facility and on the 2006 $250 million, 2009 $259 million and £25 million US Private Placements. The costs have been capitalised and are being amortised over the shortest period of the loans being four years, eight years and seven years respectively.

4 Exceptional items

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

	Year to 31 December 2012 £m	Year to 31 December 2011 £m
Restructuring costs	**–**	3.0
Strategy implementation costs	**–**	7.9
Transaction costs	**–**	1.2
Change in long-term employee benefits	**–**	(3.1)
Profit on property disposals	**–**	(0.5)
Total	**–**	8.5

There were no exceptional items in 2012.

In 2011 the restructuring costs related primarily to the closure of a German Healthcare plant. This concluded the restructuring undertaken following the loss of a significant contract in 2010. The tax credit on this was £0.9 million.

In 2011 the group incurred costs of £7.9 million associated with the implementation of its strategic review announced in November 2010. This included £5.4 million of restructuring costs incurred in the Irish and Scandinavian flat linen businesses, which we are Managing for Value and in rationalising the salesforce in our Core Growth business. This also included £2.5 million of costs in managing the change programmes identified in our Strategic review such as the capital efficiency and procurement review programmes. The tax credit on these costs was £1.7 million.

We incurred net transaction costs of £1.2 million on acquisitions and similar initiatives in 2011. There was a tax related charge of £0.4 million.

In 2011, the group recognised a £3.1 million credit for changes in the management and funding arrangements for long-term employee benefits. This covered a number of countries and included the impact of closing to future accrual the UK defined benefit pension scheme. The scheme was closed to new entrants in 2003 and by closing to future accrual the scheme is in line with standard UK practice. There was a tax charge of £0.9 million.

During 2011 a net profit was realised on property disposals primarily in the UK. The tax charge on this was nil.

5 Taxation

	Year to 31 December 2012 £m	Year to 31 December 2011 £m
Analysis of tax charge for the year		
Current tax:		
Tax on profits for the current year	**18.6**	21.2
Adjustments in respect of previous years	**(0.6)**	1.2
	18.0	22.4
Deferred tax:		
Origination and reversal of temporary differences	**4.2**	0.1
Changes in statutory tax rates	**(0.3)**	(0.1)
Credit due to previously unrecognised, temporary differences	**(0.3)**	–
Change due to review of recoverability of deferred tax assets	**0.4**	0.2
Adjustments in respect of previous years	**–**	(0.8)
	4.0	(0.6)
Total tax charge	**22.0**	21.8

The amount of overseas tax included in the total tax charge is £18.2 million (2011: £18.9 million).

6 Dividends

	Year to 31 December 2012 £m	Year to 31 December 2011 £m
Equity dividends paid during the year		
Final dividend for the year ended 31 December 2011 of 16.0 pence per share (2010: 14.7 pence)	**27.1**	24.8
Interim dividend for the year ended 31 December 2012 of 8.0 pence per share (2011: 7.4 pence)	**13.5**	12.5
	40.6	37.3
Proposed final equity dividend for approval at the AGM		
Proposed final dividend for the year ended 31 December 2012 of 17.5 pence per share (2011: 16.0 pence)	**29.6**	27.0

The directors recommend a final dividend for the financial year ended 31 December 2012 of 17.5 pence per ordinary share to be paid on 3 May 2013 to shareholders who are on the register at 12 April 2013. This dividend is not reflected in these financial statements as it does not represent a liability at 31 December 2012.

7 Earnings per share

Basic earnings per ordinary share are based on the group profit for the year and a weighted average of 169,124,166 (2011: 168,875,066) ordinary shares in issue during the year.

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

	31 December 2012 Number of shares	31 December 2011 Number of shares
In issue	**169,124,166**	168,875,066
Dilutive potential ordinary shares arising from unexercised share options	**599,023**	514,271
	169,723,189	169,389,337

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

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

	Year to 31 December 2012		Year to 31 December 2011	
	£m	Earnings per share pence	£m	Earnings per share pence
Profit attributable to equity shareholders for basic earnings per share calculation	**72.4**	**42.8**	57.0	33.8
Profit on property disposals (after taxation)	–	–	(0.5)	(0.3)
Restructuring costs (after taxation)	–	–	2.1	1.2
Strategy implementation costs (after taxation)	–	–	6.2	3.7
Transaction costs (after taxation)	–	–	1.6	0.9
Change in long-term employee benefits (after taxation)	–	–	(2.2)	(1.3)
Amortisation of customer contracts (after taxation)	**18.4**	**10.9**	17.7	10.5
Impact of tax rate reductions, UK and Sweden and other tax items	**(2.6)**	**(1.5)**	(0.1)	(0.1)
Adjusted earnings	**88.2**	**52.2**	81.8	48.4
Diluted basic earnings		**42.7**		33.7
Diluted adjusted earnings		**52.0**		48.4

8 Goodwill

	2012 £m	2011 £m
Cost		
At 1 January	**493.2**	502.3
Acquisitions (note 15)	**5.8**	–
Currency translation	**(2.2)**	(9.1)
At 31 December	**496.8**	493.2
Accumulated amortisation and impairment		
At 1 January	**(73.3)**	(74.2)
Currency translation	**0.5**	0.9
At 31 December	**(72.8)**	(73.3)
Net book amount at 31 December	**424.0**	419.9

Changes in composition of CGUs under the new business line structure
With effect from 1 January 2012, we reorganised the group's structure into Business Lines, resulting in a change in operating segments and the composition of the cash generating units (CGUs). These Business Lines are managed and controlled at the operating segment level and each of the operating segments has their own dedicated management team. The internal group reporting structure was changed in January 2012 to align with the new Business Line structure. Going forward, management will monitor goodwill at operating segment level and goodwill has been reallocated on this basis. Goodwill that is specific to a particular operating segment has been included in the operating segment directly. All other goodwill has been reallocated to the appropriate operating segments prospectively using the three-year average forecast operating cash flow for 2012 to 2014 as the basis for the relative value approach.

Under the new business line structure, we have 23 CGUs which represents the smallest identifiable group of assets that generates independent cash flow from other groups of assets. In 2011, we had 17 CGUs under the previous geographical structure. For the purpose of goodwill impairment review, acquired goodwill has been allocated to nine groups of CGUs being the operating segments. The operating segments are Workwear, Facilities, UK Flat Linen, Scandinavian Flat Linen, Germany and Austria Healthcare, Ireland, Direct Sales, Clinical Solutions and Decontamination.

For reporting purposes, the goodwill has been allocated to the operating segments as outlined below. 2011 has been re-presented based upon the new segmental reporting adopted for 2012.

	2012		2011	
	Impairment charge £m	**Net book amount of goodwill £m**	Impairment charge £m	Net book amount of goodwill £m
Core Growth:				
Workwear	–	**157.5**	–	159.3
Facilities	–	**176.3**	–	170.4
UK Flat Linen	–	**19.9**	–	19.9
Manage for Value:				
Scandinavian Flat Linen	–	**41.6**	–	41.7
Germany and Austria Healthcare	–	**8.0**	–	7.8
Ireland	–	**2.2**	–	2.3
Direct Sales	–	**4.5**	–	4.5
Clinical Solutions	–	**14.0**	–	14.0
Decontamination	–	–	–	
Total	–	**424.0**	–	419.9

Impairment testing of goodwill
The group reviews at each reporting date whether there is an indication that any of the CGU that contains the operating assets may be impaired in accordance with IAS 36 'Impairment of assets'. An annual goodwill impairment test is then carried out by comparing the carrying amount of the group of CGUs to which the goodwill relates to its recoverable amount. The recoverable amount of each operating segment is based on value-in-use calculations which management develop from forecast cash flows based on past performance, market data and its expectation of future market development. These calculations require the use of estimates and the pre-tax cash flow projections are based on the group's current three-year strategic plan. Cash flows beyond the three-year period have been extrapolated using an estimated growth rate of 2% and are appropriate because these are long-term businesses. The growth rate of 2% does not exceed

8 Goodwill (continued)

long-term GDP estimates for countries that the group operates within. The main assumptions on which forecast cash flows have been based are revenue, operating margin and cash growth. Projected cash flows have been discounted using pre-tax discount rates of 11%. The discount rates reflect market assumptions for the Risk Free-rates and Equity Risk Premiums and also take into account the net cost of debt.

The annual impairment testing carried out in the current year showed that the recoverable amount for all groups of CGUs to which goodwill is allocated exceeded the carrying amount of the groups of CGUs. At the time of the reallocation of goodwill an impairment test was also carried out which showed that no impairment was required.

This year there are no reasonably possible changes in assumptions that would cause an impairment of goodwill. Last year, we provided additional disclosures on the annual impairment testing results for Germany Healthcare and Clinical Solutions. In 2012, Clinical Solutions has performed well ahead of last year's plan and the latest forecast operating cash flow results reflect the current year's positive results, resulting in an increase in headroom. In 2012, Germany Healthcare's operating cash flow results were also better than plan and the goodwill impairment review carried out at the time of reallocation indicated no impairment was necessary.

9 Other intangible assets

	Computer software £m	Intellectual property rights £m	Customer contracts £m	Total £m
Cost				
At 1 January 2012	**39.8**	**1.4**	**163.3**	**204.5**
Acquisitions (note 15)	**–**	**–**	**27.4**	**27.4**
Additions	**3.3**	**–**	**0.2**	**3.5**
Disposals	**(2.1)**	**–**	**–**	**(2.1)**
Currency translation	**(0.4)**	**–**	**0.6**	**0.2**
At 31 December 2012	**40.6**	**1.4**	**191.5**	**233.5**
Aggregate amortisation				
At 1 January 2012	**26.2**	**1.4**	**100.8**	**128.4**
Charge for the year	**5.3**	**–**	**25.1**	**30.4**
Disposals	**(2.1)**	**–**	**–**	**(2.1)**
Currency translation	**(0.3)**	**–**	**0.1**	**(0.2)**
At 31 December 2012	**29.1**	**1.4**	**126.0**	**156.5**
Net book amount at 31 December 2012	**11.5**	**–**	**65.5**	**77.0**
Net book amount at 31 December 2011	**13.6**	**–**	**62.5**	**76.1**

9 Other intangible assets (continued)

	Computer software £m	Intellectual property rights £m	Customer contracts £m	Total £m
Cost				
At 1 January 2011	38.0	1.4	157.2	196.6
Acquisitions	–	–	12.7	12.7
Additions	3.1	–	–	3.1
Disposals	(0.7)	–	(3.6)	(4.3)
Currency translation	(0.6)	–	(3.0)	(3.6)
At 31 December 2011	39.8	1.4	163.3	204.5
Aggregate amortisation				
At 1 January 2011	21.7	1.4	82.2	105.3
Charge for the year	5.6	–	24.0	29.6
Disposals	(0.6)	–	(3.3)	(3.9)
Currency translation	(0.5)	–	(2.1)	(2.6)
At 31 December 2011	26.2	1.4	100.8	128.4
Net book amount at 31 December 2011	13.6	–	62.5	76.1
Net book amount at 31 December 2010	16.3	–	75.0	91.3

All amortisation charges have been charged through other operating expenses. The following useful lives have been determined for the intangible assets acquired during the year:

- Computer software three to five years.
- Intellectual property rights three to five years.
- Customer contracts two to five years.

10 Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Textile assets and washroom equipment £m	Total £m
Cost				
At 1 January 2012	**247.6**	**490.8**	**582.6**	**1,321.0**
Additions at cost	**5.4**	**24.4**	**127.8**	**157.6**
Acquisitions (note 15)	**1.2**	**2.0**	**1.7**	**4.9**
Disposals	**(0.7)**	**(13.4)**	**(80.1)**	**(94.2)**
Reclassified to assets held for sale	**(2.1)**	**–**	**–**	**(2.1)**
Currency translation	**(2.4)**	**(3.1)**	**(5.3)**	**(10.8)**
At 31 December 2012	**249.0**	**500.7**	**626.7**	**1,376.4**
Accumulated depreciation				
At 1 January 2012	**92.0**	**334.0**	**374.2**	**800.2**
Charge for the year	**7.6**	**34.9**	**119.8**	**162.3**
Disposals	**(0.3)**	**(12.7)**	**(78.5)**	**(91.5)**
Reclassified to assets held for sale	**(0.2)**	**–**	**–**	**(0.2)**
Currency translation	**(1.2)**	**(2.7)**	**(4.2)**	**(8.1)**
At 31 December 2012	**97.9**	**353.5**	**411.3**	**862.7**
Net book amount at 31 December 2012	**151.1**	**147.2**	**215.4**	**513.7**
Net book amount at 31 December 2011	**155.6**	**156.8**	**208.4**	**520.8**

	2012 £m	2011 £m
Plant and machinery net book value includes:		
Assets held under finance leases	**6.9**	7.9
Finance lease additions	**2.5**	2.5
Split of depreciation:		
Owned assets	**(159.1)**	(160.3)
Leased assets	**(3.2)**	(3.6)
	(162.3)	(163.9)

10 Property, plant and equipment (continued)

	Land and buildings £m	Plant and machinery £m	Textile assets and washroom equipment £m	Total £m
Cost				
At 1 January 2011	248.5	498.3	624.8	1,371.6
Additions at cost	5.5	26.6	131.3	163.4
Acquisitions	–	0.2	0.8	1.0
Disposals	(1.8)	(27.1)	(162.0)	(190.9)
Currency translation	(4.6)	(7.2)	(12.3)	(24.1)
At 31 December 2011	247.6	490.8	582.6	1,321.0
Accumulated depreciation				
At 1 January 2011	85.9	326.2	425.1	837.2
Charge for the year	8.4	37.8	117.7	163.9
Disposals	(0.3)	(25.1)	(160.1)	(185.5)
Currency translation	(2.0)	(4.9)	(8.5)	(15.4)
At 31 December 2011	92.0	334.0	374.2	800.2
Net book amount at 31 December 2011	155.6	156.8	208.4	520.8
Net book amount at 31 December 2010	162.6	172.1	199.7	534.4

11 Borrowings

Current	**As at 31 December 2012 £m**	As at 31 December 2011 £m
Bank loans – unsecured	**0.2**	0.1
Finance lease obligations	**2.5**	2.8
	2.7	2.9

Non-current	**As at 31 December 2012 £m**	As at 31 December 2011 £m
Private Placement notes – unsecured	**341.8**	357.6
Bank loans – unsecured	**187.9**	239.5
	529.7	597.1
Finance lease obligations	**5.0**	5.5
	534.7	602.6

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

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

11 Borrowings (continued)

	As at 31 December 2012		As at 31 December 2011	
	£m	**EIR %**	£m	EIR %
Borrowings under the revolving credit facilities				
Sterling	**50.0**	**1.50**	97.0	2.14
Euro	**50.7**	**1.11**	46.0	5.23
Danish krone	**43.8**	**5.15**	45.1	5.29
Swedish krona	**43.2**	**4.50**	52.1	4.78
	187.7	**2.94**	240.2	3.89
Borrowings under the private placement (2006)				
Euro	**61.3**	**4.52**	62.8	4.52
Danish krone	**49.4**	**2.01**	52.0	2.67
Swedish krona	**67.0**	**4.49**	66.1	4.49
Currency translation	**(21.1)**	**–**	(15.9)	–
	156.6	**3.81**	165.0	3.98
Borrowings under the private placement (2009)				
Sterling	**25.0**	**5.74**	25.0	5.74
Euro	**141.3**	**5.22**	144.8	5.22
Currency translation	**18.9**	**–**	22.8	–
	185.2	**5.30**	192.6	5.30
Unamortised loan costs	**(3.0)**	**–**	(4.2)	–
Other bank borrowings				
Danish krone	**0.6**	**3.45**	–	–
Euro	**2.8**	**5.37**	3.6	5.00
	529.9	**3.97**	597.2	4.33

In July 2011, the group refinanced its two existing revolving credit facilities, for £420 million and €200 million to a new revolving credit facility for €535 million. This facility expires on 15 July 2016.

In December 2009, the group issued private placement notes of US$259 million and £25 million. The US$259 million was immediately swapped into euros.

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.

The private placement amounts in the table above are stated at the year end exchange rates.

As underlying currencies have been swapped from US dollars via derivative contracts, the group has a loss on financial instruments which is offset by the currency translation gain on the underlying borrowing noted above. The borrowing under the US private placements of £341.8 million reflects the £25 million, the US$509 million translated at the year end sterling to dollar rate and the impact of fair value hedge movement.

Fair value of financial assets and liabilities

	As at 31 December 2012		As at 31 December 2011	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Long-term borrowings	**(534.7)**	**(586.7)**	(602.6)	(659.1)
Fair value of other financial assets and liabilities				
Short-term borrowings	**(2.7)**	**(2.7)**	(2.9)	(2.9)
Trade and other payables	**(68.0)**	**(68.0)**	(58.7)	(58.7)
Trade and other receivables	**134.2**	**134.2**	127.7	127.7
Short-term bank deposits	**0.2**	**0.2**	0.3	0.3
Cash at bank and in hand	**73.5**	**73.5**	91.6	91.6

11 Borrowings (continued)

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

Maturity of financial liabilities

	As at 31 December 2012			As at 31 December 2011		
	Borrowings £m	**Finance leases £m**	**Total £m**	Borrowings £m	Finance leases £m	Total £m
Within one year	**0.2**	**2.5**	**2.7**	0.1	2.8	2.9
In more than one year but not more than two years	**32.8**	**2.3**	**35.1**	0.2	2.9	3.1
Over two years but not more than five years	**268.4**	**2.7**	**271.1**	358.6	2.6	361.2
Over five years	**228.5**	**–**	**228.5**	238.3	–	238.3
	529.9	**7.5**	**537.4**	597.2	8.3	605.5

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

	As at 31 December 2012 £m	As at 31 December 2011 £m
Expiring in more than two years	**249.5**	208.0
	249.5	208.0

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

	As at 31 December 2012 £m	As at 31 December 2011 £m
Not later than one year	**2.6**	3.1
Later than one year but not more than five	**5.1**	5.4
	7.7	8.5
Future finance charges on finance leases	**(0.2)**	(0.2)
Present value of finance lease liabilities	**7.5**	8.3

12 Provisions

	Vacant properties £m	**Restructuring £m**	**Property disposals £m**	**Onerous contract provision £m**	**Total £m**
At 1 January 2012	**0.2**	**2.5**	**2.5**	**5.5**	**10.7**
Charged/(released) in the year	**–**	**1.5**	**–**	**(2.2)**	**(0.7)**
Utilised in the year	**(0.1)**	**(2.3)**	**–**	**–**	**(2.4)**
Currency translation	**–**	**(0.1)**	**–**	**–**	**(0.1)**
At 31 December 2012	**0.1**	**1.6**	**2.5**	**3.3**	**7.5**
Represented by:					
Non-current	**–**	**–**	**2.5**	**0.8**	**3.3**
Current	**0.1**	**1.6**	**–**	**2.5**	**4.2**
	0.1	**1.6**	**2.5**	**3.3**	**7.5**

Vacant properties
Vacant property provisions are made in respect of vacant and partly sub-let leasehold properties to the extent that the future rental payments are expected to exceed future rental income. It is further assumed, where reasonable, that the properties will be able to be sub-let beyond the present sub-let lease agreements.

12 Provisions (continued)

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

Property disposals
The group has outstanding warranties, indemnities and guarantees given previously on a number of properties operated by businesses which have been disposed. The majority of these expire in 2017 with the remaining expiring by 2022.

Onerous contract provision
The group has a provision for future losses on two decontamination contracts which are considered to be onerous. The utilisation of the provision is shown within administrative expenses in the income statement.

13 Cash flow from operating activities

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

Cash generated from operations	**Year to 31 December 2012 £m**	Year to 31 December 2011 £m Restated
Profit for the year	**72.9**	57.5
Adjustments for:		
Taxation	**22.0**	21.8
Amortisation of intangible assets	**30.4**	29.6
Depreciation of property, plant and equipment	**162.3**	163.9
Profit on sale of property, plant and equipment	**(1.2)**	(1.1)
Change to long-term employee benefits	**–**	(3.1)
Restructuring costs (non-cash element)	**–**	1.8
Finance income	**(2.2)**	(1.7)
Finance costs	**27.8**	29.7
Special pension contribution payments (note 16)	**(5.0)**	(5.0)
Other movements	**0.2**	(1.9)
Changes in working capital (excluding effect of acquisitions, disposals and exchange differences on consolidation):		
Inventories	**3.9**	(1.8)
Trade and other receivables	**(0.1)**	7.2
Trade and other payables	**7.6**	0.9
Provisions	**(0.9)**	(11.2)
Cash generated from operations	**317.7**	286.6

In accordance with paragraph 14 of IAS 7 the group has accounted for the special pension contribution payments made in 2012, £5million, as part of its cash generated from operations. In 2011 the special pension payment was shown as part of the cash used in investing activities and consequently the 2011 cash flow statement has been restated to show this amount, also £5 million, within cash generated from operations, for comparative purposes. This reclassification has no impact in either year on the net increase or decrease in cash. In the cash flow statement, proceeds from sale of property (including assets held for sale), plant and equipment comprise:

	Year to 31 December 2012 £m	Year to 31 December 2011 £m
Net book amount	**2.7**	3.7
Profit on sale of property, plant and equipment	**1.2**	1.1
Proceeds from sale of property, plant and equipment	**3.9**	4.8

13 Cash flow from operating activities (continued)

	Year to 31 December 2012 £m	Year to 31 December 2011 £m
Free cash flow	**125.1**	93.1
Analysis of free cash flow		
Net cash generated from operating activities	**274.8**	240.7
Add back fundamental restructuring cash paid	**–**	6.6
Add back special pension contribution payments	**5.0**	5.0
Purchases of property, plant and equipment	**(155.1)**	(160.9)
Proceeds from the sale of property, plant and equipment	**3.9**	4.8
Purchases of intangible assets	**(3.5)**	(3.1)
Free cash flow	**125.1**	93.1

14 Reconciliation of net cash flow to movement in net debt

	Year to 31 December 2012 £m	Year to 31 December 2011 £m
(Decrease)/increase in cash	**(16.4)**	19.9
Cash outflow from movement in debt and lease financing	**55.1**	10.6
Decrease in net debt resulting from cash flows	**38.7**	30.5
New finance leases	**(2.5)**	(2.5)
Bank loans and lease obligations acquired with subsidiaries	**(0.8)**	–
Currency translation	**14.5**	(1.4)
Decrease in net debt during the year	**49.9**	26.6
Net debt at beginning of year	**(513.6)**	(540.2)
Net debt at end of year	**(463.7)**	(513.6)

15 Acquisitions and disposals

Acquisitions

During the year the group acquired the trade and assets of a number of textile maintenance businesses with the primary acquisition being the ISS washroom business (Groene Team) in Netherlands, which was acquired in October 2012.

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

	Groene Provisional fair values £m	Other acquisitions Provisional fair values £m	Total Provisional fair values £m
Intangible assets (note 9)	**14.7**	**12.7**	**27.4**
Property, plant and equipment (note 10)	**0.5**	**4.4**	**4.9**
Inventory	**0.3**	**–**	**0.3**
Trade and other receivables	**6.5**	**0.5**	**7.0**
Cash and cash equivalents	**0.1**	**–**	**0.1**
Bank overdrafts	**–**	**(0.4)**	**(0.4)**
Trade and other payables	**(1.5)**	**(0.3)**	**(1.8)**
Interest bearing loans and borrowings	**–**	**(0.8)**	**(0.8)**
Deferred tax liabilities	**(1.7)**	**(2.4)**	**(4.1)**
Net assets acquired	**18.9**	**13.7**	**32.6**
Goodwill (note 8)	**6.4**	**(0.6)**	**5.8**
Consideration	**25.3**	**13.1**	**38.4**
Consideration satisfied by:			
Cash	**23.9**	**12.5**	**36.4**
Deferred consideration	**1.4**	**0.6**	**2.0**
	25.3	**13.1**	**38.4**

Acquisition related costs of £0.5 million (2011: £0.3 million) are included in the income statement.

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

	2012 £m
Revenue	**21.1**
Profit after tax	**3.7**

From the date of acquisition to 31 December 2012, the above acquisitions contributed £7.6 million to revenue and £1.6 million to profit after tax for the year.

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

	£m
Cash consideration, net of cash acquired	**36.7**
Deferred consideration paid for previous acquisitions	**0.4**
	37.1

During the year a revision to the fair value of assets acquired as a result of acquisitions made in 2011 resulted in a credit of £0.6 million to goodwill.

16 Pension commitments

Defined contribution schemes

Pension costs for defined contribution schemes are as follows:

	Year to 31 December 2012 £m	Year to 31 December 2011 £m
Defined contribution schemes	**10.2**	12.2

(i) Total included within staff costs

Defined benefit plans

Within the United Kingdom, the group principally operates a registered defined benefit scheme (The Davis Service Group Retirement Benefits Scheme). There was a triennial valuation in February 2010. In 2012, £5 million (2011: £5 million) was contributed to the fund, with a further £5 million planned in 2013.

Overseas, the only significant defined benefit pension arrangements are the defined benefit scheme operated in Ireland and unfunded schemes within Sweden, Germany and Norway. Under such schemes the group discharges its pension obligations through schemes administered by insurance companies or government agencies.

The overall surplus on the funded plans is £19.5 million (of which £18.8 million surplus is in respect of the main UK plan). There is a deficit of £40.0 million on unfunded plans.

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

	As at 31 December 2012 £m	As at 31 December 2011 £m
The amounts recognised in the balance sheet are determined as follows:		
Present value of obligations	**(302.7)**	(279.3)
Fair value of plan assets	**282.2**	251.1
Net liability recognised in balance sheet	**(20.5)**	(28.2)
Analysed as:		
Pension scheme surplus	**19.5**	10.3
Pension scheme deficit and unfunded schemes	**(40.0)**	(38.5)
	(20.5)	(28.2)

The company will adopt IAS19 (Amended) – 'Employee Benefits', with effect from 1 January 2013 in line with required practice. As this is a change of accounting policy, the 2012 accounts presented here will be restated with effect from 1 January 2012. Had the new accounting standard been adopted in 2012, then we estimate that pension costs would have been £3.3 million higher than reported this year under the existing accounting standard.

17 Contingent liabilities

The group operates from 130 laundries across Europe. Some of the sites have operated as laundry sites for many years, and historic environmental liabilities may exist, although the group has indemnities from third parties in respect of a number of sites. The extent of these liabilities and the cover provided by the indemnities are reviewed where appropriate with the relevant third party. The company is currently defending a legal claim to the warranties received for any environmental damage that might have existed when it purchased laundry sites in Sweden and Holland. The company expects to have its warranties, which were contractually received in a clear and unequivocal manner, to be confirmed in full. The company does not expect to incur any significant loss in respect of these or any other sites.

18 Related parties

There have been no significant related party transactions in the year ended 31 December 2012 (2011: nil).

19 Principal risks and uncertainties

The company believes the following to be the principal risks and uncertainties facing the group. If any of these risks occur the company's business, financial condition and results of operations could be adversely impacted.

Economic conditions continue to be challenging and certain risks may gain greater prominence either individually or when taken together and accordingly their potential impact on the group's business, financial condition and results of operations may be exacerbated.

1) Delivering sustainable organic growth

Risk description	**Mitigation**
New sales model fails to deliver the necessary new contract wins to drive targeted organic growth. **Potential impact** • Reduction in future profitability and cash flow. • Failure to deliver targeted growth in revenue.	• New organisational structure implemented from 1 January 2012 which has given more focus on growth areas. • Appointment of central sales directors for Workwear, Cleanroom, Mats and Washroom, and UK Flat Linen (core growth areas). These will 'target' local country sales directors to add focus and speed of response. • Pricing managers appointed for each business unit, business line and the group. • Berendsen Sales Academy established. All sales managers across core growth areas extensively trained in Berendsen Sales Model. • Sales remuneration analysis completed. • Monthly management accounts distributed to the board include key performance indicators on organic revenue growth, contract gains and customer loss.

19 Principal risks and uncertainties (continued)

2) Improving capital efficiency/maintaining a sound financial position

Risk description	Mitigation
Risk description Further economic downturn (low or negative GDP growth in Europe). **Potential impact** • Reduction in future profitability and cash flow. • Adverse pressure on pricing and margins. • Revenue growth below expectations. • Limit to ability to complete strategy.	**Mitigation** • Long range plans for business lines to 2015 prepared. • Tight and closely monitored controls over capital expenditure and working capital including capital efficiency review. • Monitoring of various lead indicators against experience in 2008/9, including hotel and workwear volumes.
Risk description Movements in exchange rates adversely affect the translation of our group results into UK sterling. **Potential impact** • Unexpected variations in group net earnings.	**Mitigation** • Borrowings in currencies to provide hedge against the cashflows of majority of overseas net assets in euro, DKK and SEK (no exposure to investments in Greece, Italy, Turkey, Spain or Portugal).
Risk description Return on Invested Capital (ROIC) is not sufficiently greater than the group's cost of capital. **Potential impact** • Lack of funds for future investments. • Reduction in future profitability and cash flow.	**Mitigation** • ROIC target set at 10% for the medium term. Reported monthly by business line to the board in group management accounts. • Delegations of authority reviewed and updated in January 2012. • Post-acquisition procedure to monitor returns on investments made, compared to those targeted. • Ongoing Capital Efficiency Programme to reduce levels of working capital.

19 Principal risks and uncertainties (continued)

3) Improving financial returns by leveraging operational efficiency

<table>
<tr><td>Risk description
Failure to improve the performance of the Decontamination business during 2013.

Potential impact
Reduction in future profitability and cash flow.
Need for further provisions for losses on contracts.
Failure to deliver targeted growth in revenue.
Potential loss of management reputation and credibility.</td><td>Mitigation
The board receives regular updates on progress from UK management. This recognises good levels of customer service, improved efficiency and interest from potential new customers.
Efficiency initiatives put in place reducing losses – 2012 loss £2.2 million (2011 loss £4.4 million, 2010 loss £5.4 million).
Ongoing discussions regarding future options.
No further significant investments planned.</td></tr>
<tr><td>Risk description
Unforeseen loss of operational/IT capacity.

Potential impact
Inability to service customer requirements
Adverse impact on reputation.</td><td>Mitigation
Documented and evaluated business continuity plans including identification of alternative production locations.
Fire protection/security procedures and regular internal audits of compliance.
Independent surveys to assess the design and effectiveness of plant fire protection, security and business continuity arrangements, including targeted ‘desktop’ scenario-based testing.
Comprehensive Property Damage and Business Interruption insurance.</td></tr>
<tr><td>Risk description
One of our major textile suppliers is unexpectedly unable to meet our textile requirements.

Potential impact
Shortage of textiles.
Inability to service new and existing customer requirements.</td><td>Mitigation
Regular risk assessment of our major textile suppliers considering social, political and economic factors.
Identification of alternative production sources.
Purchase of stock up to three months prior to delivery to reduce risk.
Secured availability of alternative stocks in the event of serious interruption to supply.</td></tr>
</table>

4) Maintaining health and safety as a priority

<table>
<tr><td>Risk description
Breach of health and safety regulations.

Potential impact
Damage to our reputation.
Loss of licence to operate.</td><td>Mitigation
Local health, safety and fire management systems.
Regularly updated and monitored cleaning and maintenance programmes.
Prompt incident reporting procedures to senior management with subsequent monitoring.
Regular board review of major incidents and statistics.</td></tr>
</table>

19 Principal risks and uncertainties (continued)

5) Maintaining a motivated workforce driven by an experienced management team

Risk description	Mitigation
Inadequate talent management and inability to recruit and retain sufficiently qualified and experienced senior management. **Potential impact** • Lack of internal succession to key management roles within the group in the event of unexpected departure. • Short/medium term disruption to the business. • Loss of key personnel. • Shortage of appropriately skilled management.	• New succession planning process focused on the development of a pool of strong management with identified succession for the most senior positions. • Succession reviews held twice yearly for each business line. • Two executive board succession reviews held. • Launch of Berendsen Academy as in-house "university" providing learning programmes and tools for the development of management and leadership capabilities. • Enhancement and expansion of management trainee scheme for future building of management pipeline. • Revised short-term and long-term incentive plans in place aligned with business line and group goals/targets.

6) Reducing our impact on the environment

Risk description	Mitigation
Textile suppliers are found not to be adopting appropriate employment and human rights practices. **Potential impact** • Loss of licence to operate, loss of goodwill and/or damage to reputation. • Significant stakeholder concern.	• Regular visits to major suppliers by experienced internal personnel and external parties to assess suppliers' compliance with appropriate working practices. • Prompt incident reporting procedures to senior management and subsequent monitoring.
Risk description Discovery of historic environmental issues at laundries. **Potential impact** • Emergence of unaccounted for liability. • Adverse impact on cash flow and retained earnings. • Damage to our reputation.	**Mitigation** • Established incident reporting procedures to senior management with subsequent monitoring. • Indemnities with previous owners that cover a number of acquired sites. • The extent and coverage of these indemnities are reviewed with the relevant third party as appropriate. • Defence of these indemnities continues to be vigorously prosecuted.

20 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 section 19 "Principal risks and uncertainties" above.

21 Responsibility statements

The company's Annual Report for the year ended 31st December 2012, which will be published on 21st March 2013, 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:

21 Responsibility statements (continued)

i) the financial statements of the group, prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the financial statements of the company, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
ii) the management report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.