This document is a free translation into English of the prospectus that received visa no. 17-390 of the Autorité des marchés financiers and is provided solely for the convenience of English speaking readers. In the event of any conflict between this translation and the original French version, the original French version shall prevail.

Elis
A limited company (*société anonyme*) governed by a management board and a supervisory board, with capital of €140,167,049
Registered office: 5 boulevard Louis Loucheur, 92210 Saint-Cloud, France
499 668 440 R.C.S. Nanterre

SECURITIES NOTE

Made available to the public in connection with the issue and admission to trading on Euronext's regulated market in Paris of 69,052,152 new Elis shares as consideration for the transfer of Berendsen shares to Elis

Appendix to the report of Elis' management board to the shareholders' general meeting convened on August 31, 2017

The new Elis shares are intended to make up part of the consideration given in exchange for shares in Berendsen plc, a company incorporated under English law, as part of the acquisition initiated by Elis, through an English-law scheme of arrangement subject to section 26 of the Companies Act 2006.

The completion of the abovementioned transaction remains subject to the approval of the combined general meeting of Elis' shareholders to be held on August 31, 2017 at first call, and to the fulfilment or waiver of the conditions precedent to which this transaction is subject and which are described in this securities note.

Approval of the Autorité des marchés financiers

The Autorité des Marchés Financiers (the "**AMF**") approved the French version of this prospectus under visa No. 17-390 on July 27, 2017, pursuant to articles L. 412-1 and L. 621-8 of the French Monetary and Financial Code (*Code monétaire et financier*), and to its General Regulation (*Règlement général*), including articles 211-1 to 216-1. The French version of this prospectus has been prepared by the issuer and its signatories are responsible for its contents.

The approval was granted once the AMF had ascertained that the document is complete and understandable, and that the information that it contains is consistent, in accordance with article L. 621-8-1 I of the French Monetary and Financial Code. Approval by the AMF does not entail an endorsement of the advisability of the transaction or an authentication of the accounting and financial documents presented.

The issuer draws the public's attention to the fact that only the French version of this prospectus has obtained the AMF's visa.

This prospectus (the "**Prospectus**") is comprised of:

- the 2016 registration document (*Document de Référence*) of Elis, registered with the AMF on April 6, 2017 under number R.17-013 (the "**Registration Document**");
- the update to the Registration Document (*Actualisation du Document de Référence*), registered with the AMF on July 27, 2017 under number D.17-0163.A01 (the "**Registration Document Update**");
- this securities note (*Note d'Opération*) (the "**Securities Note**"); and
- the summary of the Prospectus (included in the Securities Note).

Copies of the Prospectus are available free of charge at Elis' registered office, 5, boulevard Louis Loucheur, 92210 Saint-Cloud, France, on Elis' website (www.corporate-elis.com), as well as on the AMF's website (www.amf-france.org).

GENERAL INFORMATION

In the Prospectus, unless otherwise indicated, the term "**Company**" refers to Elis, a limited company (*société anonyme*), with its registered office at 5, boulevard Louis Loucheur, 92210 Saint-Cloud, France, and registered with the Trade and Companies Register of Nanterre under number 499 668 440. The term "**Group**" refers collectively to the Company and its consolidated subsidiaries. In addition, the term "**Combined Group**" refers to the group constituted of the Group as well as the Berendsen Group (as defined below).

Restrictions on the distribution of the Prospectus

The distribution of the Prospectus and the acquisition of New Shares (as defined below) may be restricted by law in certain jurisdictions other than France, the United Kingdom and the United States, including Japan, where sending or making available information concerning the Scheme of Arrangement (as defined below) to Berendsen shareholders in such jurisdiction would violate the laws of these jurisdictions or would require registration of the New Shares (the "**Restricted Jurisdictions**" and each, a "**Restricted Jurisdiction**"). Persons in possession of the Prospectus or considering the acquisition or subscription of New Shares must familiarize themselves with such laws and regulations and with the potential restrictions resulting therefrom, and must comply with such restrictions.

The New Shares are expected to be issued in the United States in reliance upon the exemption from the registration requirements of the US Securities Act of 1933, as amended (the "**US Securities Act**") provided by Section 3(a)(10) thereof. None of the New Shares have been approved or disapproved by the United States Securities and Exchange Commission (the "**SEC**"), any state securities commission in the United States or any other US regulatory authority.

Without prejudice to the foregoing, Elis reserves the right to reject any offer to purchase or subscribe New Shares that it considers might lead to a breach of any laws, rules or regulations.

The Prospectus has not been and will not be submitted for approval to any market supervisory authority other than the competent authority of France, the AMF. The Prospectus will not be passported into any jurisdiction other than the United Kingdom. Consequently, no steps may be taken that would constitute or that would result in an offer of New Shares outside of France, the United Kingdom and the United States.

Elis does not represent that the Prospectus may be distributed legally in jurisdictions other than France, the United Kingdom and the United States or that the New Shares may be lawfully offered in compliance with any applicable registration requirements that may be applicable to an offer in jurisdictions outside of France, the United Kingdom and the United States, or pursuant to any exemption available thereunder. Accordingly, neither the Prospectus nor any advertising or any other document related to the offer may be distributed or published in any jurisdiction outside of France, the United Kingdom and the United States unless this is done in accordance with all applicable laws and regulations.

The Prospectus does not constitute an offer to sell or the solicitation of an offer to purchase New Shares to any person in a jurisdiction in which it is unlawful to make such offer or solicitation to such person. The Prospectus may not be distributed in a jurisdiction outside of France, the United Kingdom and the United States where a registration, qualification or another requirement exists or may exist in relation to an offer or the admission to trading on a regulated market.

It is the responsibility of any person not resident in France, the United Kingdom or the United States to ensure that the legislation applicable in its country of residence is complied with, and that all other formalities that may be required are fulfilled, including the payment of all costs and levies.

Note to US investors

The New Shares have not been and will not be registered under the US Securities Act or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares may not be offered, sold, resold, delivered, distributed or otherwise transferred, directly or indirectly, in or into the United States absent registration under the US Securities Act or an exemption therefrom. This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the New Shares in any state of the United States in which such offer, solicitation or sale would be unlawful prior to qualification under the securities laws of any such state. The New Shares are expected to be issued in the United States in reliance upon the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) thereof.

Berendsen Shareholders (whether or not US persons) who are or will be affiliates (within the meaning of the US Securities Act) of Elis prior to or after the date on which the Scheme of Arrangement becomes effective will be subject to certain restrictions on transfers of the New Shares received pursuant to the Scheme.

Under US securities laws, persons who are or will be deemed to be affiliates (as defined under the US Securities Act) of Elis prior to or after the Effective Date may be subject to timing, manner of sale and volume restrictions on the resale in the United States of New Shares received in connection with the Scheme. Whether a person is an "affiliate" of a company for such purposes depends upon the circumstances, but affiliates of a company include individuals who, or entities that, control directly or indirectly, or are controlled by or are under common control with, that company, and may include certain officers and directors and significant shareholders of Elis. Berendsen shareholders who believe they may be affiliates for the purposes of the US Securities Act should consult their own legal advisers prior to any resale of New Shares received under the Scheme. Otherwise, the New Shares generally should not be treated as "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act and persons who receive securities under the Scheme (other than "affiliates" as described in the paragraph below) may resell them without restriction under the US Securities Act.

Elis is organised under the laws of France and Berendsen is organised under the laws of England. Some or all of the officers and directors of Elis and Berendsen are residents of countries other than the United States. The significant majority of the assets of Elis and Berendsen is located outside the United States. As a result, it may not be possible to effect service of process within the United States upon Elis, Berendsen or any of their respective officers or directors, or to enforce outside the United States judgments obtained in US courts against Elis, Berendsen or any of their respective officers or directors, including, without limitation, judgments based upon the civil liability provisions of the US federal securities laws or the laws of any state or territory within the United States. It may not be possible to sue Elis or Berendsen or their respective officers or directors in a non-US court for violations of US securities laws. It may be difficult to compel Elis, Berendsen and their respective affiliates to subject themselves to the jurisdiction and judgment of a US court.

None of the New Shares have been approved or disapproved by the SEC, any state securities commission in the United States or any other US regulatory authority, nor have such authorities passed upon or determined the fairness or merits of such securities or upon the adequacy or accuracy of the information contained in this document. Any representation to the contrary is a criminal offence in the United States.

Electronic distribution

You have downloaded the Prospectus or it has been sent to you in electronic form. Documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently, neither Elis nor any of its shareholders, directors, officers, employees or agents, or any of its or their affiliates, accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you or downloaded by you in electronic format and any hard copy version which could have been made available to you.

Forward-looking statements

The Prospectus contains information on the Group's development objectives, outlook and plans and among other things takes into account the acquisition of Berendsen. Such information is sometimes identified by the use of the future tense, the conditional mood and forward-looking terms such as "think," "aim," "expect," "intend," "should," "has the ambition of," "consider," "believe," "wish," "could" and so forth. This information is based on data, assumptions and estimates that the Company considers reasonable. It may be subject to change or alteration due to the uncertainties inherent to any business activity and to the economic, financial, competitive, regulatory and climatic environment. The Company makes no undertaking to update or revise the objectives, outlook and forward-looking statements contained in the Prospectus, except as part of any statutory or regulatory obligations applicable to the Company. Moreover, the materialization of certain risks described in chapter 2 ("Risk factors and insurance policy") of the Registration Document, as updated in section 2 "Risk factors" of the Registration Document Update, and section 3.5 "Risk factors" of the Securities Note, may have an impact on the Group's activities and its ability to achieve its objectives. Moreover, the Group's ability to achieve such objectives will depend, among other things, on the successful implementation of the strategy described in section 1.5.2 ("Group Strategy") of the Registration Document, along with the successful integration of Indusal and Lavebras. The Company makes no representation and gives no warranty as to the achievement of the objectives set out in the Prospectus.

Information about the market and competition

The Prospectus contains information relating to the Group's markets and competitive position, particularly in chapter 1 ("Presentation of the Group and its activities") of the Registration Document. Some of this information comes from research conducted by external entities. Such publicly available information, which the Company regards as reliable, has not been checked by an independent expert. The Company cannot guarantee that a third party using different methods for collating, analyzing or calculating market data would obtain the same results. Unless otherwise stated, the information in the Prospectus relating to market shares and the size of the Group's relevant markets is based on Group estimates and provided for information purposes only.

Risk factors

Among the information contained in the Prospectus, investors are urged to carefully take into consideration the risk factors described in chapter 2 ("Risk factors and insurance policy") of the Registration Document and those described in section 3.5 ("Risk factors") of the Securities Note, before making any investment decision. The materialization of one or more of these risks could adversely affect the business, financial position and results of the Group as well as its objectives. Moreover, other risk factors, which were not identified or considered material by the Company at the date of the Prospectus, may likewise have an adverse effect and may cause investors to lose all or part of their investment.

Rounding

Certain figures (including figures expressed in thousands or millions) and percentages in the Prospectus have been rounded. Consequently, the totals presented in the Prospectus may differ slightly from those obtained by summing the non-rounded values of those figures.

Non-Audited Pro Forma Financial Information

The Prospectus contains Non-Audited Pro Forma Financial Information (as defined below) for the Combined Group for the financial year ending December 31, 2016 established in accordance with International Financial Reporting Standards ("**IFRS**"). Such information is provided in order to give an indication of the impact of the Transaction (as defined below). The Non-Audited Financial Pro Forma Information is presented for information purposes only and neither reflects the business nor the financial position of the Combined Group, and concerns a hypothetical situation only. It does not constitute an indication of the results of the operational activities or of the financial position of the consolidated group which would have been obtained if the Transaction had taken place at this date.

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SUMMARY OF THE PROSPECTUS

AMF visa No. 17-390 dated July 27, 2017

The summary comprises several key information points, defined as "**Elements**" which are classified in five sections from A to E and numbered from A.1 to E.7.

This summary comprises all the Elements that must appear in the summary of a prospectus relating to this category of securities and this type of issuer. Since it is not required to provide information about all the Elements, the numbering is not continuous.

For some Elements, it is possible that no relevant information exists with regards to the category of securities or the type of issuer concerned. In this case, a summary description of the relevant Element is presented with the indication "not applicable" in the summary.

Section A – Introduction and warnings		
A.1	**Warning to the reader**	This summary should be read as an introduction to this prospectus (the "**Prospectus**"). Any decision to invest in the securities being offered to the public or whose admission to trading on a regulated market is applied for must be based on an exhaustive consideration of the Prospectus by the investor. Where a claim relating to information contained in the Prospectus is brought before a court, the plaintiff investor may, under the national legislation of the Member States of the European Union or members of the European Economic Area, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability will attach to the persons who have tabled this summary, including any translation thereof, and the persons requesting notification thereof within the meaning of article 212-41 of the Autorité des Marchés Financiers' ("**AMF**") General Regulation (*Règlement général*), only if such summary is misleading, inaccurate, or inconsistent or does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering an investment in such securities.
A.2	**Consent of the Company**	Not applicable.
Section B – Company		
B.1	**Legal and commercial name**	**Legal name: Elis** ("**Elis**" or the "**Company**" and, together with all its consolidated subsidiaries, the "**Group**"). "**Combined Group**" refers to the group constituted of the Group and the Berendsen Group (as defined below). **Commercial name**: Elis
B.2	**Registered office/ Legal form/ Applicable law/ Country of incorporation**	– **Registered office:** 5 boulevard Louis Loucheur, 92210 Saint-Cloud, France – **Legal form**: Limited company (*société anonyme*) governed by a management board and a supervisory board – **Applicable law**: French law – **Country of incorporation**: France

B.3	**Nature of the Company's operations and principal activities**	With an integrated multi-service offer, the Group is Europe's and Latin America's leading renter of flat linen, workwear and hygiene and well-being ("**HWB**") appliances and providers of associated laundry and maintenance services. The services provided by the Group as part of its rental, laundry and maintenance business are: – flat linen rental and laundry services, which generated consolidated revenue of €741.4 million for the year ended December 31, 2016 and €447.8 million in the six months ended June 30, 2017, i.e., 49.0% and 52.9% respectively of the Group's consolidated revenue for those periods; – workwear rental and laundry services, which generated consolidated revenue of €449.1 million for the year ended December 31, 2016 and €237.4 million in the six months ended June 30, 2017, i.e., 29.7% and 28.1% respectively of the Group's consolidated revenue for those periods; and – HWB appliance rental and maintenance services, which generated consolidated revenue of €321.5 million for the year ended December 31, 2016 and €163.5 million in the six months ended June 30, 2017, i.e., 21.3% and 19.3% respectively of the Group's consolidated revenue for those periods. The Group also has a manufacturing business which generated consolidated revenue of €18.9 million for the year ended December 31, 2016 and €9.4 million in the six months ended June 30, 2017, i.e., 1.2% and 1.1% respectively of the Group's consolidated revenue for those periods. The Group's manufacturing business consists of two entities: Le Jacquard Français, a designer and producer of high-end flat linen and damask linen products, and Kennedy Hygiene Products Ltd, a European designer and manufacturer of hygiene appliances. Through its integrated multi-service offer, the Group provides a broad range of flat linen, workwear and HWB appliance services to a diversified base of customers established in the below-listed regions (excluding manufacturing entities): – France, where the Group generated consolidated revenue (excluding manufacturing entities) of €984.2 million in the year ended December 31, 2016 and €494.6 million in the six months ended June 30, 2017, i.e., 65.1% and 58.5% respectively of the Group's consolidated revenue for those periods (excluding manufacturing entities). – Europe (which includes Germany, Belgium, Luxembourg, Spain, Andorra, Italy, Portugal, Switzerland and the Czech Republic), where the Group generated consolidated revenue (excluding manufacturing entities) of €376.8 million for the year ended December 31, 2016, and €254.3 million in the six months ended June 30, 2017, i.e., 24.9% and 30.1% respectively of the Group's consolidated revenue for those periods (excluding manufacturing entities). – Latin America, which includes Brazil and Chile, where the Group generated consolidated revenue (excluding manufacturing entities) of €132.9 million for the year ended December 31, 2016 and €87.5 million in the six months ended June 30, 2017, i.e., 8.8% and 10.3% respectively of the Group's consolidated revenue for those periods (excluding manufacturing entities). Moreover, the Group has recently started to operate in the Colombian market following the acquisition of Servicios Industriales de Lavado SIL Ltda. which will be consolidated in the Group's financial statements as of January 1, 2017.

		In the year ended December 31, 2016, the Group generated consolidated revenue of €1,512.8 million and consolidated EBITDA of €467.9 million. In the six months ended June 30, 2017, the Group generated consolidated revenue of €845.8 million and consolidated EBITDA of €244.1 million.
B.4 a	**Most significant recent trends affecting the Company and the industries in which it operates**	**Recent events** On April 28, 2017, Elis made a written cash and share proposal in private to Berendsen (as defined below) to acquire each Berendsen share for a combination of £4.40 per share in cash and 0.411 new Elis shares (the "**Initial Proposal**"). At the time, the Initial Proposal valued each Berendsen share at £11.00 per share (being a premium of approximately 31% to Berendsen's then trading price)[1]. On May 12, 2017, the board of directors of Berendsen (the "**Berendsen Board**") rejected the Initial Proposal and declined to engage in discussions. On May 16, 2017, Elis approached Berendsen with a revised cash and share proposal to acquire each Berendsen share for a combination of £4.40 per share in cash and 0.426 new Elis shares (the "**Revised Proposal**"). As of May 15, 2017, the Revised Proposal valued each Berendsen share at £11.75 (being a premium of approximately 41% to Berendsen's then trading price)[2]. Elis' Revised Proposal was rejected by the Berendsen Board on the same day without any engagement. Consequently, Elis has decided it was necessary for it to make public the Revised Proposal so that it could be considered by Berendsen's shareholders. On May 18, 2017, Elis released an announcement under Rule 2.4 (the "**2.4 Announcement**") of the City Code on Takeovers and Mergers (the "**City Code**"), in which the terms and conditions of its Initial Proposal and Revised Proposal are described. On the same day, Berendsen issued a statement regarding Elis' proposal to reject the Revised Proposal as the Berendsen Board concluded that the Revised Proposal very significantly undervalued Berendsen and its prospects. The

1 0.411 new Elis shares were valued at £6.60 as at 11 am (BST) on April 28, 2017 (latest price known at the time the Initial Proposal was made) based on a £:€ exchange rate of 1:1.18. The premium of 31% is stated by reference to Berendsen's share price as at 11 am (BST) on April 28, 2017.

2 0.426 new Elis shares were valued at £7.35 as at market close on May 15, 2017 (last business day prior to the delivery of the Revised Proposal) based on a £:€ exchange rate of 1:1.18. The premium of 41% is stated by reference to Berendsen's closing share price on May 15, 2017

		Berendsen Board refused to engage discussions with Elis. On May 24, 2017, Berendsen issued a statement regarding Elis' proposal in which the Berendsen Board stated that it continued to believe that Elis' proposal very significantly undervalued Berendsen and its prospects and that it was refusing to engage discussions with Elis. On June 6, 2017, Elis and Berendsen reached an agreement in principle regarding a possible cash-and-shares proposal that would be recommended unanimously by the Berendsen Board, to acquire each Berendsen share for a combination of £5.40 per share in cash and 0.403 new Elis shares (the "**Final Proposal**"). The proposal also includes the payment of an interim dividend of £0.11 per Berendsen share, declared and paid by Berendsen in respect of the six months ended June 30, 2017 (the "**Interim Dividend**"). Based on the closing price of Elis' shares on June 6, 2017 (being the last business day prior to the date of the Second 2.4 Announcement – as defined below) of €20.17 and a £:€ exchange rate of 1:1.145, the Final Proposal values each Berendsen share at £12.50 (excluding the Interim Dividend) and £12.61 (including the Interim Dividend), valuing Berendsen at around £2.2 billion (excluding the Interim Dividend) on a fully diluted basis[3]. The Final Proposal is likely to be implemented through an English-law scheme of arrangement in accordance with section 26 of the Companies Act 2006 (the "**Scheme of Arrangement**" or "**Scheme**"), which requires the Scheme of Arrangement to be approved by Berendsen shareholders and the High Court of Justice in England and Wales (the "**Court**"). Accordingly, on June 7, 2017, Elis and Berendsen made the Final Proposal public by publishing a joint announcement in accordance with Rule 2.4 of the City Code (the "**Second 2.4 Announcement**"). On June 12, 2017, Elis and Berendsen published a joint announcement in accordance with Rule 2.7 of the City Code (the "**2.7 Announcement**") in which Elis and Berendsen confirmed their agreement regarding the terms of a recommended acquisition by Elis of the entire issued and to be issued share capital of Berendsen, in exchange for the payment of £5.40 in cash and 0.403 new Elis shares, and the payment of the Interim Dividend. As at June 9, 2017 (being the last business day prior to the date of the 2.7 Announcement), based on the closing price of an Elis share of €19.90 and a £:€ exchange rate of 1:1.138, the terms of the Transaction valued each Berendsen share at £12.45 (excluding the Interim Dividend) and imply a total equity value for Berendsen of approximately £2.17 billion on a fully diluted basis[4]. Nevertheless, completion of the Transaction (as defined below) remains subject to the satisfaction or waiver of the Conditions (as defined below) described in Element E.3 of this summary, including (i) (a) the approval of the Scheme by a majority in number of Berendsen shareholders representing at least 75% in value of the Berendsen shares held by Berendsen shareholders present or represented at the Court Meeting (as defined below) who are on the register of members of Berendsen at the Voting Record Time (as defined below), (b) the approval of all resolutions necessary in connection with the Scheme of Arrangement with the relevant majorities at the Berendsen General Meeting (as defined below), and (c) the sanction of the Scheme of Arrangement by the Court, with or without modification (but subject to any such modification being acceptable to Elis and Berendsen); and (ii) (a) the approval by the Elis General Meeting (as defined below) of the capital increase

3 Based on the 172,627,894 shares currently in issue (excluding options in issue) and 174,470,777 shares on a fully diluted basis.

4 On the basis of a fully diluted share capital for Berendsen of 174,412,423 shares, being the aggregate of 172,627,894 Berendsen shares in issue and 1,784,529 Berendsen options and awards (being the maximum number of Berendsen options which become exercisable or awards that vest on a change of control which would, if exercised, (rather than being cash cancelled), need to be satisfied using newly issued Berendsen shares rather than using Berendsen shares currently held by Berendsen's Employee Benefit Trust), in each case as at June 9, 2017 (being the last business day prior to the 2.7 Announcement).

		to be carried out by Elis as part of the Scheme of Arrangement, (b) Elis obtaining the AMF's visa on the Prospectus and (c) the publication of an Euronext Paris (as defined below) notice confirming the future admission to trading of the New Shares (as defined below) on Euronext Paris. **Capital increase reserved for the Canada Pension Plan Investment Board** In this context, Elis and Canada Pension Plan Investment Board ("**CPPIB"**), which then held 4.83% of Elis' capital, entered into an investment agreement (the "**Investment Agreement**") pursuant to which CPPIB undertook to Elis to subscribe 10,131,713 new Elis shares to be issued (the "**CPPIB Shares**") as part of a reserved capital increase (the "**Elis Reserved Capital Increase**"), at a price of €19.74[5] per share (the "**CPPIB Cash Placing**"). The total proceeds of the CPPIB Cash Placing would be €200 million. The funds raised by the CPPIB Cash Placing will not be used to fund the cash portion of the Transaction consideration but will be used to repay the amount, due pursuant to the Bridge Term Facility Agreement 2017 (as defined below), incurred by Elis to finance the Transaction consideration and to help Elis meet its 2018 leverage target of ~3x (consistent with its current level) if the Transaction is completed. The CPPIB Cash Placing is conditional on, amongst other matters, the Scheme of Arrangement being approved by Berendsen shareholders and sanctioned by the Court, and the approval of resolutions authorizing the issue of New Shares as part of the Transaction by the Elis General Meeting. Pursuant to the provisions of the Investment Agreement: – Elis undertook not to, until the completion of the Elis Reserved Capital Increase, (i) propose or issue any equity securities on a pre-emptive basis (rights issue) to Elis shareholders, (ii) propose or issue any equity securities to any Elis shareholder or third party other than CPPIB and any of Elis shareholders listed in Chapter 8 of the Registration Document (as defined below) as holding more than 8% or more of the share capital of the Company (the "**First Offer Investors**") (except for any issue of equity securities for compensatory purposes to employees or executive officers pursuant to the long-term incentive plans of Elis through the grant of performance shares) without first offering to all of the First Offer Investors to subscribe for such equity securities, and (iii) issue equity securities to any First Offer Investor on terms more favourable than those offered to the other First Offer Investors, which in any event shall not be more favourable than the terms of the CPPIB Shares; – CPPIB undertook during the 12-month period as from the date of delivery and payment of the Elis Reserved Capital Increase not to (i) directly or indirectly transfer title to the CPPIB Shares, (ii) grant any right or promise on, such CPPIB Shares or (iii) announce its intention to perform one of the transactions mentioned in (i) and (ii). As regards corporate governance, the Investment Agreement provides that CPPIB has the right to propose at any time the designation of a member of Elis' Board (*membre du Conseil de surveillance*) provided that its shareholding in the Company is at least equal to 8% of Elis' share capital and the designation of a second member within Elis' Board provided that its shareholding is at least equal to 15% of Elis' share capital. The Investment Agreement has been entered into for a 10-year period as from its execution date and shall automatically renew for subsequent 3-year period

[5] Based on Elis's volume-weighted average daily share price during the 20 trading days until June 6, 2017.

		unless previously terminated by written non-renewal notice sent by either party to the other party at least 12 months prior to the expiration of the initial 10-year period or any renewal period. Following the completion of the Elis Reserved Capital Increase, CPPIB may terminate the Investment Agreement at any time by providing at least 4 months' prior notice to Elis. In accordance with article 212-5 1° of the *Autorité des marchés financiers*' General Regulations, this reserved share capital increase will not be published through the issuance of a prospectus as it concerns the admission to trading of a number of shares representing, over a period of 12 months, less than 10% of the number of Elis shares already admitted to trading on Euronext Paris. **Closing of the acquisition of Lavebras** On May 23, 2017, Elis announced the closing of the acquisition of Lavebras Gestão de Têxteis S.A. and its subsidiaries (together referred to as "**Lavebras**") following the approval without restriction of the Brazilian antitrust authority. **Outlook for the Group's earnings in the year ending December 31, 2017** The Group has based its outlook for the 2017 financial year on the Group's consolidated financial statements for the period ended December 31, 2016 and the condensed interim consolidated financial statements for the six months ended June 30, 2017. That outlook is based on the following assumptions: *Assumptions over which the Company's executive committee has no control or influence* – the following exchange rates observed at the end of 2017: BRL3.75 to the euro and CHF1.09 to the euro; – the continuation of the upturn in hotel activity in France seen in the first half of 2017 by comparison with 2016; – no material change in the political, economic, regulatory, social and fiscal environment that would have a seriously adverse impact on Elis; and – no external event affecting activity, the Group's customers, supplies and labor, including any natural catastrophe, act of terrorism or cyber-attack, that would have a seriously adverse impact on Elis; – no material litigation or dispute that would have a seriously adverse impact on Elis. *Assumption over which the Company's executive committee has control or influence* – no material change in the scope of consolidation relative to July 25, 2017. Based on the assumptions set out above, the Group believes that it will be able to achieve consolidated revenue of over €1.75 billion (including Lavebras since June 1st, 2017 but excluding Berendsen). Organic revenue growth in 2017 is expected to be more or less equivalent to that observed in 2016. In 2017, the Group is also aiming to improve its EBITDA margin rate in each geographic area where it carries on its activities, including in France. *The outlook presented above is based on data, assumptions and estimates that the Group regarded as reasonable at the date of the Prospectus. Those data*

and assumptions may change or be adjusted as a result of uncertainties relating particularly to the economic, financial, competitive, regulatory or tax environment or as a result of other factors of which the Group was not aware on the date of the Prospectus. Moreover, the materialization of certain risks described in chapter 2 ("Risk factors and insurance policy") of the Registration Document, chapter 2 ("Risk Factors") of the update to the Registration Document and section 3.5 of the Securities Note, may have an impact on the Group's activities, financial position, results or outlook and therefore threaten this outlook. The attainment of the outlook also assumes that the Group's strategy will be successful. As a result, the Group makes no representation and gives no warranty regarding the attainment of the outlook set out above.

B.5 **Group to which the Company belongs**

The Company is the parent company of the Group, which had 141 consolidated subsidiaries at June 30, 2017, of which 30 were based in France.

B.6 **Major shareholders**

As at June 30, 2017, to the Company's knowledge:

– Eurazeo SE held 16.86% of the Company's share capital, including 16.07% via Legendre Holding 27 SAS, a company controlled by Eurazeo SE;

– Crédit Agricole Assurances held, via its subsidiary Predica Prévoyance Dialogue ("**Predica**"), 9.98% of the Company's share capital;

– CPPIB held 4.83% of the Company's share capital; and

– Ameriprise Financial Inc held, via its Threadneedle Asset Management Limited subsidiary, 10.48% of the Company's share capital.

To Elis' knowledge, ownership of the Company's share capital and voting rights at June 30, 2017 was as follows:

Shareholders	Number of shares	% of the share capital	Number of theoretical voting rights	% of theoretical voting rights	Number of exercisable voting rights	% o exercis votir righ
Eurazeo, *including:*	**23,635,032**	**16.86%**	**42,892,699**	**26.84%**	**42,892,699**	**26.**
Legendre Holding 27 SAS[a]	22,522,058	16.07%	40 873 361	25,57%	40 873 361	25,
Eurazeo SE[a]	1,112,974	0.79%	2,019,338	1.26%	2,019,338	1.
Crédit Agricole Assurances[a]	**13,991,662**	**9.98%**	**13,991,662**	**8.75%**	**13,991,662**	**8.**
CPPIB[c]	**6,769,248**	**4.83%**	**6,769,248**	**4.24%**	**6,769,248**	**4.**
Free float, *including:*	**95,715,607**	**68.29%**	**96,117,816**	**60.14%**	**96,117,816**	**60.**
Ameriprise Financial Inc.[b]	14,694,718	10.48%	14,694,718	9.19%	14,694,718	9.
ECIP Elis SARL [a]	190,172	0.14%	345,124	0.22%	345,124	0.
Executives and employees[e]	399,801	0.29%	484,476	0.30%	484,476	0.
Treasury shares	55,500[d]	0.04%	55,500[d]	0.03%	–	
TOTAL	**140,167,049**	**100%**	**159,826,925**	**100%**	**159,771,425**	**1(**

(a) Shareholders who have disclosed that they are bound by a shareholders' agreement which is not a concert action within the meaning of article L. 233-10 of the French Commercial Code.
(b) Based on Ameriprise Financial, Inc.'s disclosure regarding the crossing of ownership thresholds dated June 22, 2017.
(c) CPPIB and the Company have entered into an investment agreement on June 7, 2017.
(d) As at June 30, 2017.
(e) Following the vesting of 250,392 shares under the performance share plan dated April 7, 2015, whose vesting period expired on April 7, 2017.

As at June 30, 2017, 19,659,876 Elis shares conferred double voting rights.

Following the implementation of the Transaction and the CPPIB Cash Placing and on the basis of Elis' and Berendsen's shareholdings as at June 30, 2017, the ownership of the Company's share capital and voting rights will be as follows:

Shareholders	Post-Transaction				Post-Transaction and CPPIB Cash Pl		
	Number of shares	%	Number of exercisable voting rights	%	Number of shares	%	Number of exercisable voting rights
Eurazeo, *including:*	**23,635,032**	**11.30%**	**42,892,699**	**18.74%**	**23,635,032**	**10.77%**	**42,892,699**
Legendre Holding 27 SAS[a]	22,522,058	10.76%	40,873,361	17.86%	22,522,058	10.27%	40,873,361
Eurazeo SE[a]	1,112,974	0.53%	2,019,338	0.88%	1,112,974	0.50%	2,019,338
Crédit Agricole Assurances[a]	**13,991,662**	**6.69%**	**13,991,662**	**6.11%**	**13,991,662**	**6.38%**	**13,991,662**
CPPIB[c]	**6,769,248**	**3.24%**	**6,769,248**	**2.96%**	**16,900,961**	**7.70%**	**16,900,961**
Free float, *including:*	**164,767,759**	**78.75%**	**165,169,268**	**72.18%**	**164,767,759]**	**75.12%**	**165,169,968**
Berendsen shareholders	**69,052,152**	**33%**	**69,052,152**	**30.18%**	**69,052,152**	**31.48%**	**69,052,152**
Ameriprise Financial, Inc.[b]	14,694,718	7.02%	14,694,718	6.42%	14,694,718	6.70%	14,694,718
ECIP Elis SARL[a]	190,172	0.09%	345,124	0.15%	190,172	0.09%	345,124
Executives and employees[e]	399,801	0.19%	484,476	0.21%	399,801	0.18%	484,476
Treasury shares	55,500[d]	0.03%	-	-	55,500[d]	0.03%	-
Total	**209,219,201**	**100%**	**228,823,577**	**100%**	**219,350,914**	**100%**	**238,955,290**

(a) Shareholders who have disclosed that they are bound by a shareholders' agreement which is not action within the meaning of article L. 233-10 of the French Commercial Code.
(b) Based on Ameriprise Financial, Inc.'s disclosure regarding the crossing of ownership thresholds d 22, 2017. Ameriprise Financial, Inc. holds Elis shares via its subsidiary Threadneedle Asset Ma Limited.
(c) CPPIB and the Company have entered into an investment agreement on June 7, 2017.
(d) As at June 30, 2017.
(e) Following the vesting of 250,392 shares under the performance share plan dated April 7, 201 vesting period expired on April 7, 2017.

To the Company's knowledge, as of the date of the AMF's visa on the Prospectus, no shareholder, directly or indirectly, alone or in concert, controls the Company, nor is presumed to be in control of the Company.

B.7 **Selected historical key financial information**

Main key figures

The financial information shown below is taken from the Group's (audited) consolidated financial statements for the years ended December 31, 2014, 2015 and 2016 (excluding Lavebras' contribution), and its (unaudited) condensed interim consolidated financial statements for the periods ended June 30, 2016 and 2017, prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the European Union. The Group's financial information relating to the six months ended June 30, 2017 is presented in section 4.2 to the Registration Document update.

Selected financial information from the Group's consolidated income

B.7 (cont.)		**statement**

	Year ended December 31			Half-year p ended June 3(	
	2014	**2015**	**2016**	**2016**	
	(in millions of euros)				
Revenue[(1)]	**1,331.0**	**1,415.4**	**1,512.8**	**730.2**	
Gross margin	**425.8**	**431.9**	**457.7**	**215.8**	
Operating income before other income and expense and amortization of customer relationships	**209.1**	**206.5**	**208.6**	**91.8**	
Operating income	**144.7**	**112.3**	**187.4**	**67.3**	
Net financial expense	(153.6)	(170.9)	(55.7)	(27.0)	
Income (loss) before tax	**(8.9)**	**(58.6)**	**131.7**	**40.3**	
Income tax benefit (expense)	(13.0)	0.9	(38.1)	(17.1)	
Net income (loss)	**(21.9)**	**(57.7)**	**93.7**	**23.1**	

(1) "Revenue" may be referred to as "revenues" or "consolidated revenues" in this Securities N

Selected financial information from the Group's consolidated statement of financial position

	Year ended December 31			Half-year p ended June 3(	
	2014	**2015**	**2016***	**2016**	
	(in millions of euros)				
Non-current assets	**2,667.1**	**2,765.5**	**3,035.3**	**2,791.4**	**3,**
Of which goodwill	1,536.1	1,583.4	1,747.8	1,616.8	2,
Of which intangible assets	404.4	379.5	350.9	354.7	
Current assets	**462.1**	**483.9**	**649.2**	**614.6**	
Assets held for sale	0.0	0.0	1.1	8.4	
Total assets	**3,129.1**	**3,249.4**	**3,684.5**	**3,406.0**	**4,**
Equity	**368.2**	**1,053.9**	**1,150.6**	**1,058.8**	**1,**
Non-current liabilities	2,256.8	1,573.9	1,567.2	1,584.8	1,
Current liabilities	504.2	621.7	966.7	762.4	
Liabilities directly associated with assets held for sale	0.0	0.0	0.0	2.6	
Total equity and liabilities	**3,129.1**	**3,249.4**	**3,684.5**	**3,406.0**	**4,**

* Adjusted with the allocation of goodwill (see note 2.4 to the consolidated accounts of the Group for financial year ended December 31, 2016 in the Registration Document, it being specified that the initial accounting of company combinations was unfinished and the amounts previously published were provisional.

Selected financial information from the Group's consolidated statement of cash flows

	Year ended 31 December			Half-year p ended June 3(	
	2014	**2015**	**2016**	**2016**	
	(in millions of euros)				
Net cash from operating activities	361.0	293.9	424.8	169.1	
Net cash used in investing activities	(240.0)	(375.3)	(425.3)	(164.5)	(5
Net cash from/(used in) financing activities	(111.5)	78.8	108.7	74.1	
Net increase/(decrease) in cash and cash equivalents	**9.5**	**(2.7)**	**108.2**	**78.7**	**(**
Cash and cash equivalents at beginning of period	48.6	58.5	55.8	55.7	
Effect of changes in foreign exchange rates on cash and cash equivalents	0.4	0.0	1.8	1.1	(
Cash and cash equivalents at end of period	**58.5**	**55.8**	**165.9**	**135.5**	

B.8	**Selected key non-audited pro forma**	The purpose of the Combined Group's non-audited consolidated pro forma financial information (the "**Non-Audited Pro Forma Financial Information**") is to provide pro forma information describing the

financial information

consequences that the Transaction (including the Transaction's financing) would have had on the Combined Group's statement of financial position as at December 31, 2016 and on the income statement for the financial year ended December 31, 2016 (including the Transaction's financing), had the Transaction taken place at an earlier date than the date of its effective implementation.

The Non-Audited Pro Forma Financial Information is not necessarily representative of the results or future financial position of the Combined Group. Moreover, there is no guarantee that the trends indicated by Non-Audited Pro Forma Financial Information are representative of the future results and performance of the Combined Group.

As a consequence, the consolidated results and consolidated statement of financial position of the future Combined Group may significantly vary from the results and the consolidated statement of financial position presented in the Non-Audited Pro Forma Financial Information.

The statutory auditors have provided a report on the Non-Audited Pro Forma Financial Information.

In accordance with Annex II to Regulation (EC) no. 809/2004 of April 29, 2004 as amended, Elis provides the Non-Audited Pro Forma Financial Information based on publicly available historical financial information regarding Berendsen and from the following consolidated financial statements:

– Elis' audited consolidated financial statements for financial year ended December 31, 2016[6], as presented in Elis' 2016 registration document, filed with the AMF on April 6, 2017 under number R. 17-013 (the "**Registration Document**"); and

– Berendsen's audited consolidated financial statements for financial year ended December 31, 2016, as published in Berendsen's Annual Report and Accounts 2016.

In accordance with AMF recommendation no. 2013-08, as amended, relating to pro forma financial information, no adjustment has been made to the Elis historical financial information used to draft the Non-Audited Pro Forma Financial Information, as a result of events that occurred after the close of financial year 2016.

Key financial information from the consolidated pro forma income statement for financial year ended December 31, 2016

(In millions of euros)	Historical data for Elis	Historical data for Berendsen	**Sum of historical data (note 1)**	**"Berendsen acquisition" adjustment (note 2)**	**"Transaction financing" adjustment (note 3)**	**"Transaction costs" adjustment (note 4)**
Revenue	**1,512.8**	**1,357.7**	**2,870.4**	-	-	-
Operating expenses	(1,304.2)	(1,160.7)	**(2,465.0)**	-	-	-
Operating income before other income and expense and amortization of customer relationships	**208.6**	**196.9**	**405.5**	-	-	-
Amortization of customer relationships	(45.6)	(9.1)	**(54.7)**	-	-	-
Goodwill impairment	-	-	-	-	-	-
Other income and expense (a)	24.5	(15.8)	**8.7**	-	-	(25.7)
Operating income	**187.4**	**172.1**	**359.5**	-	-	**(25.7)**

6 No pro forma adjustments have been included in the Non-Audited Pro Forma Financial Information presented in this section in respect of the acquisitions of Indusal and Lavebras or their financing in order to reflect them as if completed as of January 1, 2016. Accordingly, the Non-Audited Pro Forma Financial Information reflects the results of operation of Indusal only for the period from December 21, 2016 to December 31, 2016 and its assets and liabilities only as at December 31, 2016 and excludes the results of operations, assets and liabilities of Lavebras.

Net financial expense	(55.7)	(25.0)	**(80.6)**	-	(10.7)	-	**(91.3)**
Income (loss) before tax	**131.7**	**147.1**	**278.9**	**-**	**(10.7)**	**(25.7)**	**242.5**
Income tax benefit (expense)	(38.1)	(35.2)	**(73.3)**	-	5.9	8.8	**(58.5)**
Share of net income of equity-accounted companies	-	-	**-**	-	-	-	**-**
Net income (loss)	**93.7**	**111.9**	**205.6**	**-**	**(4.8)**	**(16.8)**	**183.9**
Attributable to:							
- owners of the parent	93.7	111.5	**205.2**				**183.6**
- non-controlling interests	(0.0)	0.4	**0.4**				**0.4**
Earnings (loss) per share (EPS) / Earnings (loss) per share (EPS) from continuing operations (in euros):							
- basic, attributable to owners of the parent	€0.82	€0.65	**€1.06**				**€0.95**
- diluted, attributable to owners of the parent	€0.82	€0.65	**€1.06**				**€0.95**

(a) Other operating income and expense mainly include:

i. €35.6 million of income relating to the Puteaux site disposal and various transaction costs, restructuring costs and other non-recurring expenses as described in note 4.4 of Elis' 2016 consolidated financial statements; and

ii. €12.8 million relating to strategy implementation costs and €2.9 million in respect of other costs/income as described in note 4 of Berendsen's 2016 consolidated financial statements.

Key financial information from the consolidated pro forma statement of financial position for financial year ended December 31, 2016

(in millions of euros)	Historical data for Elis net	Historical data for Berendsen net	**Sum of historical data (note 1)**	**"Berendsen acquisition" adjustment (note 2)**	**"Transaction financing" adjustment (note 3)**	**"Transaction costs" adjustment (note 4)**	**"CPPIB Financing" adjustment (note 5)**	Pr F Inf
Goodwill	1,755.7	480.6	**2,236.3**	**1,825.2**	-	-	-	
Intangible assets	350.9	35.5	**386.4**	-	-	-	-	
Property, plant and equipment	896.5	674.7	**1,571.2**	-	-	-	-	
Equity-accounted companies	-	-	**-**	-	-	-	-	
Available-for-sale financial assets	0.1	-	**0.1**	-	-	-	-	
Other non-current assets	4.2	87.1	**91.3**	-	**(86.8)**	-	-	
Deferred tax assets	19.4	15.0	**34.4**	**0.3**	-	-	-	
TOTAL NON-CURRENT ASSETS	**3,026.8**	**1,292.9**	**4,319.7**	**1,825.5**	**(86.8)**	-	-	
Inventories	62.4	65.7	**128.1**	-	-	-	-	
Trade and other receivables	392.6	224.1	**616.7**	-	-	-	-	
Current tax assets	6.6	10.3	**16.9**	-	**4.5**	**15.0**	-	
Other assets	17.0	2.5	**19.4**	-	-	-	-	
Cash and cash equivalents	169.6	365.9	**535.5**	**(1,049.8)**	**1,093.2**	**(43.4)**	-	
Assets held for sale	1.1	-	**1.1**	-	-	-	-	
TOTAL CURRENT ASSETS	**649.3**	**668.5**	**1,317.8**	**(1,049.8)**	**1,097.7**	**(28.5)**	-	
TOTAL ASSETS	**3,676.1**	**1,961.4**	**5,637.5**	**775.5**	**1,010.8**	**(28.5)**	-	
Share capital	1,140.1	61.1	**1,201.2**	**629.4**	-	-	**101.3**	
Additional paid-in capital	280.9	117.6	**398.5**	**566.0**	-	**(11.6)**	**98.7**	
Treasury share reserve	(1.6)	-	**(1.6)**	-	-	-	-	
Other reserves	0.7	178.1	**178.8**	**(178.1)**	-	-	-	

Retained earnings (accumulated deficit)	(267.0)	283.6	**16.6**	**(283.6)**	-	**(16.8)**	-	**(283.8)**
Other components of equity	(6.1)	(1.1)	**(7.2)**	**1.1**		-	-	**(6.1)**
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	1,147.0	639.3	**1,786.3**	**734.8**	-	**(28.5)**	**200.0**	**2,692.7**
NON-CONTROLLING INTERESTS	4.0	6.0	**10.0**	**29.5**	**(29.5)**	-	-	**10.0**
EQUITY	**1,151.0**	**645.3**	**1,796.3**	**764.3**	**(29.5)**	**(28.5)**	**200.0**	**2,702.6**
Non-current provisions	24.2	-	**24.2**	-	-	-	-	**24.2**
Employee benefit liabilities	62.9	46.5	**109.4**	-	-	-	-	**109.4**
Non-current borrowings	1,276.8	605.1	**1,881.9**	**2.0**	**(605.9)**	-	-	**1,278.0**
Deferred tax liabilities	176.8	87.9	**264.8**	-	**(6.7)**	-	-	**258.1**
Other non-current liabilities	22.6	18.3	**40.9**	-	**(17.2)**	-	-	**23.7**
TOTAL NON-CURRENT LIABILITIES	**1,563.4**	**757.8**	**2,321.2**	**2.0**	**(629.8)**	-	-	**1,693.4**
Current provisions	4.9	8.9	**13.8**	-	-	-	-	**13.8**
Current tax liabilities	3.9	29.6	**33.5**	-	**11.1**	-	-	**44.6**
Trade and other payables	162.6	82.5	**245.0**	-	-	-	-	**245.0**
Other liabilities	296.3	169.8	**466.1**	-	**(0.4)**	-	-	**465.7**
Bank overdrafts and current borrowings	494.1	267.5	**761.6**	**9.4**	**1,659.4**	-	**(200.0)**	**2,230.4**
Liabilities directly associated with assets held for sale	-	-	-	-	-	-	-	-
TOTAL CURRENT LIABILITIES	**961.7**	**558.3**	**1,520.0**	**9.4**	**1,670.2**	-	**(200.0)**	**2,999.6**
TOTAL EQUITY AND LIABILITIES	**3,676.1**	**1,961.4**	**5,637.5**	**775.7**	**1,010.8**	**(28.5)**	-	**7,395.6**

B.9	**Forecasts or estimates**	Not applicable.
B.10	**Qualifications on the historical financial information in the audit report**	Not applicable.
B.11	**Explanations if the issuer's net working capital is not sufficient to meet its current obligations**	Not applicable.

Section C – Securities

C.1	**Type, class and identification number of the securities**	The New Shares, whose admission to trading on Euronext's regulated market in Paris ("**Euronext Paris**") is being requested, are ordinary shares of the same class as the Company's existing shares. New Shares will be subject to all the provisions of the Company's articles of incorporation (*statuts*) as of their date of issue. **Share title:** Elis **ISIN code**: FR0012435121 **Ticker**: Elis

		Compartment: A **Business sector**: Support services **ICB classification:** 2790
C.2	**Currency of issuance**	Euro.
C.3	**Number of shares issued/ Par value of the shares**	As at the date of the AMF's visa on the Prospectus, Elis' share capital is made up of 140,167,049 shares with par value of one euro each, following the capital reduction by way of a reduction in par value approved by Elis' shareholders' general meeting of May 19, 2017. An amount of 69,052,152 New Shares, with par value of one euro each, would be issued pursuant to the terms of the Transaction. A total of 10,131,713 new Elis shares, with par value of one euro each, would be issued pursuant to the terms of the CPPIB Cash Placing. Following completion of the Transaction, Elis' share capital would consist of 209,219,201 shares. Following the completion of the Transaction and the CPPIB Cash Placing, Elis' share capital would consist of 219,350,914 shares.
C.4	**Rights attached to the shares**	The New Shares will rank *pari passu* in all respects with existing ordinary Elis shares, and will benefit, to this end, under French law and the Company's articles of incorporation (*statuts*) as currently in effect, from the main following rights: – dividend rights; – voting rights; – preferential subscription rights to shares of the same class; – rights to share in any surplus in the event of liquidation; and – shareholders' rights to be informed. New Shares will carry current dividend rights and will confer the right to share in any distribution made by the Company as of the date of their issuance. Since April 3, 2016, under article 9 of the Company's articles of incorporation, double voting rights are attached to all shares held in registered form by the same shareholder continuously for two years.
C.5	**Restrictions on the free transferability of securities**	No provision of the Company's articles of incorporation (*statuts*) restricts the free transferability of the shares comprising the Company's share capital.
C.6	**Application for admission to trading**	Application will be made for the New Shares to be admitted to trading on Euronext Paris. The New Shares will be admitted to trading on Euronext Paris as from the day following the date on which the Scheme of Arrangement becomes effective, i.e. September 13, 2017 (indicative date), or shortly thereafter. They will immediately rank *pari passu* in all respects with existing ordinary Elis shares already admitted to trading on Euronext Paris and will be tradable, as from this date, on the same listing line as existing shares under ISIN code: FR0012435121. The Company's articles of incorporation (*statuts*) provide that the New Shares may be held either in registered form ("*au nominatif*") or bearer form ("*au porteur*") at the option of the shareholder. **Issue of CDIs (CREST depositary interests) representing entitlements to**

		New Shares Unlike Berendsen shares, New Shares are not capable of being held, transferred or settled through the CREST settlement systems. As a consequence, Berendsen shareholders participating in the Scheme of Arrangement who hold their Berendsen shares in uncertificated form through CREST (directly or through a broker or other nominee with a CREST account) immediately prior to 6.00 p.m. on the business day after the date on which the Court sanctioned the Scheme of Arrangement (the "**Scheme Record Time**") will not be issued New Shares directly but will be issued dematerialized certificates. These dematerialized certificates are "**CDIs**" (CREST depositary interests). As for eligible Berendsen shareholders (i.e., Berendsen shareholders who are resident of a certain jurisdictions other than France, the United Kingdom and the United States, including but not limited to Japan, where sending or making available information concerning the Scheme of Arrangement (as defined below) to Berendsen shareholders in such jurisdiction would violate the laws of these jurisdictions or would require registration of the New Shares (the "**Restricted Jurisdictions**" and each, a "**Restricted Jurisdiction**") or a jurisdiction where the Computershare Nominee (as defined below) cannot operate the CSN Facility (as defined below)) who hold their Berendsen shares in certificated form (that is, not in CREST) immediately prior to the Scheme Record Time, Elis appointed an entity of the Computershare group as nominee and bare trustee (the "**Computershare Nominee**") to operate the CSN Facility (the "**CSN Facility**"). The CSN Facility will benefit holders of Berendsen shares in certificated form by eliminating the need to set up an account with a French accredited financial intermediary, and by facilitating dealings in New Shares and Elis CDIs. To allow the Computershare Nominee to hold the New Shares on behalf of eligible Berendsen shareholders who hold their Berendsen shares in certificated form immediately prior to the Scheme Record Time, CREST Depositary Limited, a subsidiary of Euroclear, will issue Elis CDIs representing New Shares to the Computershare Nominee to be held on behalf of such eligible Berendsen shareholders. One Elis CDI will represent one Elis Share. The Elis CDIs will reflect the economic rights attached to the New Shares. However, while the holders of Elis CDIs will have an interest in the underlying New Shares, they will not be the registered holders of the New Shares. Berendsen shareholders who hold their Berendsen shares in certificated form but who: – are ineligible to participate in the CSN Facility; or – voluntarily opt out of the CSN Facility, by returning the CSN Facility opt out form to Equiniti, will hold their New Shares directly, in registered form ("*au nominatif*"). The double voting rights that may attach to Elis shares will only benefit shareholders having fully paid-up shares and who hold their Elis shares in registered form on the Elis register for two consecutive years. The underlying New Shares issued in respect of the Elis CDIs will be held in bearer form and, as a result, holders of Elis CDIs will not benefit from double voting rights.
C.7	**Dividend policy**	The Company did not pay any dividends in the three years ended December 31, 2013, 2014 and 2015. However, the Company did make an exceptional distribution of €0.35 per share, deducted from additional paid-in capital, with respect to the year ended December 31, 2015, and an exceptional distribution of €0.35 per share, deducted from the additional paid-in capital and reserve items, with respect to the year ended December 31, 2014.

		Following a proposal of the Company's management board, the combined shareholders' general meeting convened on May 19, 2017, voted in favor of a €0.37 per share exceptional dividend distribution deducted from additional paid-in capital, for the financial year ended December 31, 2016 (up 5.7% compared with the previous financial year), which was paid on May 31, 2017. The Company will determine the amount of any distributions with respect to the year ending December 31, 2017 and the following years on the basis of various factors, including the Company's general business conditions and in particular its strategic objectives, financial position, the opportunities it wishes to pursue and applicable statutory provisions.
		Section D – Risks
D.1	**Key risks specific to the Company or its industry**	Investors are urged to consider the key risk factors specific to the Group and its activities, described in the Registration Document, which include the following: (i) risks relating to the Group's business, especially those relating to: – the Group's inability to win new customer contracts, particularly as part of competitive bidding processes; – the termination of a large number of customer contracts or the non-renewal of certain customer contracts; – the use of third-party suppliers, which reduces the Group's ability to directly control the quality of the services it provides; – economic dependency on certain suppliers or subcontractors, which could cause the Group to incur litigation, delays or compensation costs in the event some contracts are terminated or some subcontractors go bankrupt; – the Group's organizational structure, in which the local sales, operations and management teams retain substantial autonomy regarding the management of operations in their markets; – supply chain disruptions, since some of the Group's business activities rely on a small number of suppliers and face numerous risks relating to the fact they get their supplies on foreign markets; – the Group's international operations, which in 2016 accounted for 34.1% of its consolidated revenue (excluding manufacturing entities) outside France, which means that the Group is subject to a number of risks beyond its control such as political, social and economic instability, corruption and changes in public policy and regulations; – acquisitions and divestments, which include the Group being unable to find suitable acquisition targets, to plan or manage an acquisition efficiently, or divestments resulting in losses or lower margins; (ii) risks relating to the Group's business sectors, especially those relating to: – overall economic conditions, since demand for certain Group services is related to the economic climate and among other things to growth in the gross domestic product in France, which is the Group's main market in terms of revenue; – price and margin pressure on the services provided by the Group, due in particular to challenging macroeconomic conditions and tough competition; – fluctuations in textile prices, if the Group were unable to fully or immediately offset the higher costs by raising the prices it charges customers; – energy prices, if the Group is not able to increase the prices it charges

to customers as a result of increases in gas, electricity, water, or fuel prices;

– the trends in the outsourcing of services provided by the Group and the re-insourcing of those services by some customers;

– public sector spending, since a large proportion of the Group's revenue in some countries comes from contracts with the government and other public sector agencies;

– the capital intensive nature of the Group's business, especially since flat linen and workwear purchases are classified as capital expenditure and because of the degree of mechanization required to launder flat linen and workwear;

(iii) financial risks, especially those relating to:

– the Group's holding company structure and in particular to the inability of the Group's operating subsidiaries to make payments to other Group subsidiaries or to the Company;

– goodwill and deferred tax assets, since the Group records expenses in the event of goodwill impairment and cannot be sure that the actual realization of the deferred tax assets on its balance sheet will eventually occur;

(iv) legal, regulatory, tax and insurance risks, especially those relating to:

– compliance with antitrust regulations, both nationally and at the European level, since the Group is currently facing an inquiry by the French antitrust authorities after a complaint was made before the Pays de Loire regional board for companies, competition, consumption, labor and employment (DIRECCTE);

– restrictive regulations in some of the Group's business sectors, since the Group provides services to certain companies operating in highly regulated business sectors such as healthcare;

– compliance with health and safety regulations, since failure to comply with such obligations may lead to significant fines;

– disputes and litigation, involving the Group at the date of the Prospectus, or which could involve the Group, and which could have a material adverse impact on the Group's activities, results, financial position and outlook, including proceedings commenced in Brazil:

- against Atmosfera, relating to:
    - alleged acts of administrative improbity vis-à-vis officials regarding industrial laundry services provided by Atmosfera to public entities in the State of Rio de Janeiro over the 2003-2011 period; and
    - proceedings relating to compliance with employment regulations, in particular by one of Atmosfera's suppliers, involving the risk of Atmosfera being blacklisted;
- against Prolav, relating to
    - alleged acts of administrative improbity vis-à-vis officials regarding industrial laundry services provided by Prolav to public entities in the State of Rio de Janeiro over the 2003-2011 period;
    - an alleged cartel and collusion in the market for providing industrial laundry services to public healthcare facilities in the state of Rio de Janeiro

between 1999 and 2005, commenced by CADE;

- against NJ Lavanderia Industrial e Hospitalar LTDA ("**NJ Lavanderia**"), relating to:
  - the validity of a public-sector contract between NJ Lavanderia and the government of the federal district regarding the provision by NJ Lavanderia of industrial laundry services to public healthcare facilities in the federal district, which the state prosecutor is seeking to void;
  - an alleged breach of the public tender procedure provided for by the Brazilian law on public-sector contracts when the aforementioned public-sector contract was formed; and
  - two public-sector contracts in the form of urgent agreements, in respect of which it is claimed that NJ Lavanderia continued to provide services beyond their respective terms.

(v) risks related to the acquisitions of Compañia Navarra de Servicios Integrales SL, a company incorporated under the laws of Spain, and its subsidiaries (together referred to as "**Indusal**") and of Lavebras, including those related to:

– the integration of the acquired companies, in particular risks related to any failure to achieve the expected synergies or their partial or delayed achievement;

– due diligence; and

(vi) risks relating to the Combined Group:

– Elis has not had the possibility to undertake the examination of Berendsen's non-public documents in a due-diligence exercise. Consequently, Elis may have to assume unknown liabilities relating to Berendsen or the realization of unknown risks concerning Berendsen, which may have an adverse impact on the Group and on the share price of Elis shares;

– if there are material and unforeseen difficulties in the integration of the businesses of the Group and the Berendsen Group, the business of the Combined Group could be adversely affected;

– the Transaction may not lead to the achievement of some or all of the synergies expected over the medium term;

– the Transaction will create significant goodwill, any potential future impairment of which would have a significant impact on the net income of the Combined Group;

– whether or not the Transaction is completed, the announcement and the prospect of success of the Transaction might disrupt the normal course of business of the Group or of the Berendsen Group, which might have a materially adverse effect on their financial and operational results, and, if the Transaction is completed, on the financial and operational prospects of the Combined Group;

– the cost of acquiring Berendsen could have a material impact on the financial position and the level of debt of the Combined Group, which may have to resort to contracting additional debt in the context of the Transaction, correlatively increasing the risks linked to its financial position and level of indebtedness, it being noted that the Group's net financial indebtedness amounted to €1,807.5 million as at May 31,

		2017 and that on the basis of the assumptions made for the preparation of the Non-Audited Pro Forma Financial Information, the Transaction would increase Elis' equity attributable to owners of the parent by €1,545.7 million and its net indebtedness by €1,371.6 million as at December 31, 2016; – completion of the Transaction could trigger change-of-control clauses contained in contracts entered into by Berendsen; – Elis may not be able to apply the desired strategy to the Combined Group's activities in the United Kingdom; – completion of the Transaction could result in the termination of directorship positions or employment contracts of certain key executives or employees of Berendsen and the consequential payment of compensation; – claims and litigation against Elis, Berendsen or the Combined Group could arise as a result of the Transaction; – the Combined Group's operating results and financial position could differ from those presented or suggested in the Non-Audited Pro Forma Financial Information included in the Securities Note; – the accounting treatment of the Transaction could have an adverse impact on Berendsen's contribution to the Combined Group's net income; and – the Combined Group's revenue will be generated in a greater variety of currencies.
D.3	**Key risks that are specific to the New Shares**	The key risk factors relating to the New Shares and the Transaction are as follows: – if a Berendsen shareholder elects to use the Mix and Match Facility (as defined below), that shareholder may not receive the proportion of New Shares and cash requested; – if a Berendsen shareholder elects to use the Dealing Facility (as defined below), that shareholder may receive less cash than the current market value of the New Shares depending on the price paid for the New Shares sold through the Dealing Facility; – there may be material differences between the current rights of Berendsen shareholders who receive New Shares and the rights they can expect to have as Elis shareholders; – risks related to the execution of the Transaction could cause the market price of Elis shares to decline, notably if Berendsen shareholders who will hold approximately 31.5% of Elis share capital following completion of the Transaction, dispose of a significant amount of Elis shares after completion of the Transaction; – it might not be as easy or economical for some Berendsen shareholders (in particular those outside of the eurozone or who hold their Berendsen shares in dematerialized form through CREST) who receive New Shares to effect trades, in particular to buy and sell, in New Shares; – even if a material adverse change to Berendsen's business or prospects were to occur, Elis might not be able to terminate the Transaction, which could reduce the market price of Elis shares; – Elis' share price is subject to volatility, as a consequence of various factors, events and perceptions related to its activities; – fluctuation in the market price of Elis shares between the date of the

		2.7 Announcement and the completion of the Transaction could change the value of the consideration paid to Berendsen shareholders who receive New Shares; – the risk relating to the approval by Berendsen and Elis shareholders of the required resolutions; – Elis shareholders will be diluted due to the issue of New Shares; and – the financial instruments issued by the Company may be subject to the European financial transactions tax.
Section E – Offer		
E.1	**Total net proceeds and an estimate of the total expenses of the capital increase**	Subject to approval by Elis shareholders, in order to issue the New Shares to be received by Berendsen shareholders as part of the Scheme of Arrangement, the share capital of Elis would be increased by a nominal amount of €69,052,152 by the issue of 69,052,152 new shares with a par value of one euro each (the "**New Shares**"). The amount of the contribution premium will be €1,300,885,293 and the total amount of the issue will be €1,369,937,445. Elis has incurred, for the implementation of the share capital increase, total estimated costs of approximately €17.7 million before tax and excluding the tax saving incurred.
E.2 a	**Reasons for the offer / Use of the issue proceeds / Estimated maximum net proceeds of the capital increase**	The capital increase forms part of the Scheme of Arrangement (the capital increase and the Scheme of Arrangement together constituting the "**Transaction**") and is intended to form part of the consideration received by Berendsen shareholders in accordance with the terms of the Transaction. The remainder of the consideration for the Transaction will be paid for in cash by Elis. For Elis, the Scheme of Arrangement will constitute (a) a contribution in kind of approximately 56.6% of the issued share capital of Berendsen (the "**Contribution**"), and (b) the acquisition in cash of approximately 43.4% of the issued share capital of Berendsen[7]. Under French law, the Contribution is a contribution in kind within the meaning of article L. 225-147 of the French Commercial Code. The purpose of the Scheme is to enable Elis to become the direct or indirect holder of the entire issued and to be issued share capital of Berendsen, except Berendsen shares held by Estera Trust (Jersey) Limited as trustee of Berendsen's Employee Benefit Trust[8].
E.3	**Terms and conditions of the offer**	**Presentation of Berendsen** Berendsen plc is a public limited company incorporated under the laws of England and Wales: – whose shares are traded on the London Stock Exchange under the symbol BRSN; and – whose registered office is located at 1 Knightsbridge, London SW1X 7LX, United Kingdom ("**Berendsen**" and, together with its subsidiaries, the "**Berendsen Group**"). Berendsen provides throughout Europe:

7 Based on an Elis closing price of €19.90 and a £:€ exchange rate of 1:1.138, the terms of the Transaction thus valuing each Berendsen share at £12.45 (excluding the Interim Dividend).

8 For information purposes, Berendsen's Employee Benefit Trust holds, as at July 25, 2017, 1,291,621 Berendsen shares, i.e. 0.75% of the issued share capital of Berendsen. These shares will eventually be acquired by Elis pursuant to the terms of the Transaction, being £5.40 and 0.403 Elis share for each Berendsen share, representing, for information purposes, following the completion of the Transaction and the CPPIB Cash Placing, 520,523 Elis shares, i.e. 0.24% of the issued share capital of Elis.

– service solutions to design, source, lease, clean and maintain textiles, medical and well-being devices; and

– professional expertise in design of workwear, textile sourcing and purchasing, textile maintenance, decontaminating and sterilisation of medical and well-being devices and an optimised service to each customer.

Merits of the Transaction

– The Transaction represents a compelling opportunity to create a pan-European textile, hygiene and facility services group, combining Berendsen's competitive position in Northern Europe with Elis' strengths in the rest of Europe and a number of high-growth emerging markets.

  On the basis of adjusted 2016 financial data, the Combined Group would have revenues in excess of €3 billion[9] and EBITDA of c. €960 million[10], with over 440 sites and operations in 28 countries.

  The Combined Group will therefore be well-positioned to deliver enhanced value to both Berendsen and Elis shareholders by continuing to pursue Elis' four strategic pillars of: (i) consolidating its positions through organic growth and acquisitions across new and existing services and markets; (ii) developing activities in Latin America; (iii) continuing to improve its operational excellence; and (iv) introducing new products and services at limited marginal cost;

– According to Elis' supervisory board (the "**Elis Board**"), the Transaction represents a significant opportunity to generate attractive synergies and create additional shareholder value for Berendsen and Elis shareholders.

  The Elis Board expects the Combined Group to generate recurring run-rate pre-tax operating and capital expenditure synergies (together, "**Cost Synergies**") of at least €40 million per annum by the end of the third year following completion. This is comprised of €35 million per annum of operating expenditure EBITDA synergies, and €5 million per annum of capital expenditure synergies.

  These synergies are expected to arise as a direct result of the Transaction and could not be achieved independently of the Transaction.

  It is expected that the realization of the Cost Synergies will require estimated one-off cash costs of approximately €40 million, incurred

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9 Combined Group 2016 revenue of €3,102 million represents the aggregate of the Adjusted Elis 2016 Revenue (as defined below) and the consolidated revenue of Berendsen (€1,360 million) for the 12 month period ended December 31, 2016 extracted from Berendsen's annual report and accounts for the year ended December 31, 2016 and converted to euro at the average 2016 GBP/EUR rate of 1:1.225. The resulting aggregate revenue is derived from the addition of these components with no further adjustments to conform to Elis' accounting policies or otherwise.
The adjusted 2016 revenue figure for Elis of €1,742 million ("**Adjusted Elis 2016 Revenue**") represents the aggregate of: (a) the consolidated revenue of Elis (€1,513 million) for the 12 month period ended December 31, 2016 extracted from Elis' financial statements for the year ended December 31, 2016; (b) the estimated unaudited consolidated revenue of each of Indusal (€90 million) and Lavebras (€103 million) for the 12 month period ended December 31, 2016 as published by Elis on December 20, 2016; and (c) an unaudited adjustment for the full-year 2016 impact of the acquisition of Puschendorf (€37 million) as provided by Elis' management. The resulting aggregate revenue is derived from the addition of these components with no further adjustments to conform to Elis' accounting policies or otherwise

10 Combined Group 2016 EBITDA of €959 million represents the aggregate of the Adjusted Elis 2016 EBITDA (as defined below) and the consolidated Adjusted EBITDA of Berendsen after deduction of intangible assets, amortization and non-recurring costs (€427 million) for the 12 month period ended December 31, 2016 extracted from Berendsen's annual report and accounts for the year ended December 31, 2016 and converted to euro at the average 2016 GBP/EUR rate of 1:1.225. The resulting aggregate EBITDA is derived from the addition of these components with no further adjustments to conform to Elis' accounting policies or otherwise.
Adjusted 2016 EBITDA figure for Elis of €532 million ("**Adjusted Elis 2016 EBITDA**") represents the aggregate of: (a) the consolidated EBITDA of Elis (€468 million) for the 12 month period ended December 31, 2016 extracted from Elis' financial statements for the year ended December 31, 2016; (b) the estimated unaudited consolidated EBITDA of each of Indusal (€24 million based on estimated EBITDA margin of 27% as published by Elis on December 20, 2016) and Lavebras (€31 million based on minimum estimated EBITDA margin of 30% as published by Elis on December 20, 2016) for the 12 month period ended December 31, 2016; and (c) an unaudited adjustment for the full-year 2016 impact of the acquisition of Puschendorf (€9 million) as provided by Elis' management. The resulting aggregate EBITDA is derived from the addition of these components with no further adjustments to conform to Elis' accounting policies or otherwise

		materially in the first two years after completion. The phasing will be assessed further and refined as part of the detailed integration planning in due course. Aside from the one-off costs referred to above, the Elis Board does not expect any material dis-synergies to arise as a direct result of the Transaction. The Elis Board is confident of realizing significant further value via the delivery of incremental revenue synergies and growth that have not been quantified for reporting under the City Code ("Quantified Financial Benefits Statement"). – The Transaction is expected to lead to double-digit earnings accretion on an adjusted EPS basis for Elis in 2018 by comparison with the position which would have applied if the Transaction had not taken place[11]. **Recommendation by the Berendsen Board** The Berendsen Board remains confident that Berendsen's strategy would deliver significant value for the Berendsen shareholders on a standalone basis. However, it also believes that the terms of the Transaction substantially acknowledge the quality of the Berendsen business and the strength of its future prospects. Furthermore, the Berendsen Board recognises that the Transaction will create a pan-European leader in textile services, with attractive positions in the markets in which it operates and with sufficient scale and footprint to provide customers with the most efficient and comprehensive textile services offering across the European continent. In addition, the value of the Transaction represents, as at June 9, 2017, an attractive premium of approximately 44% to Berendsen's share price on May 17, 2017, the last business day preceding the date of the 2.4 Announcement and an implied Enterprise Value / 2016 Adjusted Operating Profit multiple of 16.5x, which is above that of the 15.2x valuation of Rentokil Initial's workwear and hygiene businesses transferring into its joint venture with Haniel & Cie[12]. The Transaction also secures delivery of Berendsen's medium-term value potential today, whilst allowing the Berendsen shareholders to participate in the possible future value creation accruing from the combination. As such, the Berendsen Board intends unanimously to recommend the Transaction to Berendsen shareholders. **Elis' intentions vis-à-vis Berendsen** It is intended that dealings in Berendsen shares will be suspended at 7:30 a.m. London time on the business day following the date on which the Court sanctions the Scheme of Arrangement. Berendsen will apply, before the date on which the Scheme of Arrangement becomes effective, for the cancellation of the listing of the Berendsen shares on the Official List and trading on the London Stock Exchange for listed securities. Elis also proposes that, after the Berendsen shares are delisted, Berendsen will be re-registered as a private company. Elis' intentions with regard to the future business of the Combined Group are to create a pan-European textile, hygiene and facility services group, combining Berendsen's competitive position in Northern Europe with Elis' strengths in the rest of Europe and a number of high-growth emerging markets.

[11] Adjusted EPS excludes goodwill impairment, amortization of customer relationships, intangible assets, restructuring and other exceptional items. The estimated adjusted EPS for 2018 of Elis assumes completion of the Transaction, and accordingly includes Elis' estimate of Berendsen's adjusted net income for 2018 and synergies expected to occur in 2018. It is then compared with Elis' estimated adjusted EPS for 2018 assuming no Transaction. The statement that the Transaction is earnings-accretive should not be construed as a profit forecast and is therefore not subject to the requirements of Rule 28 of the City Code. It should not be interpreted to mean that the earnings per share in 2018 or any other future financial period will necessarily match or be greater than those for any preceding financial period. Elis has sole responsibility for the statement. The estimate of Berendsen's adjusted net income for 2018 referred to above is Elis' estimate based on available public information about Berendsen.

[12] Based on adjusted profit before interest, tax and amortization for the 12 months to June 30, 2016 for the business transferred by Rentokil Initial to the joint venture with Haniel & Cie as extracted from Rentokil Initial's investor presentation "Joint Venture with Haniel, Delivering Shareholder Value" dated December 16, 2016.

		The Combined Group would pursue Elis' four strategic pillars of: (i) consolidating its positions through organic growth and acquisitions across new and existing services and markets; (ii) developing activities in Latin America; (iii) continuing to improve its operational excellence; and (iv) introducing new products and services at limited marginal cost. Elis attaches great importance to the skills and experience of the existing employees of Berendsen. Elis intends to approach the integration of the broader Berendsen management team in an open and transparent manner with the aim of retaining and motivating the best talent across the Combined Group. In order to achieve some of the expected benefits of the Transaction, it will be necessary for Elis to perform a detailed review of how best to combine the operations of the Elis Group and the Berendsen Group. Based on the results of this review, Elis intends to finalise the composition of the Combined Group's management team by early January 2018 at the latest. As part of this review, Elis will also be assessing the existing business line structure of Berendsen and determining how best to integrate it with Elis' own operational organisation. Once integration is completed, Elis aims to create a stable working environment across the Combined Group to facilitate employee development. Elis also aims, where applicable, to utilise the strengths of Berendsen teams to augment the Elis teams within the same country. Elis' review would also aim to identify and assess integration benefit opportunities, and to ascertain the areas in which a reduction in the number of employees of the Combined Group would be appropriate (subject to applicable law and any required consultation processes). Elis has not yet decided the scope of, or implemented, the review referred to above and has not reached any conclusions as to its likely outcome or made any decisions in relation to specific actions that may be taken in relation to the integration of Elis and Berendsen. Until this review is completed, Elis cannot be certain what impact there will be on the employment of the management and the employees of the Combined Group, or the location of the places of business of the Combined Group, although it is envisaged that the Combined Group's headquarters will be located at Elis's existing head office in France. While the scope of the review has not yet been decided, Elis currently expects that the review will include an assessment by Elis of the following central corporate and operational functions of Berendsen: – the Berendsen head office in London, at which approximately 70 full-time equivalent (FTE) employees are located; – the central teams (located in Basingstoke and Copenhagen) which support the Berendsen Workwear, Facility, Hospitality and Healthcare Business Lines respectively, and which comprise approximately 100 FTE employees in total; and – the shared services centres (located in every country in which the Berendsen Group has operations) which provide functional support to the business lines in those countries and comprise approximately 650 FTE employees in total. Elis expects to generate €17 million *per annum* in central costs savings from the reduction of duplicate costs across central administration and support functions. Elis currently estimates that, based on this level of central costs savings, there would be an overall potential job reduction of between approximately 75 and 200 FTE employees currently employed in these central administration and support functions across the Combined Group. However, no work to identify the specific employees, roles or locations who may be affected has yet been carried out, and no specific proposals will be made by Elis until

the review is completed.

In addition, Elis expects to generate €8 million *per annum* in operational cost savings in Germany and the Benelux. The review will therefore also include an assessment by Elis of the industrial plant footprint and service site network of the Combined Group in Germany and the Benelux for this purpose, as part of the operational cost savings expected to be generated from this. These expected operational cost savings in Germany and the Benelux are largely expected to be generated, rather than from job reductions, from a combination of (i) the optimisation of customer logistics and the operations of the plants themselves and (ii) savings on purchasing, in each case on the basis of the levels of cost savings which Elis has been able to achieve through the combination of different networks in previous acquisitions. Elis currently estimates that, taking into account the respective size of the operations of Elis and Berendsen in these countries, any job reductions in the Combined Group in Germany and Benelux (if applicable) would mainly relate to the legacy Elis Group operations in Germany and Benelux and would not affect more than 10 FTE employees across the Combined Group's operational facilities in Germany and Benelux. However, no work to identify the specific employees, roles or locations who may be affected has yet been carried out, and no specific proposals will be made by Elis until the review is completed.

Proposals regarding appropriate incentivisation arrangements for management and employees will be considered as part of the review. As a result, no proposals have yet been made on the terms of any future incentivisation arrangements for management and employees of Berendsen who are interested in shares in Berendsen.

Further, Elis has confirmed that it intends to safeguard the existing employment rights, including accrued pension rights, of all existing management and employees of Berendsen in accordance with applicable law.

In particular, Elis intends that, following the implementation of the Transaction, the Berendsen Group will continue to comply with all of its pensions obligations. Elis has no intention to make any changes in relation to the Berendsen Group's pension schemes, including in relation to employer contributions, the accrual of benefits for existing members, or the admission of new members.

Response from the Berendsen Board

The Berendsen directors welcome Elis' statements that Elis attaches great importance to the skills and experience of the existing employees of Berendsen and aims to create a stable working environment across the Combined Group to facilitate employee development.

The Berendsen Board recognises that in order to achieve some of the expected benefits of the Transaction, it will be necessary to perform a detailed review of how best to integrate the respective operations of the Elis Group and the Berendsen Group and to carefully assess integration benefit opportunities. The Berendsen Board also understands that, as part of such review, Elis will need to assess the existing business line structure of Berendsen and determine how best to integrate that structure with Elis' own operations. The Berendsen Board expects that the review and integration process will involve engagement and consultation with any required stakeholders.

The Berendsen Board understands that the synergy work carried out by Elis to date has confirmed the potential to generate cost-savings for the Combined Group from the reduction of duplicate costs across central administration and support functions, which will involve some headcount reductions. Although Elis has not yet developed proposals as to how such headcount reductions will be implemented, Elis has stated that it will assess central corporate and operational functions of the Berendsen head office in London and centres in every country in which the Berendsen Group has operations.

The Berendsen Board understands that the synergy work carried out by Elis has also identified the potential for cost-savings for the Combined Group in Germany and the Benelux. Accordingly, Elis' review will also cover the industrial plant footprint and service site network of the Combined Group in those regions. Elis expects the operational costs savings to largely be generated other than from headcount reductions and has also stated that any job reductions in the Combined Group in Germany and Benelux (if applicable) would mainly relate to the legacy Elis Group operations in Germany and Benelux.

Elis has given assurances to the Berendsen directors that the existing employment rights, including accrued pension rights, of all existing employees will be fully safeguarded and that, following the implementation of the Transaction, the Berendsen Group will continue to comply with all of its pensions obligations. In addition, proposals regarding appropriate incentivisation arrangements for management and employees will be considered as part of Elis' review.

Given the detailed integration review to be carried out following the successful completion of the Transaction, as described above, the Berendsen Board is unable to express a more detailed opinion on the impact of the Transaction on Berendsen management, employees and office locations.

Elis’ corporate governance

Following completion of the Transaction, Elis will remain a two-tier company with a supervisory board (*Conseil de surveillance*) and management board (*Directoire*). In addition, the Elis Board will continue to be chaired by Thierry Morin while the management board of Elis will continue to be chaired by Xavier Martiré.

As regards corporate governance, the Investment Agreement provides that CPPIB has the right to propose at any time the designation of a member of Elis’ supervisory board (*membre du Conseil de surveillance*) provided that its shareholding is at least equal to 8% of Elis’ share capital and the designation of a second member within Elis’ supervisory board provided that its shareholding is at least equal to 15% of Elis’ share capital.

Berendsen’s corporate governance

It is anticipated that the non-executive Berendsen directors will step down from the Berendsen Board with effect from the date on which the Scheme of Arrangement becomes effective. It is also expected that, if the Transaction successfully completes, James Drummond will step down as Chief Executive Officer and cease to be a Berendsen director with effect from the date on which the Scheme of Arrangement becomes effective. The terms of Mr Drummond's departure have not yet been agreed, but will be in accordance with the provisions of his service agreement. It is also expected that Kevin Quinn will cease to be Chief Financial Officer and a Berendsen director on or after the date on which the Scheme of Arrangement becomes effective. The date and terms of Mr Quinn's departure have not yet been agreed, but any terms agreed will be in accordance with the provisions of his service agreement.

Description of the terms of the Transaction

The capital increase forms part of the Scheme of Arrangement that will be implemented in accordance with the indicative timetable of the Transaction as presented below, and is intended to form part of the consideration received by Berendsen shareholders in accordance with the terms of the Transaction. The remainder of the consideration for the Transaction will be paid for in cash by Elis.

		Prior approval of the Transaction Among other conditions, the Transaction is subject to the approval of (i) the Scheme of Arrangement (a) by a majority in number of Berendsen shareholders representing at least 75% of the Berendsen shares held by Berendsen shareholders present or represented at the Court Meeting and who are on the register of members of Berendsen at the Voting Record Time and (b) by the Court, (ii) all resolutions necessary in connection with the Scheme of Arrangement with the relevant majorities and (iii) the aforementioned capital increase by Elis shareholders with a two-thirds majority of votes held by Elis shareholders present or represented. Subject to those approvals, a number of 69,052,152 New Shares (representing approximately 49.3% of the share capital of Elis on the date of the AMF's visa on the Prospectus) will be issued for the benefit of Berendsen shareholders. ***Terms of the Transaction*** Under the terms of the Transaction which are based on the terms of the Final Proposal in this respect, Berendsen shareholders are entitled to receive: **for each Berendsen share held on the Scheme Record Time:** **£5.40 in cash and 0.403 New Shares** In addition, under the Transaction, Berendsen shareholders will be entitled to the Interim Dividend which will be declared and paid by Berendsen in respect of the six month period ending June 30, 2017. The ex-dividend date for the Interim Dividend will be August 3, 2017 and the record date will be August 4, 2017, with payment of the Interim Dividend to occur on August 25, 2017. As at June 9, 2017 (being the last business day prior to the date of the 2.7 Announcement), based on an Elis closing price of €19.90 and a £:€ exchange rate of 1:1.138, the terms of the Transaction valued each Berendsen share at £12.45 (excluding the Interim Dividend) and imply a total equity value for Berendsen of approximately £2.17 billion on a fully diluted basis[13]. This represented as of this date: – a premium of approximately 44% to Berendsen's closing share price of £8.64 on May 17, 2017, the last business day before the date of the 2.4 Announcement; and – a premium of approximately 50% to Berendsen's six month volume weighted average share price to May 17, 2017 of £8.29. Based on the closing price of an Elis share and a £:€ exchange rate of £1 = €1.119, in both cases on July 25, 2017, the terms of the Transaction value each Berendsen share at £12.77 (excluding the Interim Dividend) and imply a total equity value for Berendsen of approximately £2.23 billion on a fully diluted basis14. This represents a premium of approximately: – 47.9 per cent. to the closing price of a Berendsen share of £8.64 on May 17, 2017 (being the last business day preceding the announcement by Elis of a possible offer for Berendsen); and – 54.1 per cent. to Berendsen's six month volume weighted average

[13] On the basis of a fully diluted share capital for Berendsen of 174,412,423 shares, being the aggregate of 172,627,894 Berendsen shares in issue and 1,784,529 Berendsen options and awards (being the maximum number of Berendsen options which become exercisable or awards that vest on a change of control which would, if exercised, (rather than being cash cancelled), need to be satisfied using newly issued Berendsen shares rather than using Berendsen shares currently held by Berendsen's Employee Benefit Trust), in each case as at June 9, 2017 (being the last business day prior to the 2.7 Announcement).

[14] On the basis of a fully diluted share capital for Berendsen of 174,722,002 shares, being the aggregate of 172,636,913 Berendsen shares in issue and 2,085,089 Berendsen options and awards (being the maximum number of Berendsen options which become exercisable or awards that vest on a change of control under the Berendsen Share Schemes (other than the Berendsen Sharesave Plans)), in each case on July 25, 2017.

		share price to May 17, 2017 of £8.29. The cash portion of the Transaction represents approximately 63 per cent. of the closing price of a Berendsen Share of £8.64 on May 17, 2017, the last business day before the date of the 2.4 Announcement. As at June 9, 2017, the Transaction values Berendsen at an implied Enterprise Value / 2016 Adjusted EBITDA multiple of 7.6x and an implied Enterprise Value / 2016 Adjusted Operating Income multiple of 16.5x[15]. For Elis, the Scheme of Arrangement will result in (a) the Contribution and (b) the acquisition in cash of approximately 43.4% of the issued share capital of Berendsen[16]. As consideration for the Contribution, the share capital of Elis will be increased by the issue of 69,052,152 New Shares, for a total amount of €69,052,152. Following the implementation of the Transaction, (i) Elis will own 99.3% of Berendsen's issued share capital and (ii) Berendsen shareholders will own approximately 31.5 per cent. of the Elis share capital after the issuance of the New Shares and implementation of the Reserved Capital Increase[17]. The 0.75% remaining share capital of Berendsen is comprised of shares held by Estera Trust (Jersey) Limited as trustee of the Employee Benefit Trust[18]. These shares will, as the case may be, be (i) delivered to the beneficiaries of options and awards of Berendsen which would have exercised them, who would automatically receive 0.403 existing Elis shares and £5.40 or (ii) acquired by Elis pursuant to the Put and Call Option Agreement described in section 1.5.3 of the update to the Registration Document. The existing Elis shares to be delivered will be acquired by Elis on the market pursuant to its repurchase program as from the date on which the Scheme of Arrangement becomes effective. Fractions of New Shares will not be allotted to any Berendsen shareholder contributing its Berendsen shares, but all fractions of New Shares to which Berendsen shareholders would otherwise have been entitled will be aggregated, allotted, issued and sold in the market after the date on which the Scheme of Arrangement becomes effective. The entitlements of the Berendsen shareholders to New Shares will be rounded down to the nearest whole number of New Shares. Berendsen shareholders who otherwise would have received a fraction of a New Share will instead receive an amount in cash rounded to the nearest 1p, based on the amount obtained by multiplying such fraction by the average of the high and low sales prices of Elis shares on Euronext Paris on each of the five consecutive trading days ending on the trading day that is two trading days prior to the date on which the Scheme of Arrangement becomes effective, except that individual entitlements of less than 1p will not be paid but will be retained for the benefit of the Combined Group. **Mix and Match Facility** In order to meet the expectations of Berendsen shareholders who may want to benefit from a different ratio of cash and Elis shares, the Scheme of

15 Adjusted EBITDA and Adjusted Operating Income are stated before exceptional costs, goodwill impairment and amortisation of customer contracts and have been extracted from Berendsen's annual report and accounts for the year ended December 31, 2016. The EBITDA multiple is based on Enterprise Value, which is defined as Equity Value on a fully diluted basis plus net debt (adjusted for the payment of the Interim Dividend), the tax-adjusted net pension deficit and minority interests, in each case as extracted from Berendsen's annual report and accounts for the year ended December 31, 2016.

16 Based on an Elis closing price of €19.90 and a £:€ exchange rate of 1:1.138, the terms of the Transaction valuing each Berendsen share at £12.45 (excluding the Interim Dividend).

17 On the basis of the 171,345,292 Berendsen shares, being the issued share capital of Berendsen comprised of 172,636,913 shares from which are deducted the 1,291,621 shares (i.e. the number of shares held by the Employee Benefit Trust which are excluded from the scope of the Scheme of Arrangement) as July 25, 2017.

18 For information purposes, Berendsen's Employee Benefit Trust holds, as at July 25, 2017, 1,291,621 Berendsen shares, i.e. 0.75% of the issued share capital of Berendsen. These shares will eventually be acquired by Elis pursuant to the terms of the Transaction, being £5.40 and 0.403 Elis share for each Berendsen share, representing, for information purposes, following the completion of the Transaction and the CPPIB Cash Placing, 520,523 Elis shares, i.e. 0.24% of the issued share capital of Elis.

		Arrangement includes a mix and match facility (the "**Mix and Match Facility**") which will allow accepting Berendsen shareholders to vary the proportions in which they receive New Shares and cash consideration pursuant to the terms of the Transaction, by completing and returning the form of election or making an electronic election. Satisfaction of Mix and Match elections will be subject to sufficient cash and New shares becoming available as a result of offsetting Mix and Match elections made by other Berendsen shareholders. Accordingly, Elis' ability to satisfy all Mix and Match elections for cash consideration or New Shares made by Berendsen shareholders will depend on other Berendsen shareholders making equal and opposite Mix and Match elections. To the extent that Mix and Match elections for cash consideration or New Shares cannot be satisfied in full, they will be scaled down as nearly as is practicable on a pro rata basis to all valid elections. As a result, Berendsen shareholders who elect to receive additional cash consideration or New Shares under the Mix and Match Facility will not necessarily know the exact amount of cash consideration or number of New Shares they are entitled to receive until settlement of the consideration under the Transaction. Mix and Match elections may only be made in respect of whole numbers of Berendsen shares. Irrespective of the number of Berendsen shareholders who elect for cash consideration or New Shares under the Mix and Match Facility, the total cash consideration to be paid and the total number of New Shares to be issued pursuant to the Transaction will not be varied. Valid Mix and Match elections will be satisfied (subject to the other valid Mix and Match elections) on the following basis: **for every £5.40 in cash: approximately 0.295 of New Shares*** **OR** **for every 0.403 of a New Shares: £7.37 in cash** * Calculated as £5.40 divided by £7.37/0.403, which equates to 0.295278154681 New Shares. The basis upon which Mix and Match Elections under the Mix and Match Facility will be determined with reference to the closing price per Elis share of €20.47 and an £:€ exchange rate of £1:€1.119, in both cases on July 25, 2017. The table below shows, for illustrative purposes only, the possible outcomes for a Berendsen shareholder who holds 1,000 Berendsen shares and, pursuant to the Mix and Match Facility, validly elects to receive: (i) all cash; (ii) all New Shares; or (iii) does not make (or it is deemed not to have made) any valid Mix and Match election under the Mix and Match Facility. It should be noted that Mix and Match elections do not have to be on an "all or nothing" basis. Among other options, a Berendsen shareholder can make a Mix and Match election to receive more cash in respect of some of his Berendsen shares, and to receive more New Shares in respect of some of his other Berendsen shares. **Election** / **Cash (£)** / **New Shares*** Cash election / 12,770 / - Share election / - / 698.3 No election / £5,400 / 403 * Figures shown in this table are rounded for illustration purposes, and do not take into account the effect of the provisions regarding fractional entitlement set out in the Scheme Document. Actual amounts may vary.

Berendsen shareholders making a Mix and Match election for all cash consideration under the Mix and Match facility may still receive New Shares as consideration under the Transaction if the Mix and Match elections to receive more cash consideration exceed those to receive more New Shares.

The Mix and Match Facility has not been extended to Berendsen shareholders with a registered address in, or who are a citizen, resident or national of, a Restricted Jurisdiction, and no form of election will be sent to them. No Mix and Match election shall be available to Berendsen shareholders with a registered address in a jurisdiction outside the United Kingdom, any other EEA country or the United States, or whom Elis reasonably believes to be a citizen, resident or national of a jurisdiction outside the United Kingdom, any other EEA country or the United States; and any purported Mix and Match election by any of such shareholders shall be void.

The Mix and Match Facility will not affect the entitlements of those Berendsen shareholders who do not make a Mix and Match election under the Mix and Match Facility.

Dealing Facility

Elis has arranged for a free share dealing facility (the "**Dealing Facility**") to be provided to enable certain Berendsen shareholders who are entitled to receive New Shares as a result of the Transaction to sell all (but not part only) of their New Shares free of dealing costs and commissions. The Dealing Facility is available to persons with a registered address (or who are resident) in the UK or any other EEA country who appear on the register of members of Berendsen as a holder of 1,400 or fewer Berendsen shares in certificated form (that is, not in CREST) immediately prior to the Scheme Record Time (as defined below) and, following any Mix and Match election, would be entitled to: (i) at least one New Share; and (ii) no more than 600 New Shares.

The Dealing Facility will only be made available until December 20, 2017. The Dealing Facility will not be available to persons who are resident, located, or who have a registered address in jurisdictions other than the UK or any other EEA country. The Dealing Facility will not be available to persons who receive interests in New Shares outside the CSN Facility (as defined below) (including any Berendsen shareholders who opt out of the CSN Facility), and will therefore not be available to Berendsen shareholders who hold their Berendsen shares in uncertificated form (that is, in CREST) immediately prior to the Scheme Record Time.

Unlike successful Mix and Match elections for cash, no assurance can be given as to the price that will be received, or the exchange rate, for the New Shares sold through the Dealing Facility. In the absence of bad faith or wilful default, none of the Computershare Nominee, Berendsen or Elis shall have any liability for any loss arising out of the terms of any such sale or the use of the Dealing Facility by Berendsen shareholders.

Berendsen shareholders who sell through the Dealing Facility will be sent the proceeds of such sale in pounds sterling by cheque through the post to the address held on the CSN Facility register by the Computershare Nominee.

Resales of New Elis Shares under the Dealing Facility will be made on Euronext Paris, as offshore transactions pursuant to and in compliance with Regulation S under the US Securities Act.

Reports by the Contribution Appraisers

Through an order dated June 28, 2017, the Chairman of the Nanterre Commercial Court appointed Mr Olivier Peronnet (partner of Finexsi) and Ms Dominique Mahias (partner of Didier Kling & Associés) as contribution appraisers (the "**Contribution Appraisers**"). In their reports dated July 27, 2017, the Contribution Appraisers concluded:

– concerning the assessment of the value of the Contribution:

"*Based on our work, and as of the date of the present report, we believe the value of the contributions amounting to £1,207,418,866, i.e. €1,369,937,445 on the basis of the exchange rate of £1:€1.1346, is not overestimated and, as a consequence, is at least equal to the amount of the share capital increase of the company benefitting from the contributions, increased by the issuance premium.*"

– concerning the assessment of the consideration given for the Contribution:

"*Based on our work and as of the date of the present report, we believe the proposed consideration for the contribution resulting in the issuance of a maximum number of 69,052,152 Elis shares, is fair.*"

Conditions precedent to the Transaction

The Transaction and, accordingly, the Scheme of Arrangement are subject to the conditions precedent that are presented in full in an appendix to the Scheme Document (the "**Conditions**").

The Transaction is in particular subject to the following Conditions:

(i) Approval of the Scheme of Arrangement:

- approval of the Scheme of Arrangement by a majority in number of shareholders present or represented who are on the register of members of Berendsen at the voting record time (the "**Voting Record Time**"), on the basis of which voting rights are determined at the Berendsen shareholders' general meeting convened by the Court (the "**Court Meeting**") representing at least 75% in value of the Berendsen shares held by shareholders who are on the register of members of Berendsen at the Voting Record Time (or the relevant class or classes thereof, if applicable); The Court Meeting must be held on or before the 22nd day after the expected date for the Court Meeting to be set out in the Scheme Document (or such later date, if any, as Elis may agree and the Court may allow);
- approval of all resolutions necessary in connection with the Scheme of Arrangement by the requisite majority or majorities at the Berendsen shareholders' general meeting (the "**Berendsen General Meeting**"), being 75% of the votes cast by shareholders present (or represented) at the Berendsen General Meeting; The Berendsen General Meeting must be held on or before the 22nd day after the expected date for the Berendsen General Meeting to be set out in the Scheme Document (or such later date, if any, as Elis may agree and the Court may allow); and
- sanction of the Scheme of Arrangement by the Court, with or without modification (but subject to any such modification being acceptable to Elis and Berendsen) and the delivery of an office copy of the Court order sanctioning the Scheme of Arrangement (the "**Court Order**") to the Registrar of Companies in England and Wales for registration. The sanction of the Scheme of Arrangement and the delivery of the office copy of the Court Order must have taken place on or before the 42nd day after the expected date for the sanction of the Scheme of Arrangement to be set out in the Scheme Document (or such later date, if any, as Elis may agree and the Court may allow);

		(ii) Approval of the Elis capital increase: approval of resolutions authorizing the issue of New Shares as part of the Transaction by the Elis shareholders' general meeting specially convened for that purpose (the "**Elis General Meeting**") by a two-thirds majority of the votes of Elis shareholders present or represented at the Elis General Meeting; and (iii) Admission to trading of the New Shares: publication of Euronext Paris's notice confirming the future admission to trading of the New Shares on Euronext Paris, with such admission to become effective on or shortly after the date of issue of such notice. The Transaction can only become effective if all Conditions, including those described above, have been satisfied or, if capable of waiver, waived. The Conditions (i) to (iii) described above are, however, not capable of being waived. Elis may not invoke a Condition so as to cause the Transaction not to proceed unless the circumstances which give rise to the right to invoke the Conditions are of material significance to Elis in the context of the Transaction. The Conditions (i) to (iii) which cannot be waived are not subject to this requirement. The Transaction is also subject to the receipt of certain regulatory approvals (including the approval of the Financial Conduct Authority (FCA) and merger control clearances in Austria, Germany and Poland). The FCA approval and merger control clearances in Germany and Poland have been received. Based on the expected timetable of the Transaction, it is not expected that merger control clearance in Austria will be required. **Irrevocable undertakings to vote in favour of the Scheme of Arrangement** Elis does not hold any Berendsen shares as at the date of the Prospectus. Elis has received irrevocable undertakings from each of the Berendsen directors to vote in favour of the Scheme of Arrangement at the Court Meeting and the resolutions to be proposed at the Berendsen General Meeting. Those irrevocable undertakings represent, in aggregate, 572,144 Berendsen shares representing approximately 0.33% of the issued ordinary share capital of Berendsen on June 9, 2017 (being the last business day before the publication of the 2.7 Announcement). **Financing of the Transaction** ***Bridge Term Facility Agreement 2017*** On 12 June 2017, Elis entered into a bridge term facility agreement between (i) Elis as borrower, (ii) M.A.J. as guarantor, (iii) BNP Paribas and Crédit Agricole Corporate and Investment Bank as mandated lead arrangers, bookrunners and underwriters, (iv) BNP Paribas and Crédit Agricole Corporate and Investment Bank as lenders, and (v) BNP Paribas as facility agent (the "**Bridge Term Facility Agreement 2017**"), pursuant to which the lenders thereunder agreed to make available to Elis a term loan facility in an aggregate amount equal to €1,920 million as at the date of the Bridge Term Facility Agreement (the "**Bridge Term Facility 2017**"). The Bridge Term Facility Agreement was syndicated on July 13, 2017, with BNP Paribas, Crédit Agricole Corporate and Investment Bank, HSBC France and Société Générale as bookrunners and mandated lead arrangers and ING as lead arranger. The purpose of the Bridge Term Facility 2017 is to (i) finance the portion of the Transaction price payable in cash, being 43.4% of the Transaction price, (ii) refinance in full or in part any financial indebtedness of Berendsen (including that which is required to be repaid as a result of the Transaction),

and (iii) finance any costs, fees and expenses in connection with the Transaction and with the arrangement and granting of the Bridge Term Facility 2017.

The Bridge Term Facility Agreement 2017 contains a leverage covenant of Total Net Debt to Consolidated Pro-Forma EBITDA (as each such term is defined in the Bridge Term Facility Agreement 2017) ranging between 4.50:1 and 3.75:1 and tested with reference to the last day of each semester (30 June and 31 December) over the period of 12 months preceding each of these accounting dates.

The maturity of the Bridge Term Facility 2017 is 12 months from the date of first drawing, with Elis having the option to extend that maturity twice by six months on each occasion (i.e., a maximum term of 24 months), subject to no breach existing on the date that an extension is requested.

The first draw of the Bridge Term Facility 2017 will occur on the date of completion of the Transaction to finance the payment of the cash consideration under the Transaction.

As of the date of the Prospectus, the Group has also hedged the cost of acquiring Berendsen shares in an amount of £950 million at a GBP:EUR exchange rate of 1:1.1346.

Investment Agreement

On June 7, 2017, CPPIB, which held 4.83% of Elis' capital, made an undertaking to the Company to subscribe the CPPIB Shares through a reserved capital increase at a price of €19.74[19] per share. The total proceeds of the CPPIB Cash Placing would be €200 million.

CPPIB is a leading global institutional investor that manages the funds of the Canada Pension Plan. At 31 March 2017, the CPP Fund totalled CAD$316.7 billion. The funds raised by the CPPIB Cash Placing will not be used to fund the cash portion of the Transaction consideration but will be used to repay the amount, due pursuant to the Bridge Term Facility Agreement 2017, incurred by Elis to finance this Transaction and to help Elis meet its 2018 leverage target of ~3x (consistent with its current level) if the Transaction is completed.

The CPPIB Cash Placing is conditional on, amongst other matters, the Scheme of Arrangement being approved by Berendsen shareholders and sanctioned by the Court and the approval of resolutions authorizing the issue of New Shares as part of the Transaction by the Elis General Meeting. While Elis is firmly committed to the CPPIB Cash Placing, the Transaction is not conditional upon the CPPIB Cash Placing becoming unconditional or being completed.

Transaction indicative timetable

July 26, 2017	Release of Berendsen's half-year financial results Press release relating to antitrust and regulatory approvals
July 27, 2017	Release of Elis' half-year financial results
July 27, 2017	AMF's approval (*visa*) of the Prospectus Delivery of an authorization certificate by the AMF
July 28, 2017	Publication of the Prospectus
July 28, 2017	Posting of the Scheme Document to Berendsen shareholders

19 Based on Elis' 20-day volume weighted average share price to June 6, 2017.

		August 3, 2017	Ex-dividend date for the Interim Dividend
		August 4, 2017	Record date of the Interim Dividend
		August 25, 2017	Payment date of the Interim Dividend
		August 31, 2017 at 11:00 a.m. (London time)	Court Meeting
		August 31, 2017 at 11:15 a.m. (London time)	Berendsen General Meeting
		August 31, 2017 at 3:00 p.m.	Elis General Meeting
		September 7, 2017	Court hearing regarding the approval of the Scheme of Arrangement
		September 8, 2017 at 1:00 p.m. (London time)	Last time to submit Mix and Match elections
		September 8, 2017 at 6:00 p.m. (London time)	Scheme Record Time for the purposes of the Scheme of Arrangement
		September 12, 2017	Date on which the Scheme of Arrangement becomes effective
		September 13, 2017	Decision of the Elis management board in which it acknowledges the fulfilment of conditions precedent relating to the Scheme of Arrangement or, as the case may be, waives those conditions and confirms the issue of New Shares
		September 13, 2017 at the earliest	Issue of the New Shares
		September 13, 2017 at the earliest	Admission of the New Shares to trading on Euronext Paris (and delisting of Berendsen shares from the London Stock Exchange)
		September 26, 2017[20] at the latest	Delivery of the New Shares to Berendsen shareholders
		September 26, 2017[21] at the latest	Payment of the cash consideration to Berendsen shareholders
		Settlement-delivery of the consideration, in shares and cash, due under the Transaction will occur within a 14-day period from the date on which the Scheme of Arrangement becomes effective in accordance with the City Code. The complexities involved in both issuing new shares and paying cash mean that the settlement-delivery of the cash and share consideration may not occur at the same time. The expected date of the Court hearing regarding the approval of the Scheme of Arrangement and each subsequent date in this indicative timetable could be subject to change to earlier or later dates. These dates will depend, among other things, on the date on which the regulatory requirements and other Conditions of the Scheme of Arrangement and the Transaction are satisfied or, if capable of waiver, waived.	

20 At the end of a 14-day period from the date on which the Scheme becomes effective.

21 At the end of a 14-day period from the date on which the Scheme becomes effective.

E.4	**Interests which are material to the issue**	Eurazeo SE and Legendre Holding 27 SAS have made an undertaking to Elis, pursuant to a separate agreement dated June 7, 2017, to vote in favour of the capital increase (i) relating to the issue of New Shares and (ii) reserved for the issue of CPPIB Shares, in the Elis General Meeting, with respect to the 23,635,032 Elis shares they hold and which represent 42,892,699 voting rights, or around 26.8% of Elis' theoretical voting rights[22] on June 30, 2017. Predica has made an undertaking to Elis, pursuant to a separate agreement dated June 7, 2017, to vote in favour of the capital increase (i) relating to the issue of New Shares and (ii) reserved for the issue of CPPIB Shares, in the Elis General Meeting, with respect to the 13,991,662 Elis shares it holds and which represent 13,991,662 voting rights, or around 8.8% of Elis' theoretical voting rights on June 30, 2017. CPPIB has made an undertaking to Elis, as part of the CPPIB Cash Placing, to vote in favour of the capital increase relating to the issue of New Shares in the Elis General Meeting, with respect to the 6,769,248 Elis shares it holds and which represent 6,769,248 voting rights, or around 4.2% of Elis' theoretical voting rights on June 30, 2017. Messrs Xavier Martiré and Louis Guyot have made irrevocable undertakings, pursuant to separate agreements dated June 12, 2017, to vote in favour of the capital increase relating to the issue of New Shares in the Elis General Meeting, with respect to the Elis shares held by them or, as the case may be, by their relatives, i.e., 153,119 and 44,338 respectively, which represent 239,041 and 67,401 voting rights respectively, or together around 0.19% of Elis' theoretical voting rights on June 30, 2017. Voting undertakings have been received to vote in favour of the capital increase (i) relating to the issue of New Shares in respect of 44,593,399 Elis shares representing 63,960,051, i.e., around 40% of Elis' theoretical voting rights and (ii) reserved for the issue of CPPIB Shares in respect of 37,626,694 Elis shares representing 56,884,361 voting rights, or around 35.6% of Elis' theoretical voting rights on June 30, 2017. Elis is advised in this Transaction by: – Lazard Frères, financial adviser; – Zaoui & Co. Ltd, financial adviser; – Deutsche Bank AG (Paris branch), financial adviser and corporate broker. Elis entered into the Bridge Term Facility Agreement 2017 on June 12, 2017 with Crédit Agricole Corporate and Investment Bank and BNP Paribas Corporate & Investment Banking, as mentioned in section E.3 above, for the purposes of the Transaction. To the knowledge of Elis, there is no interest, including any conflicting interest, that could materially influence the issuance of New Shares as part of the Transaction. Elis' financial advisers or certain of their affiliates have provided or in the future may provide the Company or Group companies, their shareholders or their corporate officers with various banking, financial, investment, commercial and other services, for which they have received or may receive remuneration.
E.5	**Person or entity offering to sell shares /**	**Lock-up commitment by the Company** As part of the share capital increase completed on February 13, 2017, Elis has made a lock-up commitment to the benefit of global coordinators, joint lead

[22] The Elis shares in issue at June 30, 2017 represent a total of 159,826,925 voting rights (including voting rights attached to shares held in treasury).

<table>
<tr><td></td><td>Lock-up agreements</td><td>managers and joint bookrunners (BNP Paribas, Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, HSBC Bank plc and Société Générale) for 180 calendar days after the settlement-delivery date of the share capital increase (subject to customary exceptions). For the purpose of the Transaction and the CPPIB Cash Placing, the guarantors released Elis from its lock-up commitment in May and June 2017.</td></tr>
<tr><td>E.6</td><td>Amount and percentage of dilution resulting from the issue</td><td>
Impact of the issue on a shareholder’s proportion of the equity
For information purposes only, the impact of the issue on the per-share value of consolidated Group shareholders’ equity attributable to the owners of shares in the parent company (calculated on the basis of the consolidated Group shareholders’ equity attributable to the owners of shares in the parent company at June 30, 2017 as reflected in the consolidated interim financial statements at June 30, 2017, and the number of shares comprising the share capital of the Company as at June 30, 2017, after deduction of the shares directly held by the Company in treasury), and based on a closing Elis share price of €19.90 on June 9, 2017 would be as follows:
<table>
<tr><th></th><th colspan="2">Consolidated shareholders’ equity per share (in €)</th></tr>
<tr><th></th><th>Non-diluted basis</th><th>Diluted basis[(1)]</th></tr>
<tr><td>Before issuance of New Shares pursuant to the present share capital increase</td><td>9.81</td><td>9.69</td></tr>
<tr><td>After issuance of 69,052,152 New Shares pursuant to the present share capital increase</td><td>13.14</td><td>13.03</td></tr>
<tr><td>After issuance of 10,131,713 New Shares pursuant to the share capital increase reserved for CPPIB</td><td>13.44</td><td>13.34</td></tr>
</table>
(1) The calculations assume issuance of the maximum number of shares that may be issued as a result of existing performance share plans. At June 30, 2017, 1,689,216 performance shares were allotted to certain corporate officers of the Group under certain performance conditions, and such shares may lead to the allotment of existing treasury shares or issuance of new shares.
Impact of the issue on a shareholder’s position
For information purposes only, the impact of the issue on the equity interest of a shareholder holding 1% of the Company’s share capital prior to the share capital increase and not subscribing to it (calculated based on the basis of the number of shares comprising the share capital of the Company as at June 30, 2017) would be as follows:
<table>
<tr><th></th><th colspan="2">Shareholder’s interest</th></tr>
<tr><th></th><th>Non-diluted basis</th><th>Diluted basis[(1)]</th></tr>
<tr><td>Before issuance of New Shares pursuant to the present share capital increase</td><td>1%</td><td>0.99%</td></tr>
<tr><td>After issuance of 69,052,152 New Shares pursuant to the present share capital increase</td><td>0.67%</td><td>0.66%</td></tr>
<tr><td>After issuance of 10,131,713 New Shares pursuant to the share capital increase reserved for CPPIB</td><td>0.64%</td><td>0.63%</td></tr>
</table>
(1) The calculations assume issuance of the maximum number of shares that may be issued as a result of existing performance share plans. At June 30, 2017, 1,689,216 performance shares were allotted to certain corporate officers of the Group under certain performance conditions, and such shares may lead to the allotment of existing treasury shares or issuance of new shares.
</td></tr>
<tr><td>E.7</td><td>Estimated expenses charged to the investors by the</td><td>Not applicable.</td></tr>
</table>

	Company	

1. PERSONS RESPONSIBLE

1.1. For Elis

1.1.1. Persons responsible for the Prospectus

The members of Elis' supervisory board (the "**Elis Board**") and the Chairman of Elis' management board:

Name	Position
Thierry Morin	Chairman of the Elis Board
Marc Frappier	Vice-chairman of the Elis Board
Philippe Audouin	Member of the Elis Board
Michel Datchary	Member of the Elis Board
Magali Chessé	Member of the Elis Board
Florence Noblot	Member of the Elis Board
Agnès Pannier-Runacher	Member of the Elis Board
Maxime de Bentzmann	Member of the Elis Board
Philippe Delleur	Member of the Elis Board
Anne-Laure Commault	Member of the Elis Board
Xavier Martiré	Chairman of the Elis management board

1.1.2. Statement by the persons responsible for the Prospectus

"We hereby certify that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus and relating to Elis is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

We have obtained a completion letter from Elis' statutory auditors, in which they indicate that they have audited the information relating to Elis' financial situation and financial statements presented in this Prospectus, and read all the information relating to Elis in the Prospectus."

July 27, 2017

The members of the supervisory board and the Chairman of the management board

1.1.3. Person responsible for the financial information

Mr Louis Guyot, Chief Administrative and Financial Officer of the Company

1.1.4. Statutory auditors:

1.1.4.1 Principal statutory auditors:

PRICEWATERHOUSECOOPERS AUDIT

63, rue de Villiers
92200 Neuilly-sur-Seine, France

MAZARS

61, rue Henri Regnault
Tour Exaltis
92400 Courbevoie, France

Represented by Bruno Tesnière

PricewaterhouseCoopers Audit was appointed principal statutory auditor when the Company was incorporated, and its term of office as principal statutory auditor was renewed during the June 26, 2013 general meeting for a period of six financial years, i.e. until the general meeting called to approve the financial statements for the financial year ending December 31, 2018.

Represented by Isabelle Massa

Mazars was appointed principal statutory auditor on June 29, 2011, and its term of office as principal statutory auditor was renewed during the June 26, 2013 general meeting for a period of six financial years, i.e. until the general meeting called to approve the financial statements for the financial year ending December 31, 2018.

1.1.4.2 Alternate statutory auditors

Anik Chaumartin

63, rue de Villiers
92200 Neuilly-sur-Seine, France

Appointed as alternate statutory auditor on June 26, 2013 for a period of six financial years, until the general meeting called to approve the financial statements for the financial year ending December 31, 2018.

CBA

61, rue Henri Regnault
Tour Exaltis
92400 Courbevoie, France

CBA was appointed alternate statutory auditor on June 29, 2011, and its term of office as alternate statutory auditor was renewed during the June 26, 2013 general meeting for a period of six financial years, i.e. until the general meeting called to approve the financial statements for the financial year ending December 31, 2018.

1.1.5. Person responsible for investor relations

Mr Nicolas Buron

Head of Investor Relations

5, boulevard Louis Loucheur – 92210 Saint-Cloud, France

Tel: +33 (1) 75 49 98 30

Fax: + 33 (1) 75 49 98 01

Email: investors@elis.com

1.2. For Berendsen

1.2.1. Persons responsible for the Prospectus

The members of Berendsen's board of directors (the "**Berendsen Board**") are as follows:

Name	**Position**
Iain Ferguson CBE	Non-Executive Chairman
James Drummond	Chief Executive Officer
Maarit Aarni-Sirviö	Non-Executive Director
Lucy Dimes	Non-Executive Director
David Lowden	Senior Independent Director
Kevin Quinn	Chief Financial Officer
Andrew Wood	Non-Executive Director

1.2.2. Statement by the persons responsible for the Prospectus

« We declare, after having taken all reasonable measures for this purpose and to the best of our knowledge, that the information contained in the Prospectus regarding Berendsen and set out in the summary of the Prospectus (Element E.3 "Terms and conditions of the offer" relating to the "Presentation of Berendsen", the "Recommendation by the Berendsen Board" and the "Response from the Berendsen Board"), in sections 1.2, 2.1.2.3, 2.9.1.7 *("Response from the Berendsen Board") and 5, and in annex 3 of the Securities Note, is to our knowledge in accordance with the facts and makes no omission likely to affect its import.*

We have obtained a completion letter from the statutory auditors in which they state that they have read the information relating to Berendsen in the Prospectus and in which they confirm that they have verified the information on Berendsen's financial position and from Berendsen's financial statements for the years ended December 31, 2016, December 31, 2015 and December 31, 2014 included in section 5 and in annex 3 of the Securities Note and found them consistent with the historical financial statements on which they as statutory auditors issued reports. »

July 27, 2017

Members of the board of directors

1.2.3. Person responsible for financial information

Mr Kevin Quinn, Chief Financial Officer of Berendsen.

1.2.4. Statutory auditors

PRICEWATERHOUSECOOPERS LLP

1 Embankment Place, London, WC2N 6RH, United Kingdom

Represented by Matthew Mullins

was reappointed as Berendsen's statutory auditor by Berendsen's annual shareholders' general meeting of April 27, 2017 until Berendsen's next ordinary shareholders' general meeting.

1.2.5. Person responsible for investor relations

Mr Peter Young

Head of Investor Relations

1 Knightsbridge, London, SW1X 7LX, United Kingdom

Tel: +44 (0)7825 297 198

2. INFORMATION ABOUT THE TRANSACTION AND ITS CONSEQUENCES

2.1. Economic aspects of the Contribution

2.1.1. Pre-existing links between the companies in question

2.1.1.1 Ownership links

There was no link between Elis and Berendsen before the Transaction.

The agreements between Elis and Berendsen in the context of the Transaction are described in this Securities Note.

2.1.1.2 Guarantees

At the date of the Prospectus, there are no guarantees between (i) the Elis Group and (ii) the Berendsen Group.

2.1.1.3 Executives in common

At the date of the Prospectus, the Elis Group and the Berendsen Group have no executives or directors in common.

2.1.1.4 Joint subsidiaries or dependency on the same group

At the date of the Prospectus, the Elis Group and the Berendsen Group have no joint subsidiaries and are not dependent on the same group.

2.1.1.5 Technical or commercial agreements (regulated agreements within the meaning of article L. 225-38 of the French Commercial Code)

At the date of the Prospectus, the Elis Group is not party to any technical or commercial agreement with the Berendsen Group that may be regarded as a related party agreement within the meaning of article L. 225-38 of the French Commercial Code.

2.1.2. Reasons for and purpose of the Transaction

2.1.2.1 Context of the Transaction

On April 28, 2017, Elis made a written cash and share proposal in private to Berendsen (as defined below) to acquire each Berendsen share for a combination of £4.40 per share in cash and 0.411 new Elis shares (the "**Initial Proposal**"). At the time, the Initial Proposal valued each Berendsen share at £11.00 per share (being a premium of approximately 31% to Berendsen's then trading price)[23].

On May 12, 2017, the Berendsen Board rejected the Initial Proposal and declined to engage in discussions.

On May 16, 2017, Elis approached Berendsen with a revised cash and share proposal to acquire each Berendsen share for a combination of £4.40 per share in cash and 0.426 new Elis shares (the "**Revised Proposal**"). As of May 15, 2017, the Revised Proposal valued each Berendsen share at £11.75 (being a premium of approximately 41% to Berendsen's then

[23] 0.411 new Elis shares were valued at £6.60 as at 11 am (BST) on April 28, 2017 (latest price known at the time the Initial Proposal was made) based on a £:€ exchange rate of 1:1.18. The premium of 31% is stated by reference to Berendsen's share price as at 11 am (BST) on April 28, 2017.

trading price)[24]. Elis' Revised Proposal was rejected by the Berendsen Board on the same day without any engagement.

Consequently, Elis has decided it was necessary for it to make public the Revised Proposal so that it could be considered by Berendsen's shareholders.

On May 18, 2017, Elis released an announcement under Rule 2.4 (the "**2.4 Announcement**") of the City Code on Takeovers and Mergers (the "**City Code**"), in which the terms and conditions of its Initial Proposal and Revised Proposal are described.

On the same day, Berendsen issued a statement regarding Elis' proposal to reject the Revised Proposal as the Berendsen Board concluded that the Revised Proposal very significantly undervalued Berendsen and its prospects. The Berendsen Board refused to engage with Elis.

On May 24, 2017, Berendsen issued a statement regarding Elis' proposal in which the Berendsen Board stated that it continued to believe that Elis' proposal very significantly undervalued Berendsen and its prospects and that it was refusing to engage discussions with Elis.

On June 6, 2017, Elis and Berendsen reached an agreement in principle regarding a possible cash-and-shares proposal that would be recommended unanimously by the Berendsen Board, to acquire each Berendsen share for a combination of £5.40 per share in cash and 0.403 new Elis shares (the "**Final Proposal**"). That proposal also includes the payment of an interim dividend of £0.11 per Berendsen share, declared and paid by Berendsen in respect of the six months ended June 30, 2017 (the "**Interim Dividend**"). Based on the closing price of Elis' shares on June 6, 2017 (being the last business day prior to the date of the Second 2.4 Announcement (as defined below)) of €20.17 and a £:€ exchange rate of 1:1.145, the Final Proposal values each Berendsen share at £12.50 (excluding the Interim Dividend) and £12.61 (including the Interim Dividend), valuing Berendsen at around £2.2 billion (excluding the Interim Dividend) on a fully diluted basis[25]. The Final Proposal is likely to be implemented through an English-law Scheme of Arrangement in accordance with section 26 of the Companies Act 2006 (the "**Scheme of Arrangement**" or "**Scheme**").

Accordingly, on June 7, 2017, Elis and Berendsen made the Final Proposal public by publishing a joint announcement in accordance with Rule 2.4 of the City Code (the "**Second 2.4 Announcement**").

On June 12, 2017, Elis and Berendsen published a joint announcement in accordance with Rule 2.7 of the City Code (the "**2.7 Announcement**") in which Elis and Berendsen confirmed their agreement regarding the terms of a recommended acquisition by Elis of the entire issued and to be issued share capital of Berendsen, in exchange for the payment of £5.40 in cash and 0.403 new Elis shares, and the payment of the Interim Dividend. As at June 9, 2017 (being the last business day prior to the date of the 2.7 Announcement), based on the closing price of an Elis share of €19.90 and a £:€ exchange rate of 1:1.138, the terms of the Transaction valued each Berendsen share at £12.45 (excluding the Interim Dividend) and imply a total equity value for Berendsen of approximately £2.17 billion on a fully diluted basis[26].

Nevertheless, completion of the Transaction remains subject to the satisfaction or waiver of the Conditions (as defined below) described in section 2.2.1.3 "Conditions of the Transaction" of the Securities Note, including (i) (a) the approval of the Scheme by a majority in number of Berendsen shareholders representing at least 75% in value of the Berendsen shares held by Berendsen shareholders present or represented at the time of the

[24] 0.426 new Elis shares were valued at £7.35 as at market close on May 15, 2017 (last business day prior to the delivery of the Revised Proposal) based on a £:€ exchange rate of 1:1.18. The premium of 41% is stated by reference to Berendsen's closing share price on May 15, 2017

[25] Based on the 172,627,894 shares currently in issue (excluding options in issue) and 174,470,777 shares on a fully diluted basis.

[26] On the basis of a fully diluted share capital for Berendsen of 174,412,423 shares, being the aggregate of 172,627,894 Berendsen shares in issue and 1,784,529 Berendsen options and awards (being the maximum number of Berendsen options which become exercisable or awards that vest on a change of control which would, if exercised, (rather than being cash cancelled), need to be satisfied using newly issued Berendsen shares rather than using Berendsen shares currently held by Berendsen's Employee Benefit Trust), in each case as at June 9, 2017 (being the last business day prior to the 2.7 Announcement).

Court Meeting (as defined below) who are on the register of members of Berendsen at the Voting Record Time (as defined below), (b) the approval of all resolutions in connection with the Scheme of Arrangement with the relevant majorities at the Berendsen General Meeting (as defined below), and (c) the sanction of the Scheme of Arrangement by the Court, with or without modification (but subject to any such modification being acceptable to Elis and Berendsen); and (ii) (a) the approval by the Elis' General Meeting (as defined below) of the capital increase to be carried out by Elis as part of the Scheme of Arrangement, (b) Elis obtaining the AMF's visa on the Prospectus and (c) the publication of an Euronext Paris notice confirming the future admission to trading of the New Shares on Euronext's market in Paris ("**Euronext Paris**").

2.1.2.2 Merits of the Transaction for Elis and its shareholders

A compelling opportunity: the Transaction would create a pan-European leader in textile, hygiene and facility services

The combination of Berendsen and Elis offers a compelling opportunity to create a pan-European textile, hygiene and facility services group, combining Berendsen's competitive position in Northern Europe with Elis' strengths in the rest of Europe and a number of high-growth emerging markets. On the basis of adjusted 2016 financial data, the Combined Group would have revenues in excess of €3 billion[27] and EBITDA of c. €960 million[28], with over 440 sites and operations in 28 countries.

The Combined Group would be geographically diversified and well-positioned in the majority of the geographies in which it would operate, including France, the UK, Germany, Sweden, Brazil, Denmark, Spain, Portugal, the Netherlands, Switzerland and Norway.

In Germany, the Transaction would result in a stronger, more balanced footprint with combined revenues of approximately €310 million[29], from over 30 industrial sites and an enhanced product offering.

The Combined Group will be well-positioned to deliver enhanced value to both Berendsen and Elis shareholders from a strategic and financial perspective by continuing to pursue Elis'

[27] Combined Group 2016 revenue of €3,102 million represents the aggregate of the Adjusted Elis 2016 Revenue (as defined below) and the consolidated revenue of Berendsen (€1,360 million) for the 12 month period ended December 31, 2016 extracted from Berendsen's annual report and accounts for the year ended December 31, 2016 and converted to euro at the average 2016 GBP/EUR rate of 1:1.225. The resulting aggregate revenue is derived from the addition of these components with no further adjustments to conform to Elis' accounting policies or otherwise.
The adjusted 2016 revenue figure for Elis of €1,742 million ("**Adjusted Elis 2016 Revenue**") represents the aggregate of: (a) the consolidated revenue of Elis (€1,513 million) for the 12 month period ended December 31, 2016 extracted from Elis' financial statements for the year ended December 31, 2016; (b) the estimated unaudited consolidated revenue of each of Indusal (€90 million) and Lavebras (€103 million) for the 12 month period ended December 31, 2016 as published by Elis on December 20, 2016; and (c) an unaudited adjustment for the full-year 2016 impact of the acquisition of Puschendorf (€37 million) as provided by Elis' management. The resulting aggregate revenue is derived from the addition of these components with no further adjustments to conform to Elis' accounting policies or otherwise.

[28] Combined Group 2016 EBITDA of €959 million represents the aggregate of the Adjusted Elis 2016 EBITDA (as defined below) and the consolidated Adjusted EBITDA of Berendsen after deduction of intangible assets, amortization and non-recurring costs (€427 million) for the 12 month period ended December 31, 2016 extracted from Berendsen's annual report and accounts for the year ended December 31, 2016 and converted to euro at the average 2016 GBP/EUR rate of 1:1.225. The resulting aggregate EBITDA is derived from the addition of these components with no further adjustments to conform to Elis' accounting policies or otherwise.
Adjusted 2016 EBITDA figure for Elis of €532 million ("**Adjusted Elis 2016 EBITDA**") represents the aggregate of: (a) the consolidated EBITDA of Elis (€468 million) for the 12 month period ended December 31, 2016 extracted from Elis' financial statements for the year ended December 31, 2016; (b) the estimated unaudited consolidated EBITDA of each of Indusal (€24 million based on estimated EBITDA margin of 27% as published by Elis on 20 December 2016) and Lavebras (€31 million based on minimum estimated EBITDA margin of 30% as published by Elis on December 20, 2016) for the 12 month period ended December 31, 2016; and (c) an unaudited adjustment for the full-year 2016 impact of the acquisition of Puschendorf (€9 million) as provided by Elis' management. The resulting aggregate EBITDA is derived from the addition of these components with no further adjustments to conform to Elis' accounting policies or otherwise.

[29] Represents the aggregate of: (a) the consolidated revenue of Elis in Germany (€81 million) for the 12 month period ended December 31, 2016 extracted from Elis' annual reports and accounts for the year ended December 31, 2016; (b) an unaudited adjustment for the full-year 2016 impact of the acquisition of Puschendorf (€37 million) as provided by Elis' management; and (c) the consolidated revenue of Berendsen in Germany (€193 million) for the 12 month period ended December 31, 2016 extracted from Berendsen's annual report and accounts for the year ended December 31, 2016 and converted to euro at the average 2016 GBP/EUR rate of 1:1.225 (the "**Adjusted Combined Germany 2016 Revenue**"). The resulting aggregate revenue for Germany is derived from the addition of these components with no further adjustments to conform to Elis' accounting policies or otherwise.

four strategic pillars of: (i) consolidating its positions through organic growth and acquisitions across new and existing services and markets; (ii) developing activities in Latin America; (iii) continuing to improve its operational excellence; and (iv) introducing new products and services at limited marginal cost.

Significant synergy opportunity for both Berendsen shareholders and Elis shareholders

The Elis Board believes that the Combined Group will generate attractive synergies and create additional shareholder value.

The Elis Board expects the Combined Group to generate recurring run-rate pre-tax operating and capital expenditure synergies (together, "**Cost Synergies**") of at least €40 million per annum by the end of the third year following completion. This is comprised of €35 million per annum of operating expenditure EBITDA synergies, and €5 million per annum of capital expenditure synergies.

These synergies are expected to arise as a direct result of the Transaction and could not be achieved independently of the Transaction.

It is expected that the realization of the Cost Synergies will require estimated one-off cash costs of approximately €40 million, incurred materially in the first two years after completion. The phasing will be assessed further and refined as part of the detailed integration planning in due course. Aside from the one-off costs referred to above, the Elis Board does not expect any material dis-synergies to arise as a direct result of the Transaction.

Elis' Quantified Financial Benefits Statement is included in Part 6 of the Scheme Document and contains further details about the elements set out above. Deloitte LLP, Elis' reporting accountants, and Lazard and Zaoui, Elis' financial advisers, prepared the reports required pursuant to Rule 28.1 of the City Code.

The Elis Board is confident of realizing significant further value via the delivery of incremental revenue synergies and growth that have not been quantified for reporting under the City Code. The Elis Board believes such further value could be generated, for example, by:

- replicating Elis' track record of introducing new service offerings to existing clients (notably pest control and beverages), across Berendsen's clients to leverage existing distribution channels;

- providing an attractive, integrated offering to customers who organize procurement at a pan-European level;

- developing and maintaining Berendsen's relationships with a broad range of customers in Berendsen's territories; and

- combining Berendsen and Elis' planned and ongoing development initiatives, such as in RFID tags and connected appliances.

Double-digit earnings accretion

The Transaction is expected to lead to double-digit earnings accretion on an adjusted EPS basis for Elis in 2018 by comparison with the position which would have applied if the Transaction had not taken place[30].

2.1.2.3 Merits of the Transaction for Berendsen and its shareholders

Merits of the Transaction for Berendsen

In November 2015, Berendsen announced its Berendsen Excellence strategy, a strategy designed to enhance the capability of the company's operations, improving the quality of services and providing a platform for sustainable growth. The strategy was based on four key pillars: customer focus, operational excellence, organisational capability and effective use of capital.

In early March 2017, Berendsen announced an update to its strategy. Berendsen's management had identified three common root causes to the problems in the UK textile businesses: underinvestment in customer and market focus, underinvestment in plant and machinery and underinvestment in people and capabilities. The consequences of this underinvestment were significant increases in the costs of quality in the UK textile businesses. Berendsen's management identified a significant opportunity to minimize these increased costs of quality and put in place a clear strategy to take advantage of that opportunity including an investment in Berendsen's commercial and customer service capabilities, accelerating its capital investment in plant and machinery in the UK and in Europe, and investing in plant conversions and new builds. The growth investment in the business of £300 million was expected to generate a return on capital employed in excess of 15%.

The updated strategy has provided the Berendsen Board with greater visibility and confidence in Berendsen's medium-term growth opportunities and the Berendsen Board believes it represents a competitive and sustainable platform for future value creation. Berendsen has built good momentum in the delivery of its strategy, underpinning the Berendsen Board's confidence in its medium-term targets. This was reflected in Berendsen's press release dated May 24, 2017, in which the Berendsen Board reconfirmed its 2017 earnings guidance and announced new earnings guidance for 2018. The Berendsen Board has confirmed in the Scheme Document (in the terms stated therein) that this earnings guidance remains valid.

The Berendsen Board remains confident that Berendsen's strategy would deliver significant value for the Berendsen shareholders on a standalone basis. However, it also believes that the terms of the Transaction substantially acknowledge the quality of the Berendsen business and the strength of its future prospects. Furthermore, the Berendsen Board recognises that the Transaction will create a pan-European leader in textile services, with attractive positions in

30 Adjusted EPS excludes goodwill impairments, amortization of customer relationships, restructuring and other exceptional items. The estimated adjusted EPS for 2018 of Elis assumes completion of the transaction, and accordingly includes the consensus analyst estimate of Berendsen's 2018 adjusted net earnings per share (60.0p/€0.68 based on a GBP:EUR exchange rate of 1:1.138) and takes account of the synergies expected to occur in 2018. It is then compared to Elis' estimated adjusted EPS for 2018 assuming no Transaction. The statement that the transaction is earnings-accretive should not be construed as a profit forecast and is therefore not subject to the requirements of Rule 28 of the City Code. It should not be interpreted to mean that the earnings per share in 2018 or any other future financial period will necessarily match or be greater than those for any preceding financial period.
The consensus analyst estimated Berendsen adjusted EPS for 2018 is sourced from Bloomberg and the equity research reports referred to below. The mean estimated Berendsen adjusted EPS for 2018 is as published by equity research analysts between March 3, 2017 and June 9, 2017 (being the last business day prior to the date of the 2.7 Announcement) and excludes Credit Suisse (April 27, 2017) due to its involvement as financial adviser to Berendsen, J.P. Morgan (April 27, 2017) and HSBC (March 3, 2017), due to their involvement as corporate brokers to Berendsen, and Investec and EVA Dimensions due to the lack of published reports post March 3, 2017. The analyst estimates comprise Morgan Stanley (58.1p, June 2, 2017), RBC Capital Markets (59.2p, May 31, 2017), Stifel (61.8p, May 30, 2017), Numis (56.8p, May 24, 2017), Barclays Capital (59.3p, May 24, 2017), Peel Hunt (61.6p, May 24, 2017), Exane BNP Paribas (61.1p, May 19, 2017) and Goldman Sachs (61.9p, March 7, 2017). These analyst estimates are not endorsed by Elis, are not being referred to with the consent of Berendsen, and they have not been and will not be reviewed or reported on in accordance with the requirements of Rule 28.1(a) of the Code. The minimum and maximum estimates of Berendsen's adjusted EPS for 2018 have been published by Numis (56.8p, May 24, 2017) and Goldman Sachs (61.9p, March 7, 2017), respectively.

the markets in which it operates and with sufficient scale and footprint to provide customers with the most efficient and comprehensive textile services offering across the European continent.

In addition, the value of the Transaction represents, as at June 9, 2017, an attractive premium of approximately 44% to Berendsen's share price on May 17, 2017, the last business day preceding the date of the 2.4 Announcement, and an implied Enterprise Value / 2016 Adjusted Operating Profit multiple of 16.5x, which is above that of the 15.2x valuation of Rentokil Initial's workwear and hygiene businesses transferring into its joint venture with Haniel & Cie[31]. The Transaction also secures delivery of Berendsen's medium-term value potential today, whilst allowing the Berendsen shareholders to participate in the possible future value creation accruing from the combination. As such, the Berendsen Board intends unanimously to recommend the Transaction to Berendsen shareholders.

In reaching its conclusion, the Berendsen Board considered the terms of the Transaction in relation to the value and prospects of Berendsen's underlying business and the potential medium-term value of Berendsen's shares on a standalone basis, the potential financial and strategic benefits resulting from a combination of Elis and Berendsen, the target leverage of the Combined Group as well as the potential prospects and value of the Combined Group.

Merits of the Transaction for Berendsen's shareholders

Under the terms of the Transaction, which will be subject to the terms of the Final Proposal, Berendsen shareholders will receive, for each Berendsen share, £5.40 in cash and 0.403 new Elis shares.

In addition, under the Transaction, Berendsen shareholders will be entitled to the Interim Dividend expected to be declared and paid by Berendsen in respect of the first half of 2017. The ex-dividend date for the Interim Dividend will be August 3, 2017 and the record date will be August 4, 2017, with payment of the Interim Dividend to occur on August 25, 2017.

The terms of the Transaction as set out above valued each Berendsen share at £12.50[32] (excluding the Interim Dividend) and £12.61 (including the Interim Dividend) at the time of the Second 2.4 Announcement regarding the agreement on the key terms of the Transaction.

As at June 9, 2017 (being the last business day prior to the date of the 2.7 Announcement), and based on an Elis closing price of €19.90 on June 9, 2017 and a £:€ exchange rate of £1 = €1.138 on June 9, 2017, the terms of the Transaction valued each Berendsen share at £12.45 (excluding the Interim Dividend) and imply a total equity value for Berendsen of approximately £2.17 billion on a fully diluted basis[33].

The cash portion of the Transaction represents approximately 63% of the closing price of a Berendsen share of £8.64 on May 17, 2017, the last business day preceding Elis' 2.4 Announcement regarding a possible offer for Berendsen.

Berendsen shareholders would receive New Shares representing approximately 31.5% of the enlarged Elis share capital in issue immediately following completion of the Transaction (assuming completion of the CPPIB Cash Placing (as defined below)).

[31] Based on adjusted profit before interest, tax and amortization for the 12 months to June 30, 2016 for the business transferred by Rentokil Initial to the joint venture with Haniel & Cie as extracted from Rentokil Initial's investor presentation "Joint Venture with Haniel, Delivering Shareholder Value" dated December 16, 2016.

[32] Based on the closing price of an Elis share of €20.17 on June 6, 2017 and a £:€ exchange rate of £1 = €1.145 on June 6, 2017.

[33] On the basis of a fully diluted share capital for Berendsen of 174,412,423 shares, being the aggregate of 172,627,894 Berendsen shares in issue and 1,784,529 Berendsen options and awards (being the maximum number of Berendsen options which become exercisable or awards that vest on a change of control which would, if exercised, (rather than being cash cancelled), need to be satisfied using newly issued Berendsen shares rather than using Berendsen shares currently held by Berendsen's Employee Benefit Trust), in each case as at June 9, 2017 (being the last business day prior to the 2.7 Announcement).

The value of the Transaction represented at June 9, 2017:

- a premium of approximately 44% to Berendsen's closing share price of £8.64 on May 17, 2017, the last business day before the date of the 2.4 Announcement; and
- a premium of approximately 50% to Berendsen's six month volume-weighted average share price of £8.29 to May 17, 2017.

Based on the closing price of Elis shares and a £:€ exchange rate of £1 = €1.119, in both cases on July 25, 2017, the terms of the transaction value each Berendsen share at £12.77 (excluding the Interim Dividend) and imply a total equity value for Berendsen of approximately £2.23 billion on a fully diluted basis[34]. This represents a premium of approximately:

- 47.9% to Berendsen's closing share price of £8.64 on May 17, 2017 (being the last business day before the 2.4 Announcement); and
- 54.1% to Berendsen's six month volume-weighted average share price of £8.29 to May 17, 2017.

The Transaction values Berendsen as at June 9, 2017 at an implied Enterprise Value / 2016 Adjusted EBITDA multiple of 7.6x and an implied Enterprise Value / 2016 Adjusted Operating Profit multiple of 16.5x[35].

2.2. Legal aspects of the Contribution

2.2.1. Description of the Transaction

On June 12, 2017, the Elis Board and the Berendsen Board announced that they had reached agreement on a recommended acquisition by Elis of Berendsen.

It has been decided that the Transaction will take place through a Scheme of Arrangement, which requires the Scheme of Arrangement to be approved by Berendsen shareholders and the High Court of Justice in England and Wales (the "**Court**").

The capital increase forms part of the Scheme of Arrangement (the capital increase and the Scheme of Arrangement together constituting the "**Transaction**") that will be implemented in accordance with the indicative timetable of the Transaction as presented below, and forms part of the consideration received by Berendsen shareholders in accordance with the terms of the Transaction. The remainder of the consideration for the Transaction will be paid for in cash by Elis.

2.2.1.1 Structure of the Scheme of Arrangement

For Elis, the Scheme of Arrangement will constitute (a) a contribution in kind of approximately 56.6% of the issued share capital of Berendsen (the "**Contribution**"), and (b) the acquisition in cash of approximately 43.4% of the issued share capital of Berendsen[36].

Under French law, the Contribution is a contribution in kind within the meaning of article L.

[34] On the basis of a fully diluted share capital for Berendsen of 174,722,002 shares, being the aggregate of 172,636,913 Berendsen shares in issue and 2,085,089 Berendsen options and awards (being the maximum number of Berendsen options which become exercisable or awards that vest on a change of control under the Berendsen Share Schemes (other than the Berendsen Sharesave Plans)), in each case on July 25, 2017.

[35] Adjusted EBITDA and Adjusted Operating Profit are stated before exceptional costs, goodwill impairment and amortisation of customer contracts and have been extracted from Berendsen's annual report and accounts for the year ended December 31, 2016. The EBITDA multiple is based on Enterprise Value, which is defined as Equity Value on a fully diluted basis plus net debt (adjusted for the payment of the Interim Dividend), the tax-adjusted net pension deficit and minority interests, in each case as extracted from Berendsen's annual report and accounts for the year ended December 31, 2016.

[36] Based on an Elis closing price of €19.90 and a £:€ exchange rate of 1:1.138, the terms of the Transaction thus valuing each Berendsen share at £12.45 (excluding the Interim Dividend).

225-147 of the French Commercial Code.

The purpose of the Scheme of Arrangement is to enable Elis to become the direct or indirect holder of the entire issued and to be issued share capital of Berendsen, except Berendsen shares held by Estera Trust (Jersey) Limited as trustee of Berendsen's Employee Benefit Trust.

2.2.1.2 Terms of the Transaction

Terms of the Transaction

Under the the terms of the Transaction, which are based on the terms of the Final Proposal, Berendsen shareholders will be entitled to receive:

for each Berendsen share held at the Scheme Record Time:	**£5.40 in cash; and**
	0.403 New Shares

In addition, under the Transaction, Berendsen shareholders will be entitled to the Interim Dividend will be declared and paid by Berendsen in respect of the six month period ending June 30, 2017. The ex-dividend date for the Interim Dividend will be August 3, 2017 and the record date will be August 4, 2017, with payment of the Interim Dividend to occur on August 25, 2017.

The terms of the Transaction valued each Berendsen share at £12.50[37] (excluding the Interim Dividend) and £12.61 (including the Interim Dividend) at the time of the Second 2.4 Announcement.

As at June 9, 2017 (being the last business day prior to the date of the 2.7 Announcement), based on an Elis closing price of €19.90 and a £:€ exchange rate of 1:1.138, the terms of the Transaction valued each Berendsen share at £12.45 (excluding the Interim Dividend) and imply a total equity value for Berendsen of approximately £2.17 billion on a fully diluted basis[38]. This represented as of this date:

- a premium of approximately 44% to Berendsen's closing share price of £8.64 on May 17, 2017, the last business day before the date of the 2.4 Announcement; and
- a premium of approximately 50% to Berendsen's six month volume weighted average share price to May 17, 2017 of £8.29.

Based on the closing price of Elis shares and a £:€ exchange rate of £1 = €1.119, in both cases on July 25, 2017, the terms of the transaction value each Berendsen share at £12.77 (excluding the Interim Dividend) and imply a total equity value for Berendsen of approximately £2.23 billion on a fully diluted basis[39]. This represents a premium of approximately:

[37] Based on the closing price of an Elis share of €20.17 on June 6, 2017 and a £:€ exchange rate of 1:1.145 on June 6, 2017.

[38] On the basis of a fully diluted share capital for Berendsen of 174,412,423 shares, being the aggregate of 172,627,894 Berendsen shares in issue and 1,784,529 Berendsen options and awards (being the maximum number of Berendsen options which become exercisable or awards that vest on a change of control which would, if exercised, (rather than being cash cancelled), need to be satisfied using newly issued Berendsen shares rather than using Berendsen shares currently held by Berendsen's Employee Benefit Trust), in each case as at June 9, 2017 (being the last business day prior to the 2.7 Announcement).

[39] On the basis of a fully diluted share capital for Berendsen of 174,722,002 shares, being the aggregate of 172,636,913 Berendsen shares in issue and 2,085,089 Berendsen options and awards (being the maximum number of Berendsen options which become exercisable or awards that vest on a change of control under the Berendsen Share Schemes (other than the Berendsen Sharesave Plans)), in each case on July 25, 2017.

– 47.9% to Berendsen’s closing share price of £8.64 on May 17, 2017 (being the last business day before the 2.4 Announcement); and

– 54.1% to Berendsen's six month volume-weighted average share price of £8.29 to May 17, 2017.

The cash portion of the Transaction represents approximately 63 per cent. of the closing price of a Berendsen Share of £8.64 on May 17, 2017, the last business day before the date of the 2.4 Announcement.

The Transaction values Berendsen as at June 9, 2017 at an implied Enterprise Value / 2016 Adjusted EBITDA multiple of 7.6x and an implied Enterprise Value / 2016 Adjusted Operating Income multiple of 16.5x[40].

For Elis, the Scheme of Arrangement will constitute (a) the Contribution and (b) the acquisition in cash of approximately 43.4% of the issued share capital of Berendsen[41].

As consideration for the Contribution, the share capital of Elis will be increased by the issue of 69,052,152 New Shares, for a total amount of €69,052,152.

Following the implementation of the Transaction, (i) Elis will own 99.3% of Berendsen’s issued share capital and (ii) Berendsen shareholders will own approximately 31.5 per cent. of the Elis share capital after the issuance of the New Shares and implementation of the Reserved Capital Increase (as defined below)[42].

The 0.75% remaining share capital of Berendsen is comprised of shares held by Estera Trust (Jersey) Limited as trustee of the Employee Benefit Trust[43]. These shares will, as the case may be, be (i) delivered to the beneficiaries of options and awards of Berendsen which would have exercised them, who would automatically receive 0.403 existing Elis shares and £5.40 or (ii) acquired by Elis pursuant to the Put and Call Option Agreement described in section 1.5.3 of the Update to the Registration Document. The existing Elis shares to be delivered will be acquired by Elis on the market pursuant to its repurchase program as from the date on which the Scheme of Arrangement becomes effective.

Fractions of New Shares will not be allotted to any Berendsen shareholder contributing its Berendsen shares, but all fractions of New Shares to which Berendsen shareholders would otherwise have been entitled will be aggregated, allotted, issued and sold in the market after the date on which the Scheme of Arrangement becomes effective. The entitlements of the Berendsen shareholders to New Shares will be rounded down to the nearest whole number of New Shares. Berendsen shareholders who otherwise would have received a fraction of a New Share will instead receive an amount in cash rounded to the nearest 1p, based on the amount obtained by multiplying such fraction by the average of the high and low sales prices of Elis shares on Euronext Paris on each of the five consecutive trading days ending on the trading day that is two trading days prior to the date on which the Scheme of Arrangement becomes effective, except that individual entitlements of less than 1p will not be paid but will be retained for the benefit of the Combined Group.

40 Adjusted EBITDA and Adjusted Operating Income are stated before exceptional costs, goodwill impairment and amortisation of customer contracts and have been extracted from Berendsen’s annual report and accounts for the year ended December 31, 2016. The EBITDA multiple is based on Enterprise Value, which is defined as Equity Value on a fully diluted basis plus net debt (adjusted for the payment of the Interim Dividend), the tax-adjusted net pension deficit and minority interests, in each case as extracted from Berendsen’s annual report and accounts for the year ended December 31, 2016.

41 Based on an Elis closing price of €19.90 and a £:€ exchange rate of 1:1.138, the terms of the Transaction thus valuing each Berendsen share at £12.45 (excluding the Interim Dividend).

42 On the basis of the 171,345,292 Berendsen shares, being the issued share capital of Berendsen comprised of 172,636,913 shares from which are deducted the 1,291,621 shares (i.e. the number of shares held by the Employee Benefit Trust which are excluded from the scope of the Scheme of Arrangement) as at July 25, 2017.

43 For information purposes, Berendsen’s Employee Benefit Trust holds, as at July 25, 2017, 1,291,621 Berendsen shares, i.e. 0.75% of the issued share capital of Berendsen. These shares will eventually be acquired by Elis pursuant to the terms of the Transaction, being £5.40 and 0.403 Elis share for each Berendsen share, representing, for information purposes, following the completion of the Transaction and the CPPIB Cash Placing, 520,523 Elis shares, i.e. 0.24% of the issued share capital of Elis.

Mix and Match Facility

In order to meet the expectations of Berendsen shareholders who may want to benefit from a different ratio of cash and Elis shares, the Scheme of Arrangement includes a mix and match facility (the "**Mix and Match Facility**") which will allow accepting Berendsen shareholders to vary the proportions in which they receive New Shares and cash consideration, by completing and returning the form of election or making an electronic election.

Satisfaction of Mix and Match elections will be subject to sufficient cash and New shares becoming available as a result of offsetting Mix and Match elections made by other Berendsen shareholders.

Accordingly, Elis' ability to satisfy all Mix and Match elections for cash consideration or New Shares made by Berendsen shareholders will depend on other Berendsen shareholders making equal and opposite Mix and Match elections. To the extent that Mix and Match elections for cash consideration or New Shares cannot be satisfied in full, they will be scaled down as nearly as is practicable on a pro rata basis to all valid elections. As a result, Berendsen shareholders who elect to receive additional cash consideration or New Shares under the Mix and Match Facility will not necessarily know the exact amount of cash consideration or number of New Shares they are entitled to receive until settlement of the consideration under the Transaction.

Mix and Match elections may only be made in respect of whole numbers of Berendsen shares. Irrespective of the number of Berendsen shareholders who elect for cash consideration or New Shares under the Mix and Match Facility, the total cash consideration to be paid and the total number of New Shares to be issued pursuant to the Transaction will not be varied.

Valid Mix and Match elections will be satisfied (subject to the other valid Mix and Match elections) on the following basis:

for every £5.40 in cash: approximately 0.295 New Shares*

OR

for every 0.403 New Shares: £7.37 **in cash**

* Calculated as £5.40 divided by £7.37/0.403, which equates to 0.295278154681 New Shares.

The basis upon which Mix and Match Elections under the Mix and Match Facility will be determined with reference to the closing price per Elis share of €20.47 and an £:€ exchange rate of £1:€1.119, in both cases on July 25, 2017.

The table below shows, for illustrative purposes only, the possible outcomes for a Berendsen shareholder who holds 1,000 Berendsen shares and, pursuant to the Mix and Match Facility, validly elects to receive: (i) all cash; (ii) all New Shares; or (iii) does not make (or it is deemed not to have made) any valid Mix and Match election under the Mix and Match Facility. It should be noted that Mix and Match elections do not have to be on an "all or nothing" basis. Among other options, a Berendsen shareholder can make a Mix and Match election to receive more cash in respect of some of his Berendsen shares, and to receive more New Shares in respect of some of his other Berendsen shares.

Election	Cash (£)	New Shares*
Cash election	12,770	-
Share election	-	698.3
No election	£5,400	403

* Figures shown in this table are rounded for illustration purposes, and do not take into account the effect of the provisions regarding fractional entitlement set out in the Scheme Document. Actual amounts may vary.

Berendsen shareholders making a Mix and Match election for all cash consideration under the Mix and Match facility may still receive New Shares as consideration under the Transaction if the Mix and Match elections to receive more cash consideration exceed those to receive more New Shares.

The Mix and Match Facility has not been extended to Berendsen shareholders with a registered address in, or who are a citizen, resident or national of, a Restricted Jurisdiction, and no form of election will be sent to them. No Mix and Match election shall be available to Berendsen shareholders with a registered address in a jurisdiction outside the United Kingdom, any other EEA country or the United States, or whom Elis reasonably believes to be a citizen, resident or national of a jurisdiction outside the United Kingdom, any other EEA country or the United States; and any purported Mix and Match election by any of such shareholders shall be void.

The Mix and Match Facility will not affect the entitlements of those Berendsen shareholders who do not make a Mix and Match election under the Mix and Match Facility.

Dealing Facility

Elis has arranged for a free share dealing facility (the "**Dealing Facility**") to be provided to enable certain Berendsen shareholders who are entitled to receive New Shares as a result of the Transaction to sell all (but not part only) of their New Shares free of dealing costs and commissions[44]. The Dealing Facility is available to persons with a registered address (or who are resident) in the UK or any other EEA country who appear on the register of members of Berendsen as a holder of 1,400 or fewer Berendsen shares in certificated form (that is, not in CREST) immediately prior to the Scheme Record Time (as defined below) and, following any Mix and Match election, would be entitled to: (i) at least one New Share; and (ii) no more than 600 New Shares.

The Dealing Facility will only be made available until December 20, 2017. The Dealing Facility will not be available to persons who are resident, located, or who have a registered address in jurisdictions other than the UK or any other EEA country. The Dealing Facility will not be available to persons who receive interests in New Shares outside the CSN Facility (as defined below) (including any Berendsen shareholders who opt out of the CSN Facility), and will therefore not be available to Berendsen shareholders who hold their Berendsen shares in uncertificated form (that is, in CREST) immediately prior to the Scheme Record Time.

[44] Berendsen shareholders participating in the Dealing Facility should note that any currency conversion executed may be subject to a currency conversion cost of up to 1.5% of the gross sale proceeds. Once despatched, such shareholders should refer to the terms and conditions of the Dealing Facility for further details.

The Dealing Facility cannot be used to buy additional New Shares. Persons wanting to sell their New Shares are not obliged to sell them through the Dealing Facility. Persons wanting to use the Dealing Facility may also be required by applicable anti-money laundering laws to provide evidence of their identity prior to despatch of the proceeds of sale. The terms and conditions of the Dealing Facility and a Dealing Facility election form will be despatched to those eligible Berendsen shareholders within 14 days of the date the Scheme of Arrangement becomes effective along with their CSN Facility statement and a pre-paid envelope.

The Berendsen shareholders who are eligible to make use of, and who elect to use, the Dealing Facility by completing the Dealing Facility election form, once received, and returning it in accordance with the instructions printed thereon will have their New Shares sold in accordance with the terms and conditions which they will receive for this Dealing Facility. Once received by the Computershare Nominee, validly completed Dealing Facility election forms will be irrevocable. Unlike successful Mix and Match elections for cash, no assurance can be given as to the price that will be received, or the exchange rate, for the New Shares sold through the Dealing Facility. In the absence of bad faith or wilful default, none of the Computershare Nominee, Berendsen or Elis shall have any liability for any loss arising out of the terms of any such sale or the use of the Dealing Facility by Berendsen shareholders.

Berendsen shareholders who sell through the Dealing Facility will be sent the proceeds of such sale in pounds sterling by cheque through the post to the address held on the CSN Facility register by the Computershare Nominee.

Resales of New Elis Shares under the Dealing Facility will be made on Euronext Paris, as offshore transactions pursuant to and in compliance with Regulation S under the US Securities Act.

2.2.1.3 Conditions of the Transaction

The Transaction and, accordingly, the Scheme of Arrangement are subject to the conditions precedent that are presented in full in an appendix to the Scheme Document (the "**Conditions**").

The Transaction is in particular subject to the following Conditions:

(i) Approval of the Scheme of Arrangement:

- approval of the Scheme of Arrangement by a majority in number of shareholders present or represented who are on the register of members of Berendsen at the voting record time (the "**Voting Record Time**"), on the basis of which voting rights are determined at the Berendsen shareholders' general meeting convened by the Court (the "**Court Meeting**") representing at least 75% in value of the Berendsen shares held by shareholders who are on the register of members of Berendsen at the Voting Record Time (or the relevant class or classes thereof, if applicable); The Court Meeting must be held on or before the 22nd day after the expected date for the Court Meeting to be set out in the Scheme Document (or such later date, if any, as Elis may agree and the Court may allow);

- approval of all resolutions necessary in connection with the Scheme of Arrangement by the requisite majority or majorities at the Berendsen shareholders' general meeting (the "**Berendsen General Meeting**"), being 75% of the votes cast by shareholders present (or represented) at the Berendsen General Meeting; The Berendsen General Meeting must be held on or before the 22nd day after the expected date for the Berendsen General Meeting to be set out in the Scheme Document (or such later date, if any, as Elis may agree and the Court may allow); and

- sanction of the Scheme of Arrangement by the Court, with or without modification (but subject to any such modification being acceptable to Elis and Berendsen) and the delivery of an office copy of the Court order sanctioning the Scheme of Arrangement (the "**Court Order**") to the Registrar of Companies in England and Wales for registration. The sanction of the Scheme of Arrangement and the delivery of the office copy of the Court Order must have taken place on or before the 42nd day after the expected date for the sanction of the Scheme of Arrangement to be set out in the Scheme Document (or such later date, if any, as Elis may agree and the Court may allow);

(ii) Approval of the Elis capital increase: approval of resolutions authorizing the issue of New Shares as part of the Transaction by the Elis shareholders' general meeting specially convened for that purpose (the "**Elis General Meeting**") by a two-thirds majority of the votes of Elis shareholders present or represented at the Elis General Meeting; and

(iii) Admission to trading of the New Shares: publication of Euronext Paris's notice confirming the future admission to trading of the New Shares on Euronext Paris, with such admission to become effective on or shortly after the date of issue of such notice.

The Transaction can only become effective if all Conditions, including those described above, have been satisfied or, if capable of waiver, waived. The Conditions (i) to (iii) described above are, however, not capable of being waived.

Elis may not invoke a Condition so as to cause the Transaction not to proceed unless the circumstances which give rise to the right to invoke the Conditions are of material significance to Elis in the context of the Transaction. The Conditions (i) to (iii) which cannot be waived are not subject to this requirement.

The Transaction is also subject to the receipt of certain regulatory approvals (including the approval of the Financial Conduct Authority (FCA) and merger control clearances in Austria, Germany and Poland). The FCA approval and merger control clearances in Germany and Poland have been received. Based on the expected timetable of the Transaction, it is not expected that merger control clearance in Austria will be required.

2.2.1.4 Transaction indicative timetable

The indicative timetable for implementing the Transaction is currently as follows:

July 26, 2017	Release of Berendsen's half-year financial results Press release relating to antitrust and regulatory approvals
July 27, 2017	Release of Elis' half-year financial results
July 27, 2017	AMF's approval (*visa*) of the Prospectus Delivery of an authorization certificate by the AMF
July 28, 2017	Publication of the Prospectus
July 28, 2017	Posting of the Scheme Document to Berendsen shareholders
August 3, 2017	Ex-dividend date for the Interim Dividend

August 4, 2017	Record date of the Interim Dividend
August 25, 2017	Payment date of the Interim Dividend
August 31, 2017 at 11:00 a.m. (London time)	Court Meeting
August 31, 2017 at 11:15 a.m. (London time)	Berendsen General Meeting
August 31 2017 at 3:00 p.m.	Elis General Meeting
September 7, 2017	Court hearing regarding the approval of the Scheme of Arrangement
September 8, 2017 at 1:00 p.m. (London time)	Last time to submit Mix and Max elections
September 8, 2017 at 6:00 p.m. (London time)	Scheme Record Time for the purposes of the Scheme of Arrangement
September 12, 2017	Date on which the Scheme of Arrangement becomes effective
September 13, 2017	Decision of the Elis management board in which it acknowledges the fulfilment of conditions precedent relating to the Scheme of Arrangement or, as the case may be, waives those conditions and confirms the issue of New Shares
September 13, 2017 at the earliest	Issue of the New Shares
September 13, 2017 at the earliest	Admission of the New Shares to trading on Euronext Paris (and delisting of Berendsen shares from the London Stock Exchange)
September 26, 2017[45] at the latest	Delivery of the New Shares to Berendsen shareholders
September 26, 2017[46] at the latest	Payment of the cash consideration to Berendsen shareholders

Settlement-delivery of the consideration, in shares and cash, due under the Transaction will occur within a 14-day period from the date on which the Scheme of Arrangement becomes effective in accordance with the City Code. The complexities involved in both issuing new shares and paying cash mean that the settlement-delivery of the cash and share consideration may not occur at the same time.

The expected date of the Court hearing regarding the approval of the Scheme of Arrangement and each subsequent date in this timetable could be subject to change to earlier or later dates. These dates will depend, among other things, on the date on which the regulatory requirements and other Conditions of the Scheme of Arrangement and the Transaction are satisfied or, if capable of waiver, waived.

2.2.1.5 Financing of the Transaction

Bridge Term Facility Agreement 2017

On 12 June 2017, Elis entered into a bridge term facility agreement between (i) Elis as borrower, (ii) M.A.J. as guarantor, (iii) BNP Paribas and Crédit Agricole Corporate and

[45] At the end of a 14-day period from the date on which the Scheme becomes effective.
[46] At the end of a 14-day period from the date on which the Scheme becomes effective.

Investment Bank as mandated lead arrangers, bookrunners and underwriters, (iv) BNP Paribas and Crédit Agricole Corporate and Investment Bank as lenders, and (v) BNP Paribas as facility agent (the "**Bridge Term Facility Agreement 2017**"), pursuant to which the lenders thereunder agreed to make available to Elis a term loan facility in an aggregate amount equal to €1,920 million as at the date of the Bridge Term Facility Agreement (the "**Bridge Term Facility 2017**"). The Bridge Term Facility Agreement was syndicated on July 13, 2017, with BNP Paribas, Crédit Agricole Corporate and Investment Bank, HSBC France and Société Générale as bookrunners and mandated lead arrangers and ING as lead arranger.

The purpose of the Bridge Term Facility 2017 is to (i) finance the portion of the Transaction price payable in cash, being 43.4% of the Transaction price, (ii) refinance in full or in part any financial indebtedness of Berendsen (including that which is required to be repaid as a result of the Transaction), and (iii) finance any costs, fees and expenses in connection with the Transaction and with the arrangement and granting of the Bridge Term Facility 2017.

The Bridge Term Facility Agreement 2017 contains a leverage covenant of Total Net Debt to Consolidated Pro-Forma EBITDA (as each such term is defined in the Bridge Term Facility Agreement 2017) ranging between 4.50:1 and 3.75:1 and tested with reference to the last day of each semester (30 June and 31 December) over the period of 12 months preceding each of these accounting dates.

The maturity of the Bridge Term Facility 2017 is 12 months from the date of first drawing, with Elis having the option to extend that maturity twice by six months on each occasion (i.e. a maximum term of 24 months), subject to no breach existing on the date that an extension is requested.

A detailed description of the Bridge Term Facility Agreement 2017 is included in in section 1.5.1 ("Financing Agreements") of the Registration Document Update.

The first draw of the Bridge Term Facility 2017 will occur on the date of completion of the Transaction to finance the payment of the cash consideration under the Transaction.

As at the date of the Prospectus, the Group has also hedged the cost of acquiring Berendsen shares in an amount of £950 million at a GBP:EUR exchange rate of 1:1.1346.

Investment Agreement

On June 7, 2017, Elis and Canada Pension Plan Investment Board ("**CPPIB"**), which then held 4.83% of Elis' capital, entered into an investment agreement (the "**Investment Agreement**") pursuant to which CPPIB undertook to Elis to subscribe 10,131,713 new Elis shares to be issued (the "**CPPIB Shares**") as part of a reserved capital increase (the "**Elis Reserved Capital Increase**"), at a price of €19.74[47] per share (the "**CPPIB Cash Placing**"). The total proceeds of the CPPIB Cash Placing would be €200 million.

The funds raised by the CPPIB Cash Placing will not be used to fund the cash portion of the Transaction consideration but will be used to repay the amount, due pursuant to the Bridge Term Facility Agreement 2017 (as defined below), incurred by Elis to finance the Transaction consideration and to help Elis meet its 2018 leverage target of ~3x (consistent with its current level) if the Transaction is completed.

Pursuant to the provisions of the Investment Agreement:

– Elis undertook not to, until the completion of the Elis Reserved Capital Increase, (i) propose or issue any equity securities on a pre-emptive basis (rights issue) to Elis

[47] Based on Elis's volume-weighted average daily share price during the 20 trading days until June 6, 2017.

shareholders, (ii) propose or issue any equity securities to any Elis shareholder or third party other than CPPIB and any of Elis shareholders listed in Chapter 8 of the Registration Document as holding more than 8% or more of the share capital of the Company (the "**First Offer Investors**") (except for any issue of equity securities for compensatory purposes to employees or executive officers pursuant to the long-term incentive plans of Elis through the grant of performance shares) without first offering to all of the First Offer Investors to subscribe for such equity securities, and (iii) issue equity securities to any First Offer Investor on terms more favourable than those offered to the other First Offer Investors, which in any event shall not be more favourable than the terms of the CPPIB Shares;

– CPPIB undertook during the 12-month period as from the date of delivery and payment of the Elis Reserved Capital Increase not to (i) directly or indirectly transfer title to the CPPIB Shares, (ii) grant any right or promise on, such CPPIB Shares or (iii) announce its intention to perform one of the transactions mentioned in (i) and (ii). CPPIB is however authorised to tender all or part of the CPPIB Shares in the context of a public tender offer for any of the Elis shares recommended by the Elis Board members and cleared by the French *Autorité des marchés financiers*.

The Investment Agreement also includes an anti-dilution clause pursuant to which as long as CPPIB holds at least 8% of Elis' share capital, Elis shall make any and all efforts for CPPIB to have the right, in connection with any future offerings of securities by Elis, including any offering of equity securities, to purchase or subscribe for a portion of such new securities pro rata to its shareholding in the Company for the same per-security price either (i) in the context of the offering or (ii) by any other means agreed among the parties so that its shareholding remains unchanged and in all cases on the same terms as such new securities are proposed to be offered to others.

As regards corporate governance, the Investment Agreement provides that CPPIB has the right to propose at any time the designation of a member of Elis Board (*membre du Conseil de surveillance*) provided that its shareholding is at least equal to 8% of Elis' share capital and the designation of a second member within Elis Board provided that its shareholding is at least equal to 15% of Elis' share capital.

The Investment Agreement has been entered into for a 10-year period as from its execution date and shall automatically renew for subsequent 3-year period unless previously terminated by written non-renewal notice sent by either party to the other party at least 12 months prior to the expiration of the initial 10-year period or any renewal period.

The provisions of the Investment Agreement are described in more details in section 1.5.2 ("Investment Agreement") of the Registration Document Update.

In accordance with article 212-5 1° of the *Autorité des marchés financiers*' General Regulations, this reserved share capital increase will not be published through the issuance of a prospectus as it concerns the admission to trading of a number of shares representing, over a period of 12 months, less than 10% of the number of Elis shares already admitted to trading on Euronext Paris.

2.2.1.6 Tax regime of the Contribution

The following provisions summarize certain French tax consequences that may apply to the Company and to Berendsen shareholders in relation to the Contribution.

The following constitutes a simplified summary, given for general information purposes, of the French tax consequences that may apply to the Company and to Berendsen shareholders with respect to the Contribution under legislation currently in force. The rules mentioned thereafter are based on the French legal provisions currently in force and may be affected by changes in French laws and regulations, which may have a retroactive effect or may apply to the current calendar or fiscal year.

The tax information provided below are based on the qualification under French law of the Contribution as a contribution in kind within the meaning of article L. 225-147 of the French Commercial Code.

It does not constitute an exhaustive description of all tax consequences that may apply with respect to the Contribution. The tax consequences other than French tax consequences are especially not addressed. For a description of the tax regime of the Scheme of Arrangement in the United Kingdom, and in the US, you should refer to the Scheme Document. In particular, the Company will bear a 0.5% stamp duty in the UK applicable to the value of the Berendsen shares that will be contributed in the context of the Scheme of Arrangement

Berendsen shareholders are invited to consult their usual tax advisers with respect to the provisions applicable to their specific situations in relation to the Contribution.

– Registration fees

Concerning registration taxes, the Company should pay a fixed fee of €500 only with respect to the Contribution, as provided for under article 810-I of the French Tax Code ("**FTC**").

– Financial transactions tax

Receiving New Shares as consideration for the Contribution should be exempt from the French financial transactions tax provided for under article 235 ter ZD of the FTC (the "**FTT**") in accordance with article 235 ter ZD-II-1 of the FTC applicable to issuance of new shares.

CDIs (CREST depository interests) should qualify as certificates representing shares within the meaning of European Council Directive 2008/7/EC of February 12, 2008. The attribution of CDIs to Berendsen shareholders should therefore be exempt from the FTT in accordance with paragraph 10 of the French administrative guidelines **BOFIP**, BOI-TCA-FIN-10-20-20141118, which provides that the acquisition subsequent to their creation of certificates representing shares is exempt from the FTT when the underlying share has just been issued as part of a capital increase.

2.2.2. Control of the Transaction

2.2.2.1 Berendsen General Meetings

Court Meeting

The Court Meeting will take place on August 31, 2017 (indicative date) under the authority of the Court with a view to obtaining the approval of the Scheme of Arrangement by the Berendsen shareholders who are on the register of members of Berendsen at the Voting Record Time and who are present and voting (and entitled to vote), either in person or by proxy. Each member present will be entitled to one vote for each share held. The Scheme of Arrangement must be approved by a majority in number of registered Berendsen shareholders representing at least 75% in value of the Berendsen shares held by shareholders recorded in the Berendsen members' register at the Voting Record Time (or the relevant class or classes thereof, if applicable).

Berendsen General Meeting

The Berendsen General Meeting was convened on August 31, 2017 with a view to obtaining the approval of Berendsen shareholders, by the requisite majority or majorities, of the resolutions needed to implement the Scheme of Arrangement, being 75% of the votes cast by shareholders present (or represented) at the Berendsen General Meeting.

Each shareholder present and voting (and entitled to vote), either in person or by proxy, at the Berendsen General Meeting will have the right to a number of votes equivalent to the number of shares that he/she holds in the share capital of Berendsen.

2.2.2.2 Elis General Meeting

The Elis General Meeting is likely to be held on August 31, 2017 (indicative date) in order to obtain the approval, by a two-thirds majority of the votes held by Elis shareholders present or represented, of the resolutions necessary to authorize the issue of New Shares as part of the Transaction.

The Elis Board intends to unanimously recommend that Elis shareholders vote in favour of the resolutions that will be put to the Elis General Meeting.

2.2.2.3 Elis Board meeting

In accordance with article 20.IV.b of the Company's articles of incorporation, the Elis Board, in a meeting held on July 19, 2017, approved the principle of the share capital increase in consideration for the Contribution in accordance with the terms of the Transaction, which have been presented to the Elis Board, and accordingly decided to authorize the management board to use the aforementioned delegation of authority.

2.2.2.4 Opinion of the Contribution Appraisers

Through an order dated June 28, 2017, the Chairman of the Nanterre Commercial Court appointed Mr Olivier Peronnet (partner of Finexsi) and Ms Dominique Mahias (partner of Didier Kling & Associés) as contribution appraisers (the "**Contribution Appraisers**").

In accordance with articles L. 225-147, R. 225-8 *et seq.* and R. 225-136 *et seq.* of the French Commercial Code and AMF position-recommendation no. 2011-11, the Contribution Appraisers have assessed the overall value of the Contribution and the consideration for the Contribution in their reports.

The Contribution Appraisers' reports, dated July 27, 2017, have been made available to Elis' shareholders and filed with the registrar of the Nanterre Commercial Court in accordance with statutory and regulatory provisions. Their conclusions are reproduced in section 2.7.3 "Appraisal of the value and consideration for the Contribution by the Contribution Appraisers" of the Securities Note.

2.2.2.5 Court decisions

In accordance with the Companies Act 2006, the Scheme of Arrangement must be sanctioned by the Court. The Court hearing regarding the sanction of the Scheme of Arrangement is currently expected to take place on September 7, 2017 (indicative date), but that date could be subject to change, as described in the Scheme Document and in the indicative timetable set out in section 2.2.1.4 "Transaction indicative timetable" of the Securities Note.

The Scheme of Arrangement will become effective as soon as a copy of the Court Order approving the Scheme of Arrangement has been filed with the Registrar of Companies.

Once the Scheme has become effective, it will be binding on all Berendsen shareholders taking part in the Scheme of Arrangement, whether or not they voted in favour of the Scheme of Arrangement at the Court Meeting or the Berendsen General Meeting.

If the Scheme of Arrangement is not effective before December 31, 2017 or any other subsequent date on which Elis and Berendsen may agree, with the agreement of the Court and the UK Takeover Panel (the "**Panel**"), the Scheme of Arrangement will not then become effective and the Transaction will not be completed.

2.2.3. Cooperation agreements relating to the implementation of the Transaction and the Scheme

Elis has received irrevocable undertakings from each of the Berendsen directors to vote in favour of the Scheme of Arrangement in the Court Meeting and in favour of the resolutions that will be proposed to the Berendsen General Meeting to implement the Scheme of Arrangement. Those irrevocable undertakings represent a total of 572,144 Berendsen shares or around 0.33% of Berendsen's issued capital at June 9, 2017.

In addition, Eurazeo SE and Legendre Holding 27 SAS have made an undertaking to Elis, pursuant to a separate agreement dated June 7, 2017, to vote in favour of the capital increase (i) relating to the issue of New Shares and (ii) reserved for the issue of CPPIB Shares, in the Elis General Meeting, with respect to the 23,635,032 Elis shares they hold and which represent 42,892,699 voting rights, or around 26.8% of Elis' theoretical voting rights[48] on June 30, 2017.

Predica Prévoyance Dialogue du Crédit Agricole ("**Predica**") has made an undertaking to Elis, pursuant to a separate agreement dated June 7, 2017, to vote in favour of the capital increase (i) relating to the issue of New Shares and (ii) reserved for the issue of CPPIB Shares, in the Elis General Meeting, with respect to the 13,991,662 Elis shares it holds and which represent 13,991,662 voting rights, or around 8.8% of Elis' theoretical voting rights on June 30, 2017.

CPPIB has made an undertaking to Elis, as part of the CPPIB Cash Placing, to vote in favour of the capital increase consisting of the issue of New Shares in the Elis General Meeting, with respect to the 6,769,248 Elis shares it holds and which represent 6,769,248 voting rights, or around 4.2% of Elis' theoretical voting rights on June 30, 2017.

Messrs Xavier Martiré and Louis Guyot have made irrevocable undertakings, pursuant to separate agreements dated June 12, 2017, to vote in favour of the capital increase consisting of the issue of New Shares in the Elis General Meeting, with respect to the Elis shares held by them or, as the case may be, by their relatives, i.e., 153,119 and 44,338 respectively, which represent 239,041 and 67,401 voting rights respectively, or together around 0.19% of Elis' theoretical voting rights on June 30, 2017.

Voting undertakings have been received to vote in favour of the capital increase (i) relating to the issue of New Shares in respect of 44,593,399 Elis shares representing 63,960,051, i.e., around 40% of Elis' theoretical voting rights and (ii) reserved for the issue of CPPIB Shares in respect of 37,626,694 Elis shares representing 56,884,361 voting rights, or around 35.6% of Elis' theoretical voting rights on June 30, 2017.

48 The Elis shares in issue at June 30, 2017 represent a total of 159,826,925 voting rights (including voting rights attached to shares held in treasury).

2.2.4. Agreements relating to the financing of the Transaction

Agreements relating to the financing of the Transaction are described in section 2.2.1.5 "Financing of the Transaction" of the Securities Note.

2.2.5. Consideration for the Contribution

For Elis, the Scheme of Arrangement will constitute (a) the Contribution and (b) the acquisition in cash of approximately 43.4% of the issued share capital of Berendsen[49].

As consideration for the Contribution, the share capital of Elis will be increased by the issue of 69,052,152 new shares with par value of €1 each (the "**New Shares**"), for a total amount of €69,052,152. The New Shares will be allotted to Berendsen shareholders.

2.2.5.1 Type, class and dividend rights of securities offered and admitted to trading

The New Shares, whose admission to trading on Euronext Paris has been requested, are ordinary shares with par value of €1 each and of the same class as the Company's existing shares. They will carry current dividend rights and will confer the right to share in any distribution made by the Company as of the date of their issuance.

Application will be made for the New Shares to be admitted to trading on Euronext Paris. The New Shares will be admitted to trading on Euronext Paris as from the day following the date on which the Scheme of Arrangement becomes effective, being September 13, 2017 (indicative date), or shortly thereafter. They will immediately rank *pari passu* in all respects with existing ordinary Elis shares already admitted to trading on Euronext Paris and will be tradable, as from this date, on the same listing line as existing shares under ISIN code: FR0012435121.

2.2.5.2 Form and mode of registration of the shares

The New Shares may be in registered or bearer form, at the shareholders' option.

Under the Transaction, Berendsen shareholders participating in the Scheme of Arrangement entitled to receive CDIs will be able to hold the underlying New Shares directly, either in registered form, or, at the shareholder's election, in bearer form, as described in section 2.2.5.3 "Issuance of CDIs (CREST depository interests) representing entitlements to New Shares" of the Securities Note.

In accordance with article L. 211-3 of the French Monetary and Financial Code, the shares must be held in securities accounts kept, as the case may be, by the Company or an authorized intermediary.

Consequently, the rights of the holders will be represented by a book entry in securities accounts opened in their name in the books of:

- BNP Paribas Securities Services, for shares held in fully registered form (*forme nominative pure*);
- an authorized intermediary of their choice and BNP Paribas Securities Services, appointed by the Company, for shares held in administered registered form (*forme nominative administrée*); or

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49 Based on an Elis closing price of €19.90 and a £:€ exchange rate of 1:1.138, the terms of the Transaction thus valuing each Berendsen share at £12.45 (excluding the Interim Dividend).

– an authorized intermediary of their choice for shares held in bearer form (*au porteur*).

In accordance with articles L. 211-15 and L. 211-17 of the French Monetary and Financial Code, New Shares will be transferred in book entry form and transfer of ownership will be evidenced by registration in the holder's securities account.

Application will be made for the New Shares to be admitted to Euroclear France, which will be responsible for the clearing of shares between registrars/custodians. Application will also be made for the New Shares to be admitted to Euroclear Bank S.A./N.V. and Clearstream Banking S.A. (Luxembourg).

Based on the indicative timetable for the Transaction, it is expected that the New Shares will be registered in securities accounts and tradable as from the date of their issuance or shortly after this date.

2.2.5.3 Issue of CDIs (CREST depositary interests) representing entitlements to New Shares

Berendsen shares in uncertificated form (that is, in CREST)

Unlike Berendsen shares, New Shares are not capable of being held, transferred or settled through the CREST settlement systems. For this reason, Berendsen shareholders participating in the Scheme of Arrangement who hold their Berendsen shares in uncertificated form through CREST (directly or through a broker or other nominee with a CREST account) immediately prior to 6.00 p.m. on the business day after the date on which the Court sanctioned the Scheme of Arrangement (the "**Scheme Record Time**") will not be issued New Shares directly but will be issued dematerialized certificates. These dematerialized certificates are "**CDIs**" (CREST depositary interests). One Elis CDI will represent one Elis share. The Elis CDIs will reflect the economic rights attached to the New Shares. However, while the holders of Elis CDIs will have an interest in the underlying New Shares, they will not be the registered holders of the New Shares.

The Elis CDIs to which such Berendsen shareholders participating in the Scheme of Arrangement will be entitled under the Scheme will be delivered, held and settled in CREST and linked to the underlying New Shares by means of the CREST International Settlement Links Service and, in particular, the established link with SIX SIS AG. This link operates via the services of CREST International Nominees Limited, which is a participant in SIX SIS AG. Under the CREST International Settlement Links Services, CREST Depository Limited, a subsidiary of Euroclear, issues dematerialised depository interests representing entitlements to non-UK securities (such as the New Shares) called CDIs, which may be held, transferred and settled exclusively through the CREST system. CDI holders, in cancelling their CDIs, are able to deliver their underlying shares to a participant in the relevant settlement system (SIX SIS AG) via a "Cross Border Delivery".

The terms on which CDIs are issued and held in CREST are set out in the CREST Manual (and, in particular, the deed poll set out in the CREST International Manual) and the CREST Terms and Conditions issued by Euroclear. On settlement, Elis will instruct its transfer agent to cause the credit of the New Shares through SIX SIS AG to the securities account of CREST International Nominees Limited, as nominee for CREST Depository Limited. CREST Depository Limited will then issue the Elis CDIs in CREST to Computershare Investor Services PLC as receiving agent for delivery to the securities deposit account in the CREST system in which each such uncertificated Berendsen shareholder participating in the Scheme previously held Berendsen shares. A custody fee, as determined by CREST from time to time, is charged at the user level (i.e., to the holder of Elis CDIs) for the CREST

International Settlement Links Service.

The registered holder of the New Shares represented by Elis CDIs will be CREST International Nominees Limited, who will hold them through SIX SIS AG either directly or through a sub-custodian as nominee for CREST Depository Limited. CREST Depository Limited will hold those New Shares on trust (as bare trustee under English law) for the uncertificated Berendsen shareholders participating in the Scheme to whom it will issue Elis CDIs.

With effect from the Scheme Record Time, each holding of Berendsen shares credited to any stock account in CREST will be disabled and all Berendsen shares will be removed from CREST soon thereafter. Euroclear will be instructed to credit the appropriate stock account in CREST of the CREST shareholder concerned with such CREST shareholder's entitlement to CDIs representing New Shares within 14 days of the date on which the Scheme of Arrangement becomes effective. The stock account concerned will be an account under the same participant ID and member account ID under which the relevant CREST shareholder holds the relevant Berendsen shares.

Berendsen shares in certificated form (that is, not in CREST)

Elis appointed an entity of the Computershare group as nominee and trustee (the "**Computershare Nominee**") for eligible Berendsen shareholders (i.e., Berendsen shareholders who are resident of a Restricted Jurisdiction or a jurisdiction where the Computershare Nominee (as defined below) cannot operate the CSN Facility (as defined below)) who hold their Berendsen shares in certificated form (that is, not in CREST) immediately prior to the Scheme Record Time. The CSN facility (the "**CSN Facility**") will benefit holders of Berendsen shares in certificated form by eliminating the need to set up an account with a French accredited financial intermediary, and by facilitating dealings in New Shares and Elis CDIs.

Unlike Berendsen shares, New Shares are not capable of being held, transferred or settled through the CREST settlement systems. The Computershare Nominee requires the securities that it holds to be capable of being settled, transferred and held through CREST. To allow the Computershare Nominee to hold New Shares on behalf of eligible Berendsen shareholders participating in the Scheme who hold their Berendsen shares in certificated form immediately prior to the Scheme Record Time, CREST Depository Limited will issue Elis CDIs representing New Shares to the Computershare Nominee to be held on behalf of such Berendsen shareholders. One Elis CDI will represent one Elis Share. The Elis CDIs reflect the economic rights attached to the New Shares. However, while the holders of Elis CDIs will have an interest in the underlying New Shares, they will not be the registered holders of the New Shares.

Each Berendsen shareholder participating in the Scheme of Arrangement who holds its Berendsen shares in certificated form immediately prior to the Scheme Record Time will receive its interests in New Shares by means of the CSN Facility, unless the Berendsen shareholder participating in the Scheme holding its Berendsen shares in certificated form voluntarily opts out of the CSN Facility by notice in writing to Equiniti or is ineligible to participate in the CSN Facility because it is resident in a jurisdiction in which the Computershare Nominee cannot lawfully operate, or does not have the requisite permit or licence to operate, the CSN Facility. The terms and conditions pursuant to which Elis CDIs are held by the Computershare Nominee under the CSN Facility are set out in part 16 (*Terms and Conditions of the CSN Facility*) of the Scheme Document.

Within 14 days from the date on which the Scheme of Arrangement becomes effective, the Computershare Nominee will send to the Berendsen shareholders participating in the CSN

Facility a CSN Facility statement. In respect of Berendsen shareholders participating in the Scheme who hold their Berendsen shares in certificated form but who:

- are ineligible to participate in the CSN Facility; or
- voluntarily opt out of the CSN Facility, by returning the CSN Facility opt out form to Equiniti in accordance with the procedure described below,

Equiniti will forward details of such shareholders to the Computershare Nominee and BNP Paribas Securities Services, the accredited financial intermediary appointed by Elis to maintain the Elis shareholder register. Subject to satisfactory completion of its new client procedures, BNP Paribas Securities Services will make arrangements for such holder to hold their New Shares directly, in registered form ("*au nominatif*"). Further information on the forms in which Elis shares may be held, together with the other rights attaching to Elis shares, is set out in part 8 (*Description of Elis Shares*) of the Scheme Document. Except as provided for by the terms and conditions of the CSN Facility (described in Part 16 (Terms and conditions of the CSN Facility) of the Scheme Document, as the date of the Scheme Document), including with regard to exchange fees, no fees will be payable by the holders of Elis CDIs in respect of the CSN Facility.

The CSN Facility is an Elis sponsored scheme. This means holders of Elis CDIs participating in the CSN Facility will not be charged an annual fee. Fees will, however, be payable by the holders of Elis CDIs in respect of the CSN Facility in certain circumstances. Such circumstances are set out in the terms and conditions of the CSN Facility (at the date of the Scheme Document, as set out in Part 16 (Terms and Conditions of the CSN Facility) of the Scheme Document).Persons holding through the CSN Facility after the date on which the Scheme of Arrangement becomes effective, who wish to:

- dispose of any of their Elis CDIs; or
- cancel their Elis CDIs and hold the relevant underlying New Shares directly or through their own participant,

may do so in accordance with the terms and conditions of the CSN Facility and by contacting the Computershare Nominee.

Procedure to opt out of the CSN Facility

Berendsen shareholders who hold their Berendsen shares in certificated form and who wish to opt out of the CSN Facility and instead receive New Shares on the Elis register held in France (and receive a statement of entitlement (*attestation d'inscription en compte*)) must do so by completing the CSN Facility opt out form and returning it to Equiniti at Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, to be received as soon as possible and in any event prior to 1.00 p.m. (London time) on September 8, 2017. It should be noted, however, that, in the event that the CSN Facility opt out Form is not returned by 11.00 a.m. (London time) on August 31, 2017 (being the time of the Court Meeting), the arrangements to enable Berendsen shareholders to hold their New Shares directly may not be completed by the date on which the Scheme of Arrangement becomes effective, and will instead be completed approximately 15 days after the CSN Facility opt out form is received by Equiniti.

The information requested in the CSN Facility opt out form (and in any other form(s) subsequently provided by BNP Paribas Securities Services as part of its new client procedures) is required to permit the New Shares to which the relevant Berendsen shareholder is entitled to be properly recorded in that Berendsen shareholder's name within the Elis register. Failure to return the CSN Facility opt out form (and any other form(s) subsequently provided by the Elis registrar as part of its new client procedures) may affect the ability of BNP Paribas Securities Services to properly: (i) record New Shares in the name of the relevant Berendsen shareholder; (ii) send to that Berendsen shareholder any documentation (e.g. book entry statements of account) relating to his holding; or (iii) pay that Berendsen shareholder any dividends or other revenues he may be entitled to, and may result in withholding tax being suffered on such payments to a greater extent than would otherwise be the case. Berendsen shareholders should be aware that by opting out of the CSN Facility, they will not be able to use the Dealing Facility and will be advised separately by BNP Paribas Securities Services of the process to trade in their shares.

Rights attaching to Elis CDIs

Holders of Elis CDIs are not able to attend Elis shareholders' general meetings in person as a result of their beneficial interest in New Shares. In order to allow the holders of Elis CDIs to exercise rights relating to the underlying New Shares, Elis will enter into arrangements pursuant to which holders of Elis CDIs will be able to:

- receive notices of Elis shareholders' general meetings;
- give directions as to voting at Elis shareholders' general meetings; and
- have made available to them and be sent, at their request, copies of the annual report and accounts of Elis and all other documents issued by Elis to shareholders of Elis generally.

Save as otherwise set out above, holders of Elis CDIs will be treated in the same manner as if they were registered holders of the New Shares to which their Elis CDIs relate, so far as is possible pursuant to applicable law and the terms and conditions applicable to CREST.

Any dividends paid on the New Shares will be paid to holders of Elis CDIs by Euroclear in the currency in which they are distributed. In respect of Elis CDIs held through the Computershare Nominee, in the event that such currency is not sterling, the Computershare Nominee will convert the currency into sterling and, accordingly, any dividends paid to participants in the CSN Facility will be paid in sterling. The Computershare Nominee will distribute any such dividends to the holders of the Elis CDIs in accordance with the terms of the CSN Facility.

The double voting rights that may attach to Elis shares will only benefit shareholders having fully paid-up shares and who hold their Elis shares in registered form on the Elis register for two consecutive years. The underlying New Shares issued in respect of the Elis CDIs will be held in bearer form and, as a result, holders of Elis CDIs will not benefit from double voting rights.

Following the date on which the Scheme of Arrangement becomes effective, holders of Elis CDIs who wish to transfer their Elis CDIs from the Computershare Nominee without selling them through the Dealing Facility must first transfer their Elis CDIs out of the CSN Facility. Elis CDIs transferred out of the CSN Facility (and not immediately cancelled) may be transferred into a CREST participant account specified by the relevant holder of Elis CDIs, or the underlying New Elis Shares may be transferred into a Euronext Paris participant account specified by the relevant holder of Elis CDIs, or the relevant holder of Elis CDIs may request that the underlying New Shares be registered in his name on Elis' share register. Any arrangements by the Computershare Nominee to facilitate the foregoing shall be subject to the terms and conditions of the CSN Facility (at the date of this document, as set out in Part 16 (*Terms and conditions of the CSN Facility*)), including in respect of any fees payable to the Computershare Nominee.

2.2.5.5 Currency of issuance

New Shares will be issued in euro.

2.2.5.6 Rights attached to the New Shares

New Shares will be subject to all provisions of the Company's articles of incorporation as of their date of issue. Under French law and the Company's articles of incorporation as currently in effect, the main rights attached to the New Shares are described below.

Dividend rights – Right to share in the issuer's profits

The shareholders of the Company have the right to its earnings in accordance with articles L. 232-10 *et seq.* of the French Commercial Code.

New Shares will carry current dividend rights and will confer the right to share in any distribution made by the Company as of the date of their issuance. It should however be noted that the holders of New Shares will not be entitled to the €0.37 exceptional dividend distribution since its payment occurred on May 31, 2017, following the Elis combined shareholders' general meeting held on May 19, 2017.

The Company's articles of incorporation state that at least five per cent (5%) of profits, minus any prior-year losses, shall be transferred to the reserve required by law, it being stipulated that such transfer shall cease to be mandatory once the reserve required by law has reached one tenth of the share capital, but shall resume if, for any reason, the reserve falls below one tenth of the share capital.

Notwithstanding the stipulations of the previous paragraph, the Company's shareholders' general meeting may decide to retain some or all distributable earnings, allocate earnings to general or special reserve funds or distribute earnings to shareholders as a dividend.

Furthermore, the shareholders' general meeting may also decide to distribute sums taken from optional reserves, either to pay or supplement a dividend or to make a special distribution.

However, except in the event of a share capital reduction, no monies may be distributed to shareholders if the Company's equity is lower than the amount of share capital plus reserves that cannot be distributed under the law or the Company's articles of incorporation, or would become so following the distribution.

The shareholders' general meeting held to approve the financial statements for the accounting year may therefore resolve to pay a dividend to all shareholders (article L. 232-12 of the French Commercial Code), which will be taken first from the distributable profit for the relevant period.

An interim dividend may also be paid before the financial statements for the accounting period are approved (article L. 232-12 of the French Commercial Code).

The shareholders' general meeting may resolve to offer each shareholder, for all or part of the dividend or interim dividend payment, the option of receiving either cash or shares issued by the Company (articles L. 232-18 *et seq.* of the French Commercial Code).

Payment of the dividend must take place no later than nine months after the end of the accounting year. This period may be extended by court order.

No claim may be made against the Company for payment of a dividend due in respect of the shares after a period of five years from the due date. Furthermore, dividends not claimed within five years of the due date will lapse and become the property of the French state.

Dividends paid to individuals regarded as non-French residents for tax purposes are in principle subject to withholding tax (see section 2.3 "Tax Regime applicable to New Shares" of the Securities Note).

The Company's dividend distribution policy is described in section 8.6.1 ("Dividend policy") of the Registration Document.

Voting rights

The voting rights attached to the shares are proportional to the percentage of share capital that the shares represent. Each share entitles the holder to one vote (article L. 225-122 of the French Commercial Code).

The Company's articles of incorporation (*statuts*) do not include an exemption – allowed by article L. 225-123 paragraph 3 of the French Commercial Code (Code de commerce) – from the allotment of double voting rights. As a result, effective as of April 3, 2016, double voting rights have been granted to all fully paid-up shares held in registered form by the same shareholder for at least two years.

In accordance with article L. 225-123 paragraph 2 of the French Commercial Code, in the event of a capital increase through the capitalization of reserves, earnings or paid-in capital, double voting rights are granted in respect of new shares allotted free of charge to a shareholder, in proportion to the shareholder's existing shares that already carry double voting rights.

Double voting rights may be exercised in any shareholders' general meeting.

In accordance with article L. 225-124 of the French Commercial Code, any share converted into bearer form or transferred to a new owner shall lose its double voting rights. However, a transfer of ownership arising from inheritance, the liquidation of the joint property of spouses, or *inter vivos* gifts to a spouse or relative entitled to inherit shall not result in the loss of double voting rights and shall not represent a break in the aforementioned period. As of June 10, 2017, pursuant to French act no. 2016-1691 dated December 9, 2016, the same principle applies, unless otherwise provided for in the Company's articles of incorporation, in case of transfer of ownership following a merger or demerger of any subsidiary.

Disclosure thresholds required by law and the articles of incorporation

Without prejudice to the obligation to notify the Company and the AMF when any of the disclosure thresholds set by law and the AMF's General Regulations are crossed or reached, article 8 of the Company's articles of incorporation (*statuts*) provides that any individual or legal entity, acting alone or in concert with others, who comes to hold, or ceases to hold, directly or indirectly, a fraction equal to or greater than 1% of the Company's share capital or voting rights, or any multiple of such percentage, including beyond the disclosed thresholds provided by the statutory and regulatory provisions, shall notify the Company of the total number of shares and voting rights they hold and the securities giving access to the share capital and voting rights potentially attached to them by registered letter with acknowledgment of receipt, sent to the Company's registered office no later than by the end of the fourth trading day after the day on which the threshold is crossed. To determine those thresholds, account will also be taken of shares held indirectly and shares treated in the same way as shares held as defined by article L. 233-7 of the French Commercial Code.

In the event of non-compliance with the above provisions, the penalties provided by law where the obligation to disclose the crossing of the statutory thresholds has not been respected shall only apply to the thresholds stipulated in the articles of incorporation (*statuts*) upon a request, recorded in the minutes of the shareholders' general meeting, by one or more shareholders holding at least 1% of the Company's share capital or voting rights.

The Company reserves the right to give notice to the public and shareholders of either the information of which it was given notice or the fact that the relevant person or legal entity has not complied with the aforementioned obligation.

Preferential right to subscribe to securities of the same class

The shares carry preferential subscription rights in the event of new share issues decided by the Company. Shareholders have a preferential right, in proportion to the amount of their shares, to subscribe new share issues made for cash either immediately or in the future. Where the preferential subscription right is not detached from a tradable share, it can be transferred on the same terms as the share itself. If it is detached, the right is tradable for a period equal to the period during which shareholders can exercise their subscription rights, but starting before the start of that period and ending before its end. Shareholders may waive their preferential subscription rights on an individual basis (articles L. 225-132 and L. 228-91 to L. 228-93 of the French Commercial Code).

The shareholders' general meeting that resolves to make or authorizes an immediate or future capital increase may waive the preferential subscription rights for the entire issue or for one or more tranches of the issue and may grant or authorize a priority subscription period in favor of existing shareholders (article L. 225-135 of the French Commercial Code).

An issue of shares without preferential subscription rights may be made either by way of a public offering, up to a limit of 20% of the share capital per year, or by way of an offering referred to in section II of article L. 411-2 of the French Monetary and Financial Code (an offering to qualified investors or a restricted group of investors acting on their own behalf) and the issue price must be at least equal to the volume-weighted average share price quoted during the three trading sessions prior to the price fixing, to which a discount of up to 5% may be applied (articles L. 225-136 paragraphs 1 and 3 and R. 225-119 of the French Commercial Code). However, up to a limit of 10% of the share capital per year, the shareholders' general meeting may authorize the management board to set the issue price on a different basis (article L. 225-136 paragraph 1(2) of the French Commercial Code).

The shareholders' general meeting may also waive preferential subscription rights when the Company carries out a capital increase:

- restricted to one or more named persons or categories of persons who meet the conditions set by the Company. The issue price or method of setting the price are determined by the extraordinary shareholders' meeting based on a report prepared by the management board and a special report prepared by the statutory auditors (article L. 225-138 of the French Commercial Code); or
- to pay for financial instruments tendered to a public exchange offer for financial instruments of a company whose shares are traded on a regulated market in a European Economic Area member state or a member country of the Organization for Economic Cooperation and Development. In this case, the statutory auditors must express an opinion on the terms and conditions and implications of the share issue (article L. 225-148 of the French Commercial Code).

The shareholders' general meeting may also resolve to carry out a capital increase:

- to pay for capital contributions in kind. The value of the contributions is subject to assessment by one or more contribution appraisers. The shareholders' general meeting may grant the management board all powers required to carry out a capital increase, up to a limit of 10% of the share capital, in order to pay for contributions in kind in the form of equity instruments or securities giving access to share capital (article L. 225-147 of the French Commercial Code);
- restricted to members (employees of the Company or related companies within the meaning of article L. 225-180 of the French Commercial Code) of an employee share savings plan (article L. 225-138-1 of the French Commercial Code). The subscription price may not be more than 20% less than the average share price quoted during the 20 trading days preceding the date of the decision setting the subscription opening date (article L. 3332-19 of the French Labor Code); or
- by means of bonus shares allotted to employees, certain categories of employee or corporate officers of the Company or companies in its group, up to a limit of 10% of the Company's share capital (articles L. 225-197-1 *et seq.* of the French Commercial Code).

Lastly, the Company may grant stock options to employees, certain categories of employee or corporate officers of the Company or companies in its group, up to a limit of one third of the Company's share capital (articles L. 225-177 *et seq.* of the French Commercial Code).

Right to any surplus upon winding-up

Each shareholder's share of profits and contribution to losses is proportional to his/her proportion of the share capital.

Repurchase – Conversion clauses

The Company's articles of incorporation do not mention any particular share buyback or conversion clauses.

Identification of securities holders

The Company may, in accordance with its articles of incorporation and applicable laws and regulations, at its own expense and at any time, request the following information from the central custodian that keeps the issue account for its capital securities: the name, nationality, date of birth or date of incorporation and address of owners of securities that confer, immediately or in the future, voting rights in shareholders' general meetings, along with the number of capital securities held by each, and any restrictions on those securities.

In the case of securities held in registered form and granting access to the Company's share capital immediately or in the future, the intermediary registered under the conditions provided for in article L. 228-1 of the French Commercial Code is required to reveal the identity of the owners of these securities as soon as the Company or its representative asks them to do so within a period of ten business days as from the request. This request may be made at any time.

Based on the information provided by the central depositary, if the Company believes that any shares or securities carrying rights to shares may be held by nominees, it may ask the persons whose names appear on the list, either directly, in the same manner and subject to penalties for non-compliance, or through the central depositary, to identify the beneficial owners of the securities and the number of shares held by each one.

When the person subject to a request for information has not transmitted the information within the time periods provided by the legislative and regulatory provisions in force or has transmitted incomplete or incorrect information related either to its status or to the owners of the securities, the shares or securities giving access immediately or in the future to the share capital and for which such person has been registered as the owner shall be deprived of voting rights for all shareholders' meetings that may be held until the date on which the actual owner is identified, and the payment of the corresponding dividends shall be deferred until such date.

For as long as the Company believes that certain holders whose identity has been communicated to it are acting as nominees, it is entitled to ask them to disclose the identity of the beneficial owners and the number of securities held by each one (article L. 228-2 *et seq.* of the French Commercial Code).

2.2.5.7 Expected issue date of the New Shares

New Shares will be issued on the day following the date on which the Scheme of Arrangement becomes effective, being September 13, 2017 (indicative date), or shortly thereafter.

2.2.5.8 Restrictions on the free transferability of New Shares

No provision of the articles of incorporation restricts the free transferability of the shares comprising the Company's share capital. Additional restrictions on transfer of Elis shares may apply to affiliates of Elis, as described in the "Notice to US investors" paragraph in section "General Comments" of the Securities Note.

2.2.5.9 Public takeover bids by third parties in respect of the issuer's equity, which have occurred during the last financial year and the current financial year

No public takeover bid has been initiated by a third party for the Company's share capital during the prior or current fiscal year.

2.3. Tax regime applicable to New Shares

2.3.1. Taxation in France

The following provisions summarize certain French tax consequences regarding withholding tax on income from the Company's shares that may apply to shareholders, both individuals and legal persons, that receive dividends from those shares.

The following constitutes a simplified summary, given for general information purposes, of withholding taxes that may apply to income from the Company's shares based on the French legal provisions currently in force. The rules mentioned thereafter are based on the French legal provisions currently in force and may be affected by changes in French laws and regulations, which may have a retroactive effect or may apply to the current calendar or fiscal year.

The information provided below does not constitute an exhaustive description of all tax consequences that may apply to shareholders of the Company.

Prospective shareholders should consult their usual tax advisors with respect to the tax consequences applicable to their particular situation as a result of their buying, holding or selling shares in the Company.

Shareholders who are not tax residents of France must also comply with the tax legislation in force in their country of residence, taking into account, as the case may be, the provisions of the tax treaty that has been entered into by France and the said country.

2.3.1.1 Shareholders whose tax residence is located in France

(a) Individuals who hold shares in the Company in connection with the management of their private assets other than through an equity savings plan (plan d'épargne en actions) and who do not perform stock exchange transactions in similar conditions that would characterize an activity exercised by an individual performing those kinds of transactions on a professional basis

(i) Withholding tax of 21%

Subject to certain exceptions, under article 117 quater of the FTC, dividends paid to individuals who are French tax residents are generally subject to a withholding tax (*prélèvement forfaitaire non libératoire*) equal to 21% of the gross amount distributed, which does not discharge the taxpayer from the payment of the personal income tax (*impôt sur le revenu*) on such amounts. This withholding tax is levied by the paying agent if it is established in France. If the paying agent is established outside France, the income must be reported and the corresponding tax paid, within the first 15 days of the month following the payment of such income, either by the taxpayer himself, or by the paying agent if it is established in an EU Member State or in a European Economic Area Member State that has entered into an administrative assistance agreement with France for the purpose of combating fraud and tax evasion, provided that the paying agent has been granted a power of attorney for that purpose by the taxpayer.

This withholding tax constitutes an instalment on account of the taxpayer's final income tax and is creditable against the final personal income tax due by the taxpayer with respect to the year during which it is withheld, the surplus, if any, being refunded to the taxpayer.

However, individuals belonging to a tax household whose reference income for tax purposes (*revenu fiscal de référence*) for the penultimate year, as defined in article 1417(IV)(1) of the FTC, does not exceed €50,000 for taxpayers who are single, divorced or widowed, or €75,000 for couples filing jointly, may request exemption from such tax in the conditions provided for in article 242 quarter of the FTC. They may do so by providing to the paying agent, no later than November 30 of the year preceding the year during which the dividends were paid, a sworn statement stating that their reference income for tax purposes shown in their tax notice (*avis d'imposition*) issued with respect to the penultimate year preceding the year during which the dividends were paid does not exceed the aforementioned thresholds applicable to taxable income.

Nevertheless, taxpayers purchasing shares after the date before which the aforementioned exemption application is to be made, may file such exemption application with their paying agent upon acquisition of the shares, in accordance with the administrative guidelines (BOI-RPPM-RCM-30-20-10-20160711, no. 320).

When the paying agent is established outside France, only the individuals who belong to a tax household whose reference income for tax purposes for the penultimate year, as defined in article 1417(IV)(1) of the FTC, is equal to or exceeds the aforementioned thresholds are subject to this tax.

Relevant shareholders should consult their usual tax adviser to determine how this withholding tax will be credited against the amount of their income tax.

Moreover, regardless of the shareholder's place of residency for tax purposes, under article 119 bis 2 of the FTC, if dividends are paid outside France in a non-cooperative state or territory (a "**NCST**") within the meaning of article 238-0 A of the GTC, a withholding tax will be levied on the gross amount of the distributed sums at a rate of 75% except where the debtor proves that the distributions have neither the object nor the effect of allowing the shifting of income to a given State or territory for tax evasion purposes. The list of NCSTs is published by interministerial order and is updated annually.

(ii) Social security contributions

The gross amount of any dividends paid by the Company will also be subject in full to social security contributions at an overall rate of 15.5%, split as follows:

- the *contribution sociale généralisée* (the "**CSG**") at a rate of 8.2%;
- the *contribution pour le remboursement de la dette sociale* ("**CRDS**") at a rate of 0.5%;
- the *prélèvement social* at a rate of 4.5%;
- the *contribution additionnelle au prélèvement social* at a rate of 0.3%; and
- the *prélèvement de solidarité* at a rate of 2%.

These social security contributions are levied in the same way as the 21% non-discharging withholding tax described above.

Apart from the CSG, which is deductible up to 5.1% from the taxable income due with respect to the year of its payment, these other social security contributions are not deductible from the taxable income.

Relevant shareholders should consult their usual tax adviser to determine how to report the dividends and pay the 21% contribution and the applicable social security contributions.

(b) Legal entities subject to corporate income tax at the normal rate

Income paid with respect to the shares held by legal entities resident in France will not, in principle, be subject to any withholding tax.

However, if the dividends paid by the Company are paid outside France in an NCST, a withholding tax will apply to the distributed amounts at a rate of 75%, except where the debtor proves that the distributions have neither the object nor the effect of allowing the shifting of income to a given State or territory for tax evasion purposes.

(c) Other shareholders

Shareholders of the Company who are subject to a tax treatment other than those described above, in particular taxpayers who perform stock exchange transactions in similar conditions to those which characterize an activity exercised by an individual performing that kind of transactions on a professional basis or who have booked their shares as assets in their commercial balance sheet, should consult their usual tax adviser to be informed of the tax treatment applicable to their situation.

2.3.2.2 Shareholders whose tax residence is located outside France

The following provisions summarize certain French withholding tax consequences on income from the Company's shares, which may apply to shareholders that (i) are not tax residents of France within the meaning of article 4 B of the FTC or whose registered office is located outside France and (ii) do not own the shares through a fixed base or permanent establishment subject to taxation in France. However, such shareholders should consult their usual tax adviser with respect to the tax treatment applicable to their situation and must also comply with the tax legislation in force in their country of tax residence, taking into account, as the case may be, the provisions of international tax treaties that have been entered into by France and the said country.

(a) Dividends

Subject to the possible application of any applicable international tax treaties and to the exceptions referred to below, dividends paid by the Company are generally subject to a withholding tax, levied by the paying agent, where the tax residence or registered office of the beneficial owner is located outside of France. Subject to the information set out below, the rate of this withholding tax is set at:

- 21% for dividends eligible for the 40% allowance provided for in article 158(2) and (3) of the FTC when the beneficial owner is an individual whose tax residence is located in an EU Member State or a European Economic Area State that has entered into an administrative assistance agreement with France for the purpose of combating fraud and tax evasion,
- 15% when the beneficial owner is a non-profit organization whose registered office is in an EU Member State or a European Economic Area Member State that has signed a convention on mutual administrative assistance in tax matters with France, which would have been taxed in accordance with the special tax regime set forth in paragraph 5 of article 206 of the FTC (which is aimed at organizations generically designated as “non-profit organizations”) if its registered office were in France, and which meets the criteria set out in paragraphs 580 *et seq.* of French administrative guidelines BOI-IS-CHAMP-10-50-10-40-20130325, and
- 30% in other cases.

Subject to the provisions of international tax treaties, dividends paid by the Company will be subject to a withholding tax at a rate of 75% if they are paid outside France in an NCST, except where the debtor proves that the distributions have neither the object nor the effect of allowing the shifting of income to a given State or territory for tax evasion purposes.

The withholding tax may be reduced or waived, particularly under:

(i) article 119 ter of the FTC, which applies under certain conditions to shareholders that are legal entities and the beneficial owners of the dividends and (a) whose place of effective management is in an EU Member State or a European Economic Area member State that has entered into a treaty for the avoidance of double taxation with France containing an administrative assistance clause for the purpose of combating fraud and tax evasion, and that is not considered, under a treaty for the avoidance of double taxation with a third country, as having its tax residence outside the European Union or European Economic Area, and (b) has one of the forms listed in part A of annex I to European Council directive 2011/96/EU of November 30, 2011 on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States, or an equivalent form when the company’s place of effective management is located in a European Economic Area Member State, and (c) has held at least 10% of the share capital of the French company paying the dividend in a direct and uninterrupted manner for at least two years and meets all other conditions set out in this article as interpreted by administrative guidelines (BOFIP BOI-RPPM-RCM-30-30-20-10-20160607), it being said however that this ownership percentage is reduced to 5% of the share capital of the French distributing company where the shareholding of the legal entity that is the beneficial owner of the dividends meets the conditions set out in article 145 of the FTC and cannot offset the withholding tax against its taxable income (BOFIP BOI-RPPM-RCM-30-30-20-40-20160607) and (d) is subject to corporate income tax in the European Union or European Economic Area Member State where it has its place of effective management, without any option or exemption, it being said that this article 119 ter of the FTC does not apply to dividends paid as part of an arrangement or series of arrangements which, having been put into place for the main purpose or one of the main purposes of obtaining a tax advantage that defeats the object or purpose of article 119 ter, are not genuine having regard to all relevant facts and circumstances; or

(ii) article 119 quinquies of the FTC, as commented on by the administrative guidelinesBOI-RPPM-RCM-30-30-20-80-20160406, applicable to shareholders that are legal entities located in an EU Member State or another State or territory that has entered into an administrative assistance agreement with France for the purpose of combating fraud and tax evasion and that are subject to insolvency proceedings similar to those set out in article L. 640-1 of the French Commercial Code (or, if no such proceedings exist, is insolvent and in a situation in which a turnaround is clearly impossible) and that meet the other conditions set out in article 119 quinquies of the FTC; or

(iii) international tax treaties as they may apply.

Moreover, French law provides for an exemption from withholding tax for dividends paid to certain collective investment funds formed under foreign law and established in an EU Member State or in another State or territory that has entered into an administrative assistance agreement with France for the purpose of combating fraud and tax evasion and that (i) raise capital among a certain number of investors for the purpose of investing in accordance with a defined investment policy in the interest of those investors, and (ii) have characteristics similar to those of a French collective investment fund (*organisme de placement collectif*) that meets the conditions set out in article 119 bis (2) of the FTC and in administrative guidelines BOI-RPPM-RCM-30-30-20-70-20170607. Relevant shareholders should consult their usual tax adviser to determine how these provisions apply to their specific situation.

Relevant shareholders are advised to consult their usual tax adviser to determine whether they are likely to be subject to the provisions relating to NCSTs and/or able to claim a reduction of or exemption from the withholding tax, and to determine the applicable procedures, including those set out in administrative guidelines BOI-INT-DG-20-20-20-20-20120912 relating to the so-called “standard” or “simplified” procedures for the reduction of or exemption from withholding tax with respect to international tax treaties.

(b) Capital gains

Subject to the provisions of any tax treaty that may be applicable, capital gains realized upon the disposal of New Shares by shareholders, who are not tax residents of France or whose registered office is located outside France, are exempt from taxation in France provided that (i) the rights they hold, directly or indirectly, alone or with their family group, in the Elis’ profits have not exceeded 25% at any time during the five years preceding the disposal and (ii) they are not domiciled, established or incorporated in a NCST.

2.3.2. Taxation in the UK

The Company will not be required to deduct or withhold any amount in respect of UK tax from dividends paid to shareholders in respect of their New Shares.

2.3.3. Taxation in the US

Information reporting requirements, on IRS Form 1099, generally will apply to dividend payments or other taxable distributions made to non-corporate U.S. citizens or residents within the U.S. Additionally, backup withholding may apply to such payments if a U.S. citizen or resident fails to comply with applicable certification requirements or is notified by the IRS that the U.S. citizen or resident has failed to report all interest and dividends required to be shown on the federal income tax returns of the U.S. citizen or resident.

2.4. Applicable law and jurisdiction

The New Shares are issued under French law.

The competent courts in the event of litigation are those of the country in which the Company's registered office is located where the Company is the defendant, and are designated based on the type of litigation, unless otherwise specified in the French Code of Civil Procedure.

2.5. Resolutions, authorizations and decisions approving the issuance of shares

2.5.1. Authorization by the Elis General Meeting

The share capital increase is subject to approval by the Elis General Meeting convened on August 31, 2017 of the following resolution:

"***First resolution*** *(Approval of the contribution in kind to the Company of all Berendsen's shares held by Berendsen shareholders, with the exception of the shares held by Berendsen's Employee Benefit Trust, as part of an English-law scheme of arrangement subject to section 26 of the Companies Act 2006, its assessment, the consideration for the contribution and the consequential Company's share capital increase ; delegation granted to the Management Board of the Company in order notably to acknowledge the definitive completion of the contribution and the consequential share capital increase of the Company and amend accordingly the Company's articles of association)*

The shareholders' meeting, having fulfilled the quorum and majority requirements pertaining to extraordinary general meetings, in accordance with article L. 225-129 and seq. of the French Commercial Code, in particular with articles L. 225-129, L. 225-135 and L. 225-147 of the same Code,

- *subject to the English law scheme of arrangement subject to section 26 of the Companies Act 2006 of the United Kingdom (the "**Scheme of Arrangement**") becoming effective;*

- *having reviewed:*

    - *the report of the Management Board for this general meeting and, more specifically, the prospectus subject to the visa of the French Autorité des Marchés Financiers (the "**AMF**") in connection with the admission to trading on Euronext's regulated market in Paris of the Company's shares to be issued in consideration for the Contribution (as defined below), which is appended to the Management Board report (the "**Prospectus**"), comprised of the Company's 2016 registration document, its update and its offer memorandum;*

- *the document written in English, entitled « Recommended offer by Elis SA for Berendsen plc to be effected by means of a scheme of arrangement under Part 26 of the Companies Act 2006 », prepared by Berendsen plc, a public limited company whose registered office is located at 1 Knightsbridge, London, SW1X 7LX, United Kingdom ("**Berendsen**") for the purpose of the Scheme of Arrangement (the "**Scheme Document**") which provides that, subject to the fulfilment or to the waiver of the conditions precedent laid down in the Scheme Document and summarized in the Prospectus, the Company acquires from Berendsen shareholders, according to the terms of the Scheme Document, all the ordinary Berendsen shares (the "**Transaction**") issued and to be issued prior to 7:30 am (London time) the business day after the date on which the Court sanctioned the Scheme of Arrangement (the "**Scheme Record Time**"), with the exception of shares held by Berendsen's Employee Benefit Trust, according to which:*

    - *Berendsen shareholders will receive £5.40 in cash and 0.403 new Elis share for each Berendsen share acquired through the Transaction, it being reminded that each Berendsen share was valued at £12.45 (excluding the interim dividend decided by Berendsen) based on an Elis closing price of EUR 19.90 and a £ : EUR exchange rate of 1 :1.138 as at June 9, 2017 (being the last business day prior to the date of the 2.7 announcement entitled « Recommended acquisition of Berendsen plc by Elis SA to create a pan-European textile, hygiene and facility services leader »);*

    - *under French Law, the Transaction constitutes (a) a contribution in kind of approximately 56.6% of the issued share capital of Berendsen by Berendsen shareholders who will receive Elis shares as consideration for their contribution (the "**Contribution**") and (b) the acquisition in cash of approximately 43.4% of the issued share capital of Berendsen; and*

    - *the Company offers a mix and match facility to Berendsen shareholders which will allow Berendsen shareholders to vary the proportions in which they receive new Elis shares and cash consideration, subject to the offsetting mix and match elections made by other Berendsen shareholders, provided that the total cash consideration to be paid and the total number of new Elis shares to be issued pursuant to the Transaction will not be varied; and*

- *the reports on the value and on the consideration for the Contribution referred to in article L. 225-147 of the French Commercial Code and by the AMF position-recommendation no. 2011-11 and prepared by Mr. Olivier Peronnet (Finexsi) and Ms. Dominique Mahias (Didier Kling & Associés), contribution appraisers appointed by the President of the Nanterre Commercial Court through an order dated June 28, 2017 (the "**Contribution Appraisers**");*

– *Having taken notice that :*

- *the reports on the value and the consideration for the Contribution prepared by the Contribution Appraisers have been made available to the Company's shareholders and filed with the registrar of the Nanterre Commercial Court in accordance with statutory and regulatory provisions;*

- *the completion of the Transaction is subject, as the case may be, to the fulfilment of the conditions precedent provided for in the Scheme Document, as summarized in the Prospectus, or to the waiver of those conditions which Elis may waive;*

- *the Contribution constitutes an inseparable transaction from the acquisition by the Company of all ordinary Berendsen shares issued at the Scheme Record Time, with the exception of the shares held by Berendsen's Employee Benefit Trust;*

- *Berendsen's issued share capital at the Scheme Record Time that will be contributed by Berendsen shareholders through the Contribution correspond to the 172,636,913 shares comprising Berendsen's issued share capital at the date of this shareholders' meeting less the 1,291,621 Berendsen shares held by Berendsen's Employee Benefit Trust, i.e 171,345,292 ordinary Berendsen shares; and*

- *the 171,345,292 Berendsen shares contributed in the framework of the Contribution are valued at EUR 1,369,937,445,*

1. approves, in accordance with article L. 225-147 of the French Commercial Code, the Contribution and in particular the appraisal of the 171,345,292 shares contributed in the Contribution, for a total amount of EUR 1,369,937,445, representing an amount of EUR 7.99 for each Berendsen share contributed;

*2. approves the terms of the consideration for the Contribution, i.e the transfer to the Berendsen shareholders of 0.403 new Elis shares for each Berendsen share contributed to the Company, representing a total number of 69,052,152 new ordinary shares issued by the Company (the "**New Shares**"), with a nominal value of EUR 1 each and with immediate dividend rights, as remuneration for the contribution of the 171,345,292 Berendsen shares within the framework of the Contribution;*

3. as a consequence of the above, decides, subject to the fact that the Scheme of Arrangement becomes effective and to the completion of the Contribution, to increase the share capital of the Company, as a consideration for the Contribution, for a nominal amount of EUR 69,052,152 by the issue of 69,052,152 new ordinary shares of the Company (on the basis of a ratio of 0.403 new Elis share for each Berendsen share contributed and of Berendsen's share capital composed of 172,636,913 at the date of this shareholders' meeting, less the 1,291,621 Berendsen shares held by Berendsen's Employee Benefit Trust at the date of this shareholders' meeting) with a nominal value of one euro each, fully paid and allocated in full to Berendsen shareholders in accordance with the terms provided for in the Scheme Document and summarized in the Prospectus;

4. decides, subject to the fact that the Scheme of Arrangement becomes effective and to the completion of the Contribution, that as of the date of the completion of the Contribution, the New Shares will rank pari passu in all respects with existing ordinary shares and will have the same rights. The New Shares will be subject to the provisions of the Company's articles of association and will give the right to receive any distribution which may be decided as from the date of their issuance;

*5. approves, subject to the fact that the Scheme of Arrangement becomes effective and to the completion of the Contribution, the contribution premium for a total amount of EUR 1,300,885,293 (the « **Contribution Premium** ») representing the difference between (i) the issue price of new ordinary shares of the Company which will be issued as consideration for the Contribution at the date the Scheme of Arrangement becomes effective for a total amount* *of EUR 1,369,937,445, and (ii) the total nominal value of the share capital increase realized as consideration for the Contribution representing a total nominal value of EUR 69,052,152 (on the basis of a ratio of 0.403 new Elis share for each Berendsen share contributed and the 172,636,913 shares comprising Berendsen's share capital at the date of this shareholders' meeting, less the 1,291,621 Berendsen shares held by Berendsen's Employee Benefit Trust);*

6. authorizes the Management Board of the Company to deduct from the Contribution Premium, as applicable, all fees, charges and taxes resulting from the implementation of the Scheme of Arrangement;

7. decides, under de same condition, that the Contribution Premium, or its balance, as applicable, will be recorded on a special account called « Contribution Premium » in the liabilities of the Company's balance sheet;

8. takes note of the fact that:

- *the Contribution will only be definitely implemented on the date the Scheme of Arrangement becomes effective;*

- *the Company has applied for new shares to be admitted to trading on the regulated market of Euronext Paris, this admission being made as soon as possible after the completion of the Contribution and the consequential increase in the share capital of the Company set forth in the present resolution;*

9. As a consequence, decides to delegate to the Management Board of the Company, with powers to sub-delegate within the law, the power to:

- *acknowledge the fulfilment of the condition precedent provided for in the present resolution and, accordingly, acknowledge the completion of the Contribution;*

- *acknowledge the completion of the increase in share capital resulting from the completion of the Contribution, and accordingly amend article 6 (Share Capital) of the articles of association;*

- *proceed with all formalities required for the admission to trading on the regulated market of Euronext Paris of the Company's new shares;*

- *and more generally, proceed with all findings, statements or communications, to draw up any repetitive, confirmatory, corrective or supplementary acts and to take any action, to sign any document, act or contract and to carry out any formality or procedure useful or necessary for the completion of the Contribution.*"

2.5.2. Decision by the Elis Board

In accordance with article 20.IV.b of the Company's articles of incorporation, the Elis Board, in a meeting held on July 19, 2017, approved the principle of the share capital increase in consideration for the Contribution in accordance with the terms of the Transaction, which have been presented to the Elis Board, and accordingly decided to authorize the management board to determine the number of New Shares to be issued as part of the share capital increase.

2.6. French regulations on mandatory takeover bids, squeeze-out and sell-out rules

The Company is subject to legislative and regulatory provisions in France relating to mandatory takeover bids, squeeze-out and sell-out rules.

2.6.1. Mandatory takeover bids

Article L. 433-3 of the French Monetary and Financial Code and articles 234-1 *et seq.* of the AMF's General Regulation state the conditions under which a mandatory public offer must be made for all capital securities and securities giving access to the capital or to the voting rights of a company whose shares are admitted to trading on a regulated market.

2.6.2. Squeeze-out and sell-out rules

Article L. 433-4 of the French Monetary and Financial Code and articles 236-1 *et seq.* (public withdrawal offer), 237-1 *et seq.* (squeeze-out) and 237-14 *et seq.* (squeeze-out following any public offer) of the AMF's General Regulation state the conditions under which a public withdrawal offer and a squeeze-out of minority shareholders must be filed for a company whose shares are admitted to trading on a regulated market.

2.7. Accounting of the Contribution

2.7.1. Designation and value of assets contributed and liabilities assumed

The Berendsen shareholders who will receive New Shares as consideration for their existing shares in accordance with the terms of the Transaction will contribute, under the rules on contributions in kind set out in article L. 225-147 of the French Commercial Code, 96,981,435 Berendsen shares that they own, representing around 56.6% of the issued and to be issued share capital of Berendsen.

The Contribution represents a maximum overall value of €1,369,937,445 based on a price of 12.45p per Berendsen share, making a maximum overall value of £1 207 418 866, converted on the basis of a GBP:EUR exchange rate of 1:1.1346 corresponding to the hedging exchange rate of the acquisition price paid by Elis for Berendsen shares. These numbers have been calculated in consideration of the fair value of the shares and not in consideration of their accounting value.

2.7.2. Revaluation and readjustments made between the value of the Contribution and the accounting value

Not applicable.

2.7.3. Appraisal of the value of and consideration for the Contribution by the Contribution Appraisers

The Contribution Appraisers have based their reports (dated July 27, 2017, featuring in Annex 2 of the Securities Note) on their assessment of the value of the Contribution and the consideration given for the Contribution. The conclusions of those reports are set out below:

- concerning the value of the Contribution:

  "*Based on our work, and as of the date of the present report, we believe the value of the contributions amounting to £1,207,418,866, i.e. €1,369,937,445 on the basis of the exchange rate of £1:€1.1346, is not overestimated and, as a consequence, is at* *least equal to the amount of the share capital increase of the company benefitting from the contributions, increased by the issuance premium."*

- concerning the consideration given for the Contribution:

  "*Based on our work and as of the date of the present report, we believe the proposed consideration for the contribution resulting in the issuance of a maximum number of 69,052,152 Elis shares, is fair.*"

2.7.4. Calculation of the contribution premium

The difference between the value of the Contribution, i.e. €1,369,937,445, and the total nominal amount of the capital increase to provide consideration for the Contribution (i.e. €69,052,152) will constitute a contribution premium of €1,300,885,293, which will be entered in a "contribution premium" account.

2.8. Remuneration for the Contribution

Description of the multi-criteria analysis used by management to estimate the value of the contributed assets and of the shares of the company receiving the contributions.

The information set out in this paragraph 2.8 comprises information which Elis is required to disclose under French law concerning the consideration for, and value of, the assets transferred to Elis, in order for (i) Elis's shareholders to decide whether to approve the transaction by voting at a general meeting and (ii) the contribution appraisers to substantiate and justify their opinion on such matters.

The information set out in this paragraph 2.8 solely serves the purpose of complying with the French law requirements referred to above and nothing in this paragraph should be construed as a profit forecast within the meaning of the Takeover Code. The inclusion of the financial estimates derived from equity research analysts' reports is solely for the purpose of the substantiation and justification of the contribution appraisers' opinion and not for the assessment of future financial performance of Elis or Berendsen.

2.8.1. Appraisal of the Transaction

(i) Preliminary information

The valuation methods used for the multi-criteria analysis are based on customary appraisal factors for listed companies in the textile, hygiene and facility services sector, namely:

- share price;
- equity research analysts' target prices;
- financial ratios of comparable listed companies;
- multiples paid in comparable transactions; and
- discounted cash flow.

The financial aggregates used to analyze the financial terms of the Final Proposal are taken from the consolidated financial statements of:

- Elis, prepared in accordance with IFRS rules as adopted in the European Union for consolidated annual financial statements at December 31, 2014, 2015 and 2016;
- Berendsen, prepared in accordance with IFRS rules as adopted in the European

Union for consolidated annual financial statements at December 31, 2014, 2015 and 2016.

The financial estimates used to perform the multi-criteria analysis described below are derived from a consensus of equity research analysts' reports[50].

The financial estimates contained in these analysts' reports are not endorsed by either Elis or Berendsen and have not been reviewed or reported on in accordance with the requirements of Rule 28.1(a) of the Takeover Code; their inclusion in this documentis not intended as a profit forecast or estimate for any period, and any reference to such financial estimates should not be interpreted as meaning that the earnings or earnings per share of Elis or Berendsen for any period would necessarily match or exceed the projected financial estimates detailed below.

In addition, the levels of premium obtained using the different methodologies described below should be assessed in light of the expected synergies derived from the Transaction, which have not been taken into account in the analysis as presented.

Elis' shares are listed in Paris and Berendsen's shares are listed in London. Elis and Berendsen are part of the SBF120 and FTSE All Shares indices respectively. Elis and Berendsen regularly communicate on their earnings and are tracked by leading equity research analysts.

The reference prices for Elis and Berendsen are the prices as at May 17, 2017, the day before the date on which Elis released an announcement proposing a combination with Berendsen.

The projections used to calculate the financial ratios for the comparable listed companies referred to below (Rentokil Initial) and Johnson Services Group) are derived from the consensus given by FactSet[51] on May 17, 2017. The multiples are calculated on the basis of share prices as at May 17, 2017.

The adjustment factors used to move from enterprise value to equity value are based on the two companies' accounts as at December 31, 2016.

The table below lists the items used to move from enterprise value to equity value.

	Elis (€m)
Reported net debt	1,596
January 2017 capital increase	(325)
Payment for the acquisition of Lavebras	340
Minority interests	4
Loss related to post-employment and similar benefits (net of tax)	41
Other financial assets	(0)
Bridge from enterprise value to equity value	**1,656**

50 The information set out in this section which is referred to as "consensus" is derived from the following equity research analyst' reports in relation to Elis and Berendsen, respectively:
Elis: Kepler-Cheuvreux (19/04/2017), Berenberg (20/03/2017), Natixis (17/03/2017), Société Générale (15/03/2017), Oddo (15/03/2017), Midcap Partners (17/05/2017), Main First (17/05/2017), and Morgan Stanley (03/05/2017). Deutsche Bank (12/04/2017) has been excluded as it is acting as financial adviser and corporate broker to Elis, Exane (17/05/2017) has been excluded as BNP Paribas is acting as financial adviser to Elis and Credit Suisse (02/05/2017) has been excluded as it as acting as financial adviser to Berendsen. Additionaly, Goldman Sachs (22/03/2017) has been excluded due to access to its report being restricted.
Berendsen: Morgan Stanley (28/04/2017), Barclays (21/03/2017), Goldman Sachs (07/03/2017), Peel Hunt (17/05/2017), Numis (29/03/2017), RBC (24/03/2017), and Stifel (06/03/2017)]. Exane (27/04/2017) has been excluded as BNP Paribas is acting as financial adviser to Elis, Credit Suisse (22/03/2017) has been excluded as it as acting as financial adviser to Berendsen and JP Morgan (27/04/2017) has been excluded as it is acting as financial adviser and corporate broker to Berendsen.

51 FactSet includes in its consensus all the equity research analysts' reports published in the 100 days before the consensus date. Only analysts that have given their consent are included in the FactSet consensus. FactSet may exclude some analysts if their methodology for calculating certain aggregates is not consistent with the company's methodology or the one used by the majority of analysts.

Sources: Company's annual financial report and financial communications
NB: All items as at 31/12/2016 except for adjustments related to the acquisition of Lavebras and the capital increase

	Berendsen (£m)
Reported net debt	429
Minority interests	5
Loss related to post-employment and similar benefits (net of tax)	26
Adjustment for payment of the 11p interim dividend	19
Bridge from enterprise value to equity value	**479**

Sources: Company's annual financial report and financial communications
NB: All items as at 31/12/2016

The number of shares for Elis and Berendsen shown in the table below takes into account the maximum potential dilutive effect from the award of performance-related stock options and bonus shares that may be issued in the context of the Transaction.

Elis	**Million shares**
Number of shares comprising the share capital	140.2
Treasury stock	(0.1)
Retained number of shares	140.1

Sources: Company's annual financial report and financial communications

Berendsen	**Million shares**
Number of shares comprising the share capital	172.6
Dilutive items	1.8
Fully diluted number of shares	174.4

Sources: Company financial communications

(i) Appraisal of the terms of the Final Proposal

0.403 Elis shares and £5.40 in cash are offered for one Berendsen Ordinary Share tendered in response to the Final Proposal. On the basis of a reference price at June 9, 2017[52] of €19.90 per Elis share and a reference exchange rate at the same date of £1 = €1.138:

- the implicit value of Berendsen Ordinary Shares as per the Final Proposal is £12.45 (0.403 x €19.90 / 1.138 + £5.40) and is therefore consistent with the Cash Offer price of £12.45 per Berendsen Ordinary Share; and
- the implicit ratio of the Final Proposal is 0.712 (£12.45 / €19.90 x 1.138) and is therefore consistent with the Share Offer ratio of 0.711965 Elis shares for one Berendsen Ordinary Share.

The terms of the Final Proposal have therefore been analyzed on the basis of the appraisal factors for the Cash Offer and the Share Offer, presented below, which are derived from published data relating to Berendsen and Elis.

[52] Date of the 2.7 Announcement.

The implicit values of the Final Proposal and the premiums assessed on the basis of the historical share price of Elis and Berendsen are as follows:

	Elis share price (€)	Berendsen share price (p)	€/£ exchange rate	Exchange value (p)	Premium / (Discount)
June 9, 2017	19.9	1,215	0.8787	1,245	44.1%
May 17, 2017	20.0	864	0.8611	1,234	42.8%
1-month average	19.0	831	0.8452	1,188	42.9%
2-month average	18.7	798	0.8513	1,181	48.0%
3-month average	18.3	811	0.8543	1,168	44.0%
6-month average	16.9	828	0.8537	1,121	35.4%

Source FactSet
NB: the reference date for calculating premiums is 17/05/2017, corresponding to the last price not affected by Elis' 2.4 Announcement of 18/05/2017
NB: the averages are weighted for the volumes traded for each business day

(ii) Appraisal of the terms of the Cash Offer

a. Share price

The table below shows the level of premiums implied by the offer price of £12.45 per Berendsen share on the different Berendsen average prices, established at May 17, 2017 so that the price is not affected.

	Berendsen share price (p)	Premium / (Discount)
May 17, 2017	864	44.1%
1-month average	831	49.8%
2-month average	798	56.0%
3-month average	811	53.4%
6-month average	828	50.3%

Source: FactSet
NB: the reference date for calculating premiums is 17/05/2017, corresponding to the last price not affected by Elis' 2.4 Announcement of 18/05/2017
NB: the averages are volume-weighted for each business day

b. Equity research analysts' target prices

The table below shows equity research analysts' target prices for Berendsen, published between the release of the company's 2016 annual results and the date of Elis' 2.4 Announcement:

Equity research analysts	Last review	Recommendation	Target price (p)	Target price vs. price at 17/05/2017	Offer premium vs. target price
Peel Hunt, LLP	17/05/2017	Buy	908	5.2%	37.1%
Exane[53]	17/05/2017	Buy	950	10.0%	31.0%

[53] BNP Paribas advises Elis.

Numis	08/05/2017	Hold	695	(19.5%)	79.1%
Stifel	28/04/2017	Hold	680	(21.3%)	83.0%
Morgan Stanley	28/04/2017	Hold	645	(25.3%)	93.0%
RBC	27/04/2017	Hold	660	(23.6%)	88.6%
JP Morgan[54]	27/04/2017	Buy	1,249	44.6%	(0.3%)
Barclays	27/04/2017	Hold	700	(18.9%)	77.8%
Credit Suisse[55]	27/04/2017	Hold	700	(18.9%)	77.8%
Goldman Sachs	07/03/2017	Buy	1,070	23.9%	16.3%
Average taken into consideration (excl. JP Morgan and Credit Suisse and Exane)			**765**	**(11.4%)**	**62.6%**
Average			**826**	**(4.4%)**	**50.7%**

Source: FactSet, Bloomberg

	Berendsen target price (p)	**Premium / (Discount)**
Average	765	62.6%

Equity research analysts' target prices show an average discount of 11.4% to the Berendsen share price at May 17, 2017.

The minimum and maximum prices have been published by Morgan Stanley (£6.45, 28 April 2017) and Goldman Sachs (£10.70, 7 March 2017), respectively. The Cash Offer price (£12.45) shows a premium of 62.6% over the equity research analysts' average target price.

c. Financial ratios of comparable listed companies

The comparable listed companies method consists in applying the financial ratios observed for comparable companies to a company's estimated financial aggregates in order to obtain the implicit value per share of the analyzed company.

The sample used comprises companies of comparable size operating in similar geographical regions (Europe) and offering products and services close to those of Elis and Berendsen. The sample also includes two further companies:

– Rentokil Initial

    o Rentokil Initial is a business services company based in the UK. It provides pest control, hygiene and workwear supply and laundry services. The company operates in over 60 countries in North America (pest control), Latin America, Europe, Asia and the Pacific region. In 2016, Rentokil entered into an agreement with Haniel to create a joint venture, CWS-bococontributing its activities in the hygiene, workwear and clean room sectors in Central Europe.

54 JP Morgan advises Berendsen
55 Credit Suisse advises Berendsen

– Johnson Services Group

  - JSG provides linen and workwear rental and laundry services in the UK and has over 40,000 customers. The company operates through its five main brands, Apparelmaster, Stalbridge, London Linen, Bourne and Afonwend.

Cintas, which offers services similar to those of Elis and Berendsen but in America, was eliminated from the sample of comparable companies because its financial aggregates are not readily comparable. In compliance with American accounting rules, the company books linen purchases as an operating cost not as capital investment, as is the case with Elis and Berendsen. Consequently, Cintas' operating profitability appears lower than that of Elis and Berendsen and its operating profit ratios are significantly higher but not homogeneous.

The ratios used for the valuation exercise described in this document are enterprise value to EBIT and PER (price/earnings ratio), which is the ratio between the companies' share price and their net earnings per share attributable to the group. These two methods capture both the two companies' operating performance and differences in their capital structure. It should be noted that these ratios do not reflect the investment plan announced by Berendsen's management on presentation of the company's annual results in March 2017.

£ million except where stated otherwise	**Country**	**Market Capitalization**	**Enterprise Value (EV)**	**EV / EBIT 17E**	**EV / OEBIT 18E**	**P / E 17E**	**P / E 18E**
Berendsen	UK	1,506	1,978	13.3x	12.8x	15.2x	14.9x
Elis	France	2,407	3,830	17.3x	15.2x	19.3x	15.7x
JSG	UK	469	582	14.5x	14.0x	16.1x	15.5x
Rentokil Initial	UK	4,724	5,437	18.7x	17.4x	22.6x	20.2x
Average				**16.0x**	**14.8x**	**18.3x**	**16.6x**

Sources:

(i) FactSet for all data on JSG and Rentokil Initial and the market capitalization and share price data for Elis and Berendsen

(ii) Company information for the enterprise value data for Elis and Berendsen

(iii) The consensus of equity research analysts' reports as set out in note 1 for the estimated income for Elis and Berendsen for 2017 and 2018, respectively, used to calcilate the EV/EBIT, EV/OEBIT and P/E ratios

£ million except where stated otherwise	**EV / EBIT 17E**	**EV /EBIT 18E**	**P / E 17E**	**P / E 18E**
Implicit enterprise value	2,376	2,300	2,287	2,157
Ratio	16.0x	14.8x	18.3x	16.6x
Berendsen price (p/share)	1,087	1,044	1,037	962
Premium / (Discount) on offer at 09/06/2017	14.5%	19.2%	20.1%	29.4%

The Cash Offer price (£12.45) yields premiums ranging from 14.5% to 29.4% in relation to a price varying between 1,087p and 962p after the application of average multiples of operating profit (EBIT) for 2017 and 2018 and PER for 2017 and 2018.

d. Multiples paid in comparable transactions

The comparable transactions method consists in applying the ratios observed in recent transactions between companies operating in a comparable area of activity to a company's financial aggregates.

Although it is difficult to identify directly comparable transactions, it was nevertheless considered that the two transactions selected and described below could provide a useful benchmark for appraising the Cash Offer. However, each transaction is specific by nature and the prices offered in the sample transactions reflect not only the specific dynamic of each transaction but also the expected synergies and the valuation of the acquired businesses at the time of the transaction.

The transactions are:

- JSG / Afonwen
    - On April 29, 2016, JSG announced the acquisition of 100% of the shares of Afonwen Laundry, a linen services company in the UK, for £52.6 million, corresponding to a multiple of 8.2 times EBITDA.
- CWS-boco / Rentokil
    - On December 16, 2016, Rentokil announced the conclusion of an agreement with Haniel to establish a joint venture, CWS-boco, intended to become the leader on the European textile services and hygiene market. The valuation of Rentokil's activities transferred to the joint venture reflected a multiple of 15.2 times EBITA[56].

Announcement date	Acquirer	Target	Transaction value	Multiple of EBITDA	Multiple of EBITA
April 29, 2016	JSG	Afonwen	£52.6m	8.2x	n.a.
December 16, 2016	Haniel	CWS-boco	€805m	n.a.	15.2x

Source : Company data

The valuation ratios for the transactions are calculated on the basis of financial data as at December 31, 2016.

£ million except where stated otherwise	Average
Implicit enterprise value[57]	2,653
Berendsen price (p/share)	1,246
Premium / (Discount) on offer at 09/06/2017	(0.1%)

The sample of transactions gives an average value per Berendsen share of 1,264p. The Cash Offer price yields a discount of 0.1% in relation to this average value resulting from the application of the multiples of the two transactions to Berendsen's corresponding aggregates for 2016.

56 "15.2 x APBITA (Adjusted Profit before Interest Taxation and Amortization) as of 12 months to June 30, 2016)".
57 Average of the implicit enterprise values of the two transactions.

e. Discounted cash flow

The discounted cash flow method consists in determining the value of the enterprise value of a company by discounting expected future cash flows. It is strongly correlated to the assumptions contained in the business plan of the company to be valued.

Available cash flows are defined as the operating profit or loss after tax plus depreciation and amortization (which have no effect on cash) minus net capital expenditure and changes in the working capital requirement.

The enterprise value was obtained by discounting expected available cash flows against the weighted average cost of capital (WACC) at January 1, 2017. The business plan used is based on the equity research analysts' consensus (2017-2019), derived from the equity research analysts' reports set out in note 1, extrapolated to 2021. The main assumptions of the business plan for the period are as follows:

- equity research analysts' consensus until 2019, then extrapolation by the banks over the period 2020-2021;

- an compounded annual growth rate (CAGR) of 2.3% over the period 2017-2022;

- an improvement of approximately 214 basis points in EBITDA margin between 2017 and 2022, reflecting in particular the consequences of the investment plan announced by the company and an improvement in its operating leverage;

- a normative tax rate of 25% corresponding to the corporate income tax rate in the UK;

- capital expenditure representing approximately 19% of sales, in line with historical levels, over the period 2020-2021, after rollout of the investment plan announced by the company's management for the period 2017-2019;

- a working capital requirement as a percentage of sales that is flat over the period at approximately 17%.

The terminal value is calculated on the basis of a normative cash flow, in line with the final extrapolations of the business plan, and takes account of a perpetuity growth rate of 2%, in line with historical inflation and equity research analysts' assumptions, and a weighted average cost of capital (WACC) of 7.5%.

WACC is the weighted average of the cost of equity and the cost of debt after tax. For Berendsen, it is 7.5% on the basis of the following assumptions:

- a risk-free rate of 3.0% (10-year government bond rate) – Source: Bloomberg;

- a market-risk premium of 6.3% - Source: Damodaran;

- an unlevered beta of 0.77 – Source: FactSet, Barra and Bloomberg average;

- a normative tax rate of 25%, the normative rate in the UK.

£ million except where stated otherwise	
Sum of DCF	200
Terminal value	2,009
Enterprise value	2,209
Berendsen price (p/share)	991

£ million except where stated otherwise	
Implicit enterprise value	2,209
Implicit Berendsen multiple (EV / EBITDA 17E)	6.2x
Berendsen price (p/share)	991
Premium / (Discount) on offer at 09/06/2017	25.6%

Discounted cash flow implied valuation is 991p per Berendsen share. The offer price (£12.45) yields a premium of 25.6% in relation to this valuation of Berendsen shares.

f. Summary of appraisal of the terms of the Cash Offer

Share price	**Premium/ (Discount)**
May 17, 2017	44.1%
1-month average	49.8%
2-month average	56.0%
3-month average	53.4%
6-month average	50.3%
Equity research analysts' target price	
Average	77.8%
Financial ratios	
Premium on / (Discount to) sample average – EV / EBIT 17E	14.5%
Premium on / (Discount to) sample average – EV / EBIT 18E	19.2%
Premium on / (Discount to) sample average – P / E 17E	20.1%
Premium on / (Discount to) sample average – P / E 18E	29.4%
Comparable transactions	
Premium on / (Discount to) comparable transactions	(0.1%)
Discounted cash flow	
Premium / Discount	25.6%

(iii) Appraisal of the Share Offer

The exchange ratio proposed in the context of the Share Offer, namely 0.712 Elis shares for one Berendsen share, can be appraised in light of the following elements.

a. Share price

Elis' share price is particularly relevant in assessing the exchange ratio because of the group's market capitalization – over €2 billion at May 17, 2017 – and its fragmented share ownership structure (the free float represents over 70% of the company's capital). Elis' share price was used as a valuation benchmark when the exchange ratio for the Transaction was negotiated.

The table below shows the premiums arising from the Share Offer ratio in relation to the ratio between the closing price of Berendsen and Elis shares at May 17, 2017, and in relation to the ratios between the volume-weighted average prices for the two companies since 09/06/2017, and over different reference periods before that date:

	Elis share price (€)	**Berendsen share price (p)**	**€/£ exchange rate**	**Implicit exchange ratio**	**Share offer exchange ratio**	**Premium / (Discount)**
June 9, 2017	19.9	1,215	0.8787	0.494x	0.712x	44.1%
May 17, 2017	20.0	864	0.8611	0.502x	0.712x	41.9%
1-month average	19.0	831	0.8452	0.517x	0.712x	37.7%
2-month average	18.7	798	0.8513	0.502x	0.712x	41.9%
3-month average	18.3	811	0.8543	0.520x	0.712x	36.8%
6-month average	16.9	828	0.8537	0.575x	0.712x	23.9%

Source: FactSet
NB: the reference date for calculating premiums is 17/05/2017, corresponding to the last price not affected by Elis' 2.4 Announcement of 18/05/2017
NB: averages are volume-weighted for each business day
NB: the offer exchange ratio corresponds to a 100% share offer at the same price level as the proposed exchange ratio of 0.403x for the share component of the offer

The Share Offer exchange ratio thus yields a premium between 23.9% and 44.1% in relation to the exchange ratios calculated on the basis of the volume-weighted averages for the Elis and Berendsen share prices selected over the various periods before May 17, 2017, the day before the release of the 2.4 Announcement.

b. Equity research analysts' target prices

The table below shows target prices for Berendsen:

Broker	**Last review**	**Recommendation**	**Target price (p)**	**Target price vs. price at 17/05/2017**	**Offer premium vs. target price**
Peel Hunt, LLP	17/05/2017	Buy	908	5.2%	37.1%
Exane	17/05/2017	Buy	950	10.0%	31.0%
Numis	08/05/2017	Hold	695	(19.5%)	79.1%
Stifel	28/04/2017	Hold	680	(21.3%)	83.0%
Morgan Stanley	28/04/2017	Hold	645	(25.3%)	93.0%

RBC	27/04/2017	Hold	660	(23.6%)	88.6%
JP Morgan	27/04/2017	Buy	1,249	44.6%	(0.3%)
Barclays	27/04/2017	Hold	700	(18.9%)	77.8%
Credit Suisse	27/04/2017	Hold	700	(18.9%)	77.8%
Goldman Sachs	07/03/2017	Buy	1,070	23.9%	16.3%
Average taken into consideration (excl. JP Morgan, Credit Suisse and Exane)			**765**	**(11.4%)**	**62.6%**
Average			**826**	**(4.4%)**	**50.7%**

Sources: FactSet, Bloomberg

The minimum and maximum prices have been published by Morgan Stanley (£6.45, 28 April 2017) and Goldman Sachs (£10.70, 7 March 2017), respectively

The table below shows target prices for Elis:

Broker	Last review	Recommendation	Target price (€)	Target price vs. price at 17/05/2017
Midcap Partners - Louis Capital Markets	17/05/2017	Buy	23.3	16.6%
Mainfirst Bank AG	17/05/2017	Buy	22.5	12.6%
Deutsche Bank Research	17/05/2017	Hold	19.0	(4.9%)
Société Générale	17/05/2017	Buy	23.2	16.1%
Berenberg	15/05/2017	Buy	22.0	10.1%
Morgan Stanley	03/05/2017	Hold	17.3	(13.4%)
Credit Suisse	02/05/2017	Hold	18.7	(6.4%)
Kepler Chevreux	28/04/2017	Buy	21.0	5.1%
Natixis	28/04/2017	Buy	22.0	10.1%
Oddo Securities	28/04/2017	Buy	20.5	2.6%
Exane BNP Paribas	27/04/2017	Hold	17.3	(13.4%)
Goldman Sachs	22/03/2017	Buy	21.0	5.1%
Average (excluding Credit Suisse, Deutsche Bank and Exane)			**21.4**	**7.2%**

Sources: FactSet, Bloomberg

The minimum and maximum prices have been published by Morgan Stanley (€17.3, 3 May 2017) and Midcap (€23.3, 17 May 2017), respectively. The average target prices for Elis and Berendsen implies a ratio of 0.415 Elis shares for one Berendsen share (at the exchange rate as at May 17, 2017).

	Elis target price (€)	Berendsen target price (p)	€/£ exchange rate	Implicit exchange ratio	Share offer exchange ratio	Premium / (Discount)
Average	21.4	765	0.8611	0.415x	0.712x	71.5%

The Share Offer exchange ratio implied a premium of approximately 71.5% in relation to the exchange ratio calculated on the basis of average analyst target prices for Elis and Berendsen shares.

Summary of appraisal of the terms of the Share Offer

Share price	**Premium / (Discount)**
June 9, 2017	44.1%
May 17, 2017	41.9%
1-month average	37.7%
2-month average	41.9%
3-month average	36.8%
6-month average	23.9%
Equity research analysts' target prices	
Premium on / (Discount to) average target price	71.5%

(iv) Appraisal factors not used

a. Net book assets

The net book assets method is not a relevant criterion for appraising the proposed price. Based on a historical value of assets and liabilities, the method seems to be of little relevance insofar as it takes no account of either the real value of the two companies' intangible assets (market share, customer relations, brand image, know-how, etc.) or the group's future performance.

b. Revalued net assets

This method consists in adjusting net book assets for unrealized capital gains or losses identified in assets, liabilities or off-balance sheet commitments. It is generally used for the valuation of portfolio companies holding minority financial interests and was discarded because Elis' and Berendsen's assets are mostly operating assets under majority control.

c. Dividend discount

The dividend discount model was not applied because it seems too dependent on the dividend policy of the companies concerned.

d. Ratio of net earnings per share

A comparison between the exchange ratio proposed in the context of the Share Offer and the ratio of consolidated net earnings attributable to the group per Elis and Berendsen share is of little relevance here because net EPS at Elis was negative in 2014 and 2015 and because the two companies have a significantly different debt structure.

e. Ratio of dividends per share

A comparison between the exchange ratio proposed in the context of the Share Offer and the ratio of dividend per Elis and Berendsen share is of little relevance here because of (i) the dividend policy of the companies concerned, and (ii) a growth strategy at Elis that focuses more on external growth and investment.

2.9. Consequences of the Transaction

2.9.1. Consequences of the Transaction for Elis and its shareholders

2.9.1.1 Impact of the Transaction on Elis' equity

The table below presents the impact of the Transaction (excluding and including the CPPIB Cash Placing) on Elis' equity:

	Number of financial securities	Share capital (in thousands of euros)	Additional paid-in capital[(i)] (in thousands of euros)
Pre-Transaction	140,167,049	140,167	1,546,350
Issuance of the total number of New Shares	69,052,152	69,052	1,300,885
Post-Transaction (excluding the CPPIB Cash Placing)	209,219,201	209,219	2,847,235
Post-Transaction (including the CPPIB Cash Placing)	219,350,914	219,351	3,037,103

Source: Elis data
Note: (i) Excluding issuance costs for an estimated amount of €17.7 million before tax.

2.9.1.2 Combined Group ownership structure post-Transaction

The following table shows the impact of the Transaction on the ownership of Elis' share capital and voting rights based on Elis and Berendsen's ownership structures at June 30, 2017:

Shareholders	Pre-Transaction			
	Number of shares	%	Number of exercisable voting rights	%
Eurazeo, *including:*	**23,635,032**	**16.86%**	**42,892,699**	**26.85%**
Legendre Holding 27 SAS[(a)]	22,522,058	16.07%	40,873,361	25.58%
Eurazeo SE[(a)]	1,112,974	0.79%	2,019,338	1.26%
Crédit Agricole Assurances[(a)]	**13,991,662**	**9.98%**	**13,991,662**	**8.76%**
CPPIB[(c)]	**6,769,248**	**4.83%**	**6,769,248**	**4.24%**
Free float, *including:*	**95,715,607**	**68.29%**	**96,117,816**	**60.16%**
Berendsen shareholders	–	–	–	–
Ameriprise Financial, Inc.[(b)]	14,694,718	10.48%	14,694,718	9.20%

ECIP Elis SARL[a]	190,172	0.14%	345,124	0.22%
Executives and employees[e]	399,801	0.29%	484,476	0.30%
Treasury shares	55,500[d]	0.04%	–	–
Total	**140,167,049**	**100%**	**159,771,425**	**100%**

(a) Shareholders who have disclosed that they are bound by a shareholders' agreement which is not a concert action within the meaning of article L. 233-10 of the French Commercial Code.
(b) Based on Ameriprise Financial, Inc.'s disclosure regarding the crossing of ownership thresholds dated June 22, 2017. Ameriprise Financial, Inc. holds Elis shares via its subsidiary Threadneedle Asset Management Limited.
(c) CPPIB and the Company have entered into an investment agreement on June 7, 2017.
(d) As at June 30, 2017.
(e) Following the vesting of 250, 392 shares under the performance share plan dated April 7, 2015, whose vesting period expired on April 7, 2017.

At June 30, 2017, 19,659,876 Elis shares carried double voting rights.

Shareholders	**Post-Transaction**				**Post-Transaction and CPPIB Cash Placing**			
	Number of shares	**%**	**Number of exercisable voting rights**	**%**	**Number of shares**	**%**	**Number of exercisable voting rights**	**%**
Eurazeo, *including:*	**23,635,032**	**11.30%**	**42,892,699**	**18.74%**	**23,635,032**	**10.77%**	**42,892,699**	**17.95%**
Eurazeo SE[a]	22,522,058	10.76%	40,873,361	17.86%	22,522,058	10.27%	40,873,361	17.11%
Legendre Holding 27 SAS[a]	1,112,974	0.53%	2,019,338	0.88%	1,112,974	0.50%	2,019,338	0.84%
Crédit Agricole Assurances[a]	**13,991,662**	**6.69%**	**13,991,662**	**6.11%**	**13,991,662**	**6.38%**	**13,991,662**	**5.86%**
CPPIB[c]	**6,769,248**	**3.24%**	**6,769,248**	**2.96%**	**16,900,961**	**7.70%**	**16,900,961**	**7.07%**
Free float, *including:*	**164,767,759**	**78.75%**	**165,169,268**	**72.18%**	**164,767,759]**	**75.12%**	**165,169,968**	**69,12%**
Berendsen shareholders	**69,052,152**	**33%**	**69,052,152**	**30.18%**	**69,052,152**	**31.48%**	**69,052,152**	**28.90%**
Ameriprise Financial, Inc.[b]	14,694,718	7.02%	14,694,718	6.42%	14,694,718	6.70%	14,694,718	6.15%
ECIP Elis SARL[a]	190,172	0.09%	345,124	0.15%	190,172	0.09%	345,124	0.14%
Executives and employees[e]	399,801	0.19%	484,476	0.21%	399,801	0.18%	484,476	0.20%
Treasury shares	55,500[d]	0.03%	-	-	55,500[d]	0.03%	-	-
Total	**209,219,201**	**100%**	**228,823,577**	**100%**	**219,350,914**	**100%**	**238,955,290**	**100%**

(a) Shareholders who have disclosed that they are bound by a shareholders' agreement which is not a concert action within the meaning of article L. 233-10 of the French Commercial Code.
(b) Based on Ameriprise Financial, Inc.'s disclosure regarding the crossing of ownership thresholds

dated June 22, 2017. Ameriprise Financial, Inc. holds Elis shares via its subsidiary Threadneedle Asset Management Limited.

(c) CPPIB and the Company have entered into an investment agreement on June 7, 2017.

(d) As at June 30, 2017.

(e) Following the vesting of 250,392 shares under the performance share plan dated April 7, 2015, whose vesting period expired on April 7, 2017.

2.9.1.3 Planned changes to the composition of the administrative and management bodies

Elis corporate governance

After the Transaction, Elis will maintain a dual governance structure, with a supervisory board and a management board. The Elis Board will continue to be chaired by Thierry Morin while the Elis management board will continue to be chaired by Xavier Martiré.

As regards corporate governance, the Investment Agreement provides that CPPIB has the right to propose at any time the designation of a member of Elis' Board (*membre du Conseil de surveillance*) provided that its shareholding is at least equal to 8% of Elis' share capital and the designation of a second member within Elis' Board provided that its shareholding is at least equal to 15% of Elis' share capital. For more information about the investment agreement entered into with CPPIB, see section 1.5.2 "Investment Agreement" of the Registration Document Update.

Berendsen corporate governance

It is anticipated that the non-executive Berendsen directors will step down from the Berendsen Board with effect from the date on which the Scheme of Arrangement becomes effective. It is also expected that, if the Transaction successfully completes, James Drummond will step down as Chief Executive Officer and cease to be a Berendsen director with effect from the date on which the Scheme of Arrangement becomes effective. The terms of Mr Drummond's departure have not yet been agreed, but will be in accordance with the provisions of his service agreement. It is also expected that Kevin Quinn will cease to be Chief Financial Officer and a Berendsen director on or after the date on which the Scheme of Arrangement becomes effective. The date and terms of Mr Quinn's departure have not yet been agreed, but any terms agreed will be in accordance with the provisions of his service agreement.

2.9.1.4 Evolution of Elis and Berendsen's market capitalizations

The impact of the issue (excluding the CPPIB Cash Placing) on Elis' market capitalization, based on the closing price for Elis shares of €19.90 on June 9, 2017 (the last business day before the publication of the 2.7 Announcement) and the number of New Shares to be issued of 69,052,152 is set out in the following table:

	Pre-Transaction	**Post-Transaction**
Number of shares on a fully diluted basis	140,167,049	209,219,201
Market capitalization (in thousands of euros)	2,789.3	4,163.5

N.B.: Market capitalization on a fully diluted basis as at June 30, 2017

The impact on Elis' and Berendsen's market capitalizations caused by the publication of the 2.7 Announcement, on a fully diluted basis, is set out in the table below:

	Elis (in millions €)	Berendsen (in millions £)
Pre-announcement market capitalization (at the close on June 9, 2017)	2,789.3	2,119.1
Post-announcement market capitalization (at the close on June 12, 2017)	2,757.1	2,131.3
Change	*(1.2)%*	*0.6%*

N.B.: Market capitalization on a fully diluted basis as at June 30, 2017

2.9.1.5 Impact on the earnings per share calculation

The impact of the Transaction on Elis' earnings per share is as follows, on a non-audited pro forma basis as at December 31, 2016:

	Elis	Pro forma non-audited post-Transaction* (excluding the CPPIB Cash Placing)	Pro forma non-audited post-Transaction (including the CPPIB Cash Placing)
Net income attributable to the shareholders of the parent company (in millions of euros)	93.7	181.5	183.6**
Number of shares on a diluted basis (in millions)	114.1	183.2	193.3
Earnings per share after dilution (in euros)	0.82	0.99	0.95

Notes: *Information not included by the report presented in section 4.4 "Statutory Auditors' report on the Non-Audited Pro Forma Financial Information" of the Securities Note.
**See section 4.3.1 "Pro forma consolidated income statement for the financial year ending December 31, 2016

2.9.1.6 Contemplated new reorganizations

For additional information on new reorganizations contemplated after the Transaction has been completed, see section 2.1.2 "Reasons for and purpose of the Transaction" of the Securities Note.

2.9.1.7 Short- and medium-term outlook and intentions

It is intended that dealings in Berendsen shares will be suspended at 7:30 a.m. (London time) on the business day following the date on which the Court sanctions the Scheme of Arrangement. Berendsen will apply, before the date on which the Scheme of Arrangement becomes effective, for the cancellation of the listing of the Berendsen shares on the Official List and trading on the London Stock Exchange for listed securities. Elis also proposes that, after the Berendsen shares are delisted, Berendsen will be re-registered as a private company.

Elis' intentions vis-à-vis Berendsen

Elis' intentions with regard to the future business of the Combined Group are to create a pan-European textile, hygiene and facility services group, combining Berendsen's competitive position in Northern Europe with Elis' strengths in the rest of Europe and a number of high-growth emerging markets. The Combined Group would pursue Elis' four strategic pillars of: (i) consolidating its positions through organic growth and acquisitions across new and existing services and markets; (ii) developing activities in Latin America; (iii) continuing to improve its operational excellence; and (iv) introducing new products and services at limited marginal cost.

Elis attaches great importance to the skills and experience of the existing employees of Berendsen. Elis intends to approach the integration of the broader Berendsen management team in an open and transparent manner with the aim of retaining and motivating the best talent across the Combined Group.

In order to achieve some of the expected benefits of the Transaction, it will be necessary for Elis to perform a detailed review of how best to combine the operations of the Elis Group and the Berendsen Group. Based on the results of this review, Elis intends to finalise the composition of the Combined Group's management team by early January 2018 at the latest. As part of this review, Elis will also be assessing the existing business line structure of Berendsen and determining how best to integrate it with Elis' own operational organisation.

Once integration is completed, Elis aims to create a stable working environment across the Combined Group to facilitate employee development. Elis also aims, where applicable, to utilise the strengths of Berendsen teams to augment the Elis teams within the same country.

Elis' review would also aim to identify and assess integration benefit opportunities, and to ascertain the areas in which a reduction in the number of employees of the Combined Group would be appropriate (subject to applicable law and any required consultation processes).

Elis has not yet decided the scope of, or implemented, the review referred to above and has not reached any conclusions as to its likely outcome or made any decisions in relation to specific actions that may be taken in relation to the integration of Elis and Berendsen.

Until this review is completed, Elis cannot be certain what impact there will be on the employment of the management and the employees of the Combined Group, or the location of the places of business of the Combined Group, although it is envisaged that the Combined Group's headquarters will be located at Elis's existing head office in France.

While the scope of the review has not yet been decided, Elis currently expects that the review will include an assessment by Elis of the following central corporate and operational functions of Berendsen:

- the Berendsen head office in London, at which approximately 70 full-time equivalent (FTE) employees are located;

- the central teams (located in Basingstoke and Copenhagen) which support the Berendsen Workwear, Facility, Hospitality and Healthcare Business Lines respectively, and which comprise approximately 100 FTE employees in total; and

- the shared services centres (located in every country in which the Berendsen Group has operations) which provide functional support to the business lines in those countries and comprise approximately 650 FTE employees in total.

As described in the "Quantified Financial Benefits Statement" of Elis included in Part 6 ("Elis Quantified Financial Benefits Statement and Profit Forecast") of the Scheme Document, Elis expects to generate €17 million *per annum* in central costs savings from the reduction of duplicate costs across central administration and support functions. Elis currently estimates that, based on this level of central costs savings, there would be an overall potential job reduction of between approximately 75 and 200 FTE employees currently employed in these central administration and support functions across the Combined Group. However, no work to identify the specific employees, roles or locations who may be affected has yet been carried out, and no specific proposals will be made by Elis until the review is completed.

In addition, as described in the "Quantified Financial Benefits Statement" of Elis included in Part 6 ("Elis Quantified Financial Benefits Statement and Profit Forecast") of the Scheme Document, Elis expects to generate €8 million *per annum* in operational cost savings in Germany and the Benelux. The review will therefore also include an assessment by Elis of the industrial plant footprint and service site network of the Combined Group in Germany and the Benelux for this purpose, as part of the operational cost savings expected to be generated from this. These expected operational cost savings in Germany and the Benelux are largely expected to be generated, rather than from job reductions, from a combination of (i) the optimisation of customer logistics and the operations of the plants themselves and (ii) savings on purchasing, in each case on the basis of the levels of cost savings which Elis has been able to achieve through the combination of different networks in previous acquisitions. Elis currently estimates that, taking into account the respective size of the operations of Elis and Berendsen in these countries, any job reductions in the Combined Group in Germany and Benelux (if applicable) would mainly relate to the legacy Elis Group operations in Germany and Benelux and would not affect more than 10 FTE employees across the Combined Group's operational facilities in Germany and Benelux. However, no work to identify the specific employees, roles or locations who may be affected has yet been carried out, and no specific proposals will be made by Elis until the review is completed.

Proposals regarding appropriate incentivisation arrangements for management and employees will be considered as part of the review. As a result, no proposals have yet been made on the terms of any future incentivisation arrangements for management and employees of Berendsen who are interested in shares in Berendsen.

Further, Elis has confirmed that it intends to safeguard the existing employment rights, including accrued pension rights, of all existing management and employees of Berendsen in accordance with applicable law.

In particular, Elis intends that, following the implementation of the Transaction, the Berendsen Group will continue to comply with all of its pensions obligations. Elis has no intention to make any changes in relation to the Berendsen Group's pension schemes, including in relation to employer contributions, the accrual of benefits for existing members, or the admission of new members.

Response from the Berendsen Board

The Berendsen directors welcome Elis' statements that Elis attaches great importance to the skills and experience of the existing employees of Berendsen and aims to create a stable working environment across the Combined Group to facilitate employee development.

The Berendsen Board recognises that in order to achieve some of the expected benefits of the Transaction, it will be necessary to perform a detailed review of how best to integrate the respective operations of the Elis Group and the Berendsen Group and to carefully assess integration benefit opportunities. The Berendsen Board also understands that, as part of such review, Elis will need to assess the existing business line structure of Berendsen and determine how best to integrate that structure with Elis' own operations. The Berendsen Board expects that the review and integration process will involve engagement and consultation with any required stakeholders.

The Berendsen Board understands that the synergy work carried out by Elis to date has confirmed the potential to generate cost-savings for the Combined Group from the reduction of duplicate costs across central administration and support functions, which will involve some headcount reductions. Although Elis has not yet developed proposals as to how such headcount reductions will be implemented, Elis has stated that it will assess central corporate and operational functions of the Berendsen head office in London and centres in every country in which the Berendsen Group has operations.

The Berendsen Board understands that the synergy work carried out by Elis has also identified the potential for cost-savings for the Combined Group in Germany and the Benelux. Accordingly, Elis' review will also cover the industrial plant footprint and service site network of the Combined Group in those regions. Elis expects the operational costs savings to largely be generated other than from headcount reductions and has also stated that any job reductions in the Combined Group in Germany and Benelux (if applicable) would mainly relate to the legacy Elis Group operations in Germany and Benelux.

Elis has given assurances to the Berendsen Directors that the existing employment rights, including accrued pension rights, of all existing employees will be fully safeguarded and that, following the implementation of the Transaction, the Berendsen Group will continue to comply with all of its pensions obligations. In addition, proposals regarding appropriate incentivisation arrangements for management and employees will be considered as part of Elis' review.

Given the detailed integration review to be carried out following the successful completion of the Transaction, as described above, the Berendsen Board is unable to express a more detailed opinion on the impact of the Transaction on Berendsen management, employees and office locations.

2.9.2. Consequences of the Transaction for Berendsen and its shareholders

The consequences of the Transaction for Berendsen and its shareholders are described in section 2.1.2.3 “Merits of the Transaction for Berendsen and its shareholders” of the Securities Note.

3. PRESENTATION OF THE COMPANY RECEIVING THE CONTRIBUTION: ELIS

3.1. Registration Document

General information about Elis is available in the Registration Document registered with the AMF on April 6, 2017 under number R. 17-013, which is incorporated by reference into the Prospectus. The Registration Document includes Elis' parent-company and consolidated financial statements for the year ended December 31, 2016, along with the corresponding statutory auditor reports.

The Registration Document is available free of charge from Elis' head office (5, boulevard Louis Loucheur, 92210 Saint-Cloud, France) and on the websites of Elis (www.corporate-elis.com) and the AMF (www.amf-france.org).

The information incorporated by reference in the Prospectus must be read in connection with the cross-reference table below.

No.	Regulation (EC) no. 809/2004 – Annex 1	Chapter / Section	Corresponding page(s) in the Registration Document	Chapter/ Section	Corresponding page(s) in the Registration Document Update
1.	**Persons responsible**				
1.1	Information about the persons responsible	9.1.1	332	6.1.1	112
1.2	Declaration of the persons responsible	9.1.2	333	6.1.2	112
2.	**Statutory auditors**				
2.1	Names and addresses of the statutory auditors	9.2	333	6.2	112 to 113
2.2	Information about changes of the statutory auditors during the financial year	9.2	333		
3.	**Selected financial information**				
3.1	Historical financial information	Elis at a glance	6		
3.2	Interim financial information	N/A		1.2.1 4.2.4	5 to 13 64 to 98
4.	**Risk factors**	**2.1**	**46 to 63**	2 4.2.1.2.1	38 to 39 45
5.	**Information about the issuer**				
5.1	History and development of the Company	Elis at a glance 1.1	5, 7 22 to 23		
5.1.1	Legal name and trade name of the issuer	8.1	308	General Remarks	1
5.1.2	Place of registration and registration number of the issuer	8.1	308	General Remarks	1
5.1.3	Date of incorporation and term of existence of the issuer	8.1	308	N/A	
5.1.4	Registered office and legal form of	8.1	308	N/A	

No.	Regulation (EC) no. 809/2004 – Annex 1	Chapter / Section	Corresponding page(s) in the Registration Document	Chapter/ Section	Corresponding page(s) in the Registration Document Update
	the issuer, governing law, country of incorporation, and address and telephone number of its registered office				
5.1.5	Significant events in the development of the issuer's business	Elis at a glance 1.1 5.1 6.1 – note 2.4	4-5, 7, 12 to 15 22 162 191 to 196	1.2 1.6 4.2.2.1 4.2.4.2.8 (Note 2)	5 to 14 20 to 37 46 to54 77 to 80
5.2	**Investments**				
5.2.1	Main completed investments	1.11.1	40 to 41	1.4 1.5.4 1.5.5 1.6 4.2.2.1.1 4.2.2.1.2	15 18 18 to 19 20 to 37 46 46 to 47
5.2.2	Main investments in progress	1.11.1	40 to 41	1.4 1.6	15 20 to 37
5.2.3	Main future investments	1.11.2	41 to 42	N/A	
6.	**Business overview**				
6.1	Main activities				
6.1.1	Nature of the issuer's operations and its main activities	Elis at a glance 1.3 1.5.1 1.7 1.8 1.9	8 to 10 24 to 26 28 to 29 35 to 36 36 to 37 37 to 38	1.1.1	4
6.1.2	New products or services developed	1.5.2	29 to 31	N/A	
6.2	Main markets	1.4	26 to 28	1.1.1	4
6.3	Extraordinary events	N/A		1.6	20 to 37
6.4	Dependence on patents, licenses, contracts or manufacturing processes	2.1	46	N/A	
6.5	Sources of statements regarding the competitive position	1.6	32 to 34	N/A	
7.	**Organizational chart**				
7.1	Brief description of the Group (organizational chart)	8.8	326	5.6	110
7.2	List of major subsidiaries	8.9	327 to 328	5.7	110
8.	**Property, plant and equipment**				
8.1	Major property, plant and equipment	1.10	38 to 39	1.3	15

No.	Regulation (EC) no. 809/2004 – Annex 1	Chapter / Section	Corresponding page(s) in the Registration Document	Chapter/ Section	Corresponding page(s) in the Registration Document Update
8.2	Environmental issues that may affect the use of property, plant and equipment	3.5	86 to 98	N/A	
9.	**Operating and financial review**				
9.1	Financial position	5.2.4, 5.2.5	168, 171	4.2.4.2 4.2.4.2.8 (Note 8)	65 to 98 90 to 94
9.2	Operating income	5.2 5.8, 5.10, 5.11	163 to 171 173, 174	4.2.4.2	65 to 98
9.2.1	Significant factors affecting the issuer's operating income	5.1	162	1.2 4.2.2.1	5 to 14 46 to 54
9.2.2	Explanation of material changes in net revenue or net income	5.1.1	162	4.2.2.1.1 4.2.2.1.4 4.2.2.1.5 4.2.4.2.8 (Note 2)	46 48 49 to 54 77 to 80
9.2.3	Governmental, economic, fiscal, monetary or political strategies or factors that have materially affected or may materially affect, directly or indirectly, the issuer's operations	Message of the Chairmen 3.2.3 5.4	2-3 74, 172	N/A	
10.	**Capital resources**				
10.1	Issuer's capital	5.2.4 5.2.5 6.1 – note 10 6.3 – note 5.1	168 171 236 257	4.2.4.2.4 4.2.4.2.6 4.2.4.2.7 4.2.4.2.8 (Note 10)	68 70 66 to 71 94 to 95
10.2	Sources and amounts of cash flows	5.2.4	168 to 171	4.2.4.2.5 4.2.4.2.8 (Note 8)	69 90 to 94
10.3	Borrowing terms and conditions and financing structure	1.12 5.2.4 6.1 – note 8.3	41 to 42 168 to 171 225	1.5.1 1.5.2 1.5.6 4.2.4.1.8 (Note 2.4) 4.2.2.1.5 4.2.4.2.8 (Notes 8 et 2)	16 to 17 17 19 to 20 79 to 80 49 to 54 90 to 94 77 to 80
10.4	Restrictions on the use of capital	6.1 – note 8.4	226	4.2.4.2.8 (Note 8.3)	91
10.5	Financing sources needed to honor commitments	1.12 6.1 – note 8.3	41 225 to 226	1.5.1 4.2.4.2.8 (Notes 8.2 et 8.3)	16 to 17 77 to 80 91
11.	**Research and development,**	**1.14**	**43**	N/A	

No.	Regulation (EC) no. 809/2004 – Annex 1	Chapter / Section	Corresponding page(s) in the Registration Document	Chapter/ Section	Corresponding page(s) in the Registration Document Update
	patents and licenses	**2.1** **5.7**	**48** **173**		
12.	**Trend information**				
12.1	Main trends having affected production, sales and inventories, and costs and selling prices since the end of the last financial year	5.4	172	4.1	43
12.2	Known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects	5.4	172	4.1	43
13.	**Profit forecasts or estimates**				
13.1	Statement setting out the principal assumptions underlying the issuer's forecast or estimate	N/A		N/A	
13.2	Report prepared by the statutory auditors	N/A		N/A	
13.3	Preparation of the forecast or estimate	N/A		N/A	
13.4	Statement on the validity of a forecast previously included in a prospectus	N/A		N/A	
14.	**Administrative, management and supervisory bodies and senior management**				
14.1	Composition - statements	4.1.1 4.1.2 4.1.4	102 to 107 107 to 116 116	3 4.2.3 4.2.2.1.3	40 to 41 60 to 63 47 to 48
14.2	Conflicts of interest	4.1.5 4.1.6 4.1.8	117 117 118 to 122	N/A	
15.	**Compensation and benefits**				
15.1	Compensation and benefits in kind	4.5 6.1 – note 5.5	140 210	4.2.3.4 4.2.4.2.8 (Note 5)	61 to 63 84 to 85
15.2	Retirement and other benefits	4.5 6.1 – note 5.5	140 210	4.2.3.4 4.2.4.2.8 (Note 5)	61 to 63 84 to 85
16.	**Functioning of the administrative and management bodies**				
16.1	Terms of office of the members of the Supervisory Board and the Management Board	4.1.1 4.1.2	102 to 107 107 to 116	4.2.3.1 4.2.3.3	60 61
16.2	Service agreements between members of the administration and	4.1.7	117	N/A	

No.	Regulation (EC) no. 809/2004 – Annex 1	Chapter / Section	Corresponding page(s) in the Registration Document	Chapter/ Section	Corresponding page(s) in the Registration Document Update
	management bodies				
16.3	Information about the Audit Committee and the Compensation Committee	4.3.1	123 to 139	4.2.2.1.3 4.2.3.2	47 to 48 61
16.4	Statement on corporate governance	4.3.1	123	N/A	
17.	**Employees**				
17.1	Number of employees	Elis at a glance 3.2.1	4, 72 to 73	1.1.1	4
17.2	Employee profit-sharing and stock options	8.5.1 8.5.7 8.5.8	318 to 319 322 322	4.2.5	99 to 106
17.3	Employee shareholding agreements	8.5.7	322	N/A	
18.	**Main shareholders**				
18.1	Identification of the main shareholders	8.5.1	318 to 319	4.2.5.2	99 to 100
18.2	Voting rights	8.2.4 8.5.2	309 319	4.2.5.2 5.4.2	99 to 100 109
18.3	Control of the issuer	8.5.3	319	N/A	
18.4	Agreements that may result in a change of control	8.5.10	323	4.2.5.7	103 to 106
19.	**Related-party transactions**	**6.1 – note 11** **4.1.6**	**237** **117**	4.2.1.2.2 4.2.4.2 (Note 5.2)	45 85
20.	**Financial information concerning the issuer's assets and liabilities, financial position and results**				
20.1	Historical financial information	5.11	174	N/A	
20.2	Pro forma financial information	N/A		N/A	
20.3	Financial statements	6.1 6.3	178 to 243 246 to 265	4.2.4.2	65 to 98
20.4	Auditing of the historical annual financial information	6.2 6.4	244 to 245 266 to 267	4.2.4.1	64 to 65
20.5	Date of the latest financial information	12/31/2016		30/06/2017	
20.6	Interim and other financial information	N/A		N/A	
20.6.1	Quarterly and half-year financial information	N/A		4.2.4.2	65 to 98
20.6.2	Interim financial information	N/A		N/A	
20.7	Dividend policy	5.4 8.6	172 320	5.5	110

No.	Regulation (EC) no. 809/2004 – Annex 1	Chapter / Section	Corresponding page(s) in the Registration Document	Chapter/ Section	Corresponding page(s) in the Registration Document Update
20.7.1	Dividend amount	8.6.2 6.1 – note 10.2	324 236	4.2.4.2.8 (Note 10.2)	95
20.8	Legal and arbitration proceedings	2.1.4 6.1 – note 7.2	57 219 to 220	2 4.2.1.2.1 4.2.4.2.8 (Note 7.2)	38 to 39 45 88 to 89
20.9	Significant changes in the financial or trade position	N/A		N/A	
21.	**Additional information**				
21.1	Share capital				
21.1.1	Amount of subscribed capital	8.3.2	312	5.3.1	108
21.1.2	Non-equity shares	8.3.5	314	4.2.5.5	101 to 103
21.1.3	Own shares held by the issuer	8.3.4	313	5.3.2	108
21.1.4	Convertible securities, exchangeable securities and securities with warrants attached	8.3.5	314	4.2.5.5	101 to 103
21.1.5	Information about the terms and conditions governing any right of purchase and/or obligations attached to capital subscribed but not paid up, or about any undertaking to increase the capital	N/A		4.2.2.1.4 4.2.5.6	48 103
21.1.6	Information about the capital of any member of the Group which is under option or agreed conditionally or unconditionally to be put under option	N/A		N/A	
21.1.7	Share capital history	8.3.3	313	N/A	
21.2	**Charter and articles of incorporation**				
21.2.1	Description of the issuer's corporate purpose	8.2.1	309	N/A	
21.2.2	Summary of any provision included in the issuer's charter or articles of incorporation regarding members of its administrative, management and supervisory bodies	4.1 8.2.2	102 309	N/A	
21.2.3	Description of rights, privileges and restrictions attached to each class of existing shares	8.2.4	309	N/A	
21.2.4	Description of the actions necessary to change shareholder rights	8.2.4	309	N/A	
21.2.5	Description of the conditions governing the manner in which the annual and extraordinary general	8.2.5	310	N/A	

No.	Regulation (EC) no. 809/2004 – Annex 1	Chapter / Section	Corresponding page(s) in the Registration Document	Chapter/ Section	Corresponding page(s) in the Registration Document Update
	meetings are convened				
21.2.6	Description of any provision that may have the effect of delaying, deferring or preventing a change of control of the issuer	8.5.10	323 to 324	4.2.5.7 5.4.5	103 to 106 109 to 110
21.2.7	Information about any provision setting the threshold above which shareholder ownership must be disclosed	8.5.6	321 to 322	4.2.5.3 5.4.4	101 109
21.2.8	Description of the conditions governing changes in capital when those conditions are more stringent than is required by law	N/A		N/A	
22.	**Major contracts**	**1.13**	**42**	**1.5**	**16 to 20**
23.	**Information from third parties, experts' declarations and declarations of interest**				
23.1	Statement or report attributed to a person as an expert	3.6	94 to 96	N/A	
23.2	Information from third parties	N/A		N/A	
24.	**Public documents**	**9.4**	**335**	N/A	
25.	**Information on holdings**	**8.9** **6.1 – note 11**	**327 to 328** **238 to 242**	**5.7**	**110**

3.2. Financial information at June 30, 2017

Condensed interim consolidated financial statements for the six-month periods ended June 30, 2016 and 2017 are presented in section 4.2 of the Registration Document Update.

3.3. Recent developments regarding the financial situation and trends

The Group's outlook for the year ending December 31, 2017 is described in section 4.1 ("Outlook for the 2017 financial year") of the Registration Document Update.

3.4. Material events having occurred since the filing of the Registration Document

Material events having occurred since the filing of the Registration Document are described in section 1.2 ("Significant events since April 6, 2017") of the Registration Document Update.

3.5. Risk factors

Before making any decision to invest, prospective investors should carefully review all of the information contained in this Prospectus. This section is not intended to be exhaustive and other risks and uncertainties not known to the Company as of the date hereof or which it currently does not consider as material could also affect its business or its financial position. Prospective investors are urged to conduct their own independent evaluation of all of the considerations relating to an investment and to review closely the detailed information provided elsewhere in this Prospectus.

The risk factors which are specific to the Group and its business are described in chapter 2 (pages 45 to 65) of the Registration Document.

In addition to these risks, investors are advised, before they make their investment decision, to refer to the risk factors in relation to the New Shares and to the Transaction which are described in section 3.5.1 below and to the risk factors relating to the Combined Group, which are described in section 3.5.2 below.

Investors are also urged to read and take into account other risk factors specific to Berendsen's activities, described in the "Risk" section of Berendsen's annual report for financial year ended December 31, 2016 (the "**2016 Berendsen Annual Report**").

3.5.1. Risks relating to the New Shares and the Transaction

If a Berendsen shareholder elects to use the Mix and Match Facility, that shareholder may not receive the proportion of New Shares and cash requested.

There is a Mix and Match Facility available to Berendsen shareholders in respect of the Scheme. Under this Mix and Match Facility, Berendsen shareholders may elect to vary the proportions in which they receive New Shares and cash consideration, subject to offsetting elections made by other Berendsen shareholders to ensure that the overall proportion of cash and New Shares ratio is met.

Accordingly, Elis' ability to satisfy all Mix and Match elections for cash consideration or New Shares made by Berendsen shareholders will depend on other Berendsen shareholders making equal and opposite Mix and Match elections. To the extent that Mix and Match elections for cash consideration or New Shares cannot be satisfied in full, they will be scaled down as nearly as is practicable on a pro rata basis to all valid elections. As a result, Berendsen shareholders who elect to receive additional cash consideration or New Shares under the Mix and Match Facility will not necessarily know the exact amount of cash consideration or number of New Shares they are entitled to receive until settlement of the consideration due under the Transaction.

If a Berendsen shareholder elects to use the Dealing Facility, that shareholder may receive less cash than the current market value of the New Shares depending on the price paid for the New Shares sold through the Dealing Facility.

A Dealing Facility has been made available to certain Berendsen shareholders in respect of the Scheme of Arrangement. Under this Dealing Facility, certain Berendsen shareholders located in the UK, France and other EEA countries who hold 1,400 or fewer Berendsen shares may elect to sell all (but not less than all) of the New Shares received under the Scheme of Arrangement for cash.

Unlike successful Mix and Match elections for cash, no assurance can be given as to the price that will be received, or the exchange rate, for the New Shares sold through the Dealing Facility.

As a result, Berendsen shareholders who make an election under the Dealing Facility may receive less cash than the current market value of the New Shares depending on the price paid for the New Shares sold through the Dealing Facility.

For more information on the Dealing Facility, see section 2.2.1.2 ("Terms of the Transaction") of the Securities Note.

There may be material differences between the current rights of Berendsen shareholders who receive New Shares and the rights they can expect to have as Elis shareholders.

Berendsen shareholders who receive New Shares pursuant to the terms of the Transaction will become shareholders of Elis, whose shares are listed on Euronext Paris.

As Elis is a French public limited company (*société anonyme*) governed by the laws of France and its articles of incorporation (*statuts*), there may be material differences between the current rights of holders of Berendsen shares as Berendsen shareholders and those they can expect to have as Elis shareholders when they will hold their New Shares.

The rights attached to New Shares are detailed in section 2.2.5.6 "Rights attached to the New Shares" of the Securities Note.

In addition, Berendsen shareholders outside of the Eurozone (in particular the United Kingdom) may be sensitive to exchange rate movements affecting Elis shares denominated in euros. An appreciation in the pound sterling against the euro could have an adverse impact on these shareholders.

Risks related to the execution of the Transaction could cause the market price of Elis shares to decline.

The market price of Elis shares may decline as a result of the Transaction for many reasons and particularly if:

- the integration of Berendsen's business and the expected synergies are delayed or are not successfully achieved;
- Elis does not obtain the anticipated benefits of the Transaction as quickly or in the conditions foreseen or anticipated by financial analysts and investors, or at all;
- the effect of the Transaction on its financial results is not consistent with the expectations of financial analysts or investors; or
- Berendsen shareholders sell a significant number of Elis shares after the Transaction has been completed.

In accordance with the terms of the Transaction, the number of New Shares issued will be 69,052,152, representing approximately 31.5% of Elis' share capital, increased as a result of the Transaction (including the CPPIB Cash Placing)[58], calculated as at June 5, 2017. If a significant proportion of Berendsen shareholders who receive New Shares in the Transaction seek to sell those shares within a short period of the completion of the Transaction, this could create selling pressure in the market for Elis shares or a perception that such selling pressure may develop, either of which may adversely affect the market for, and the market price of, Elis shares.

[58] On the basis of the 171,345,292 Berendsen shares, being the issued share capital of Berendsen comprised of 172,636,913 shares from which are deducted the 1,291,621 shares (i.e. the number of shares held by the Employee Benefit Trust which are excluded from the scope of the Scheme of Arrangement) as at July 25, 2017.

It might not be as easy or economical for some Berendsen shareholders (in particular those outside of the Eurozone or who hold their Berendsen shares in dematerialized form through CREST) who receive New Shares to effect trades, in particular to buy and sell, in New Shares.

The New Shares will be admitted to trading on Euronext Paris, and it is not currently intended that the New Shares will be admitted to listing on the Official List in the United Kingdom nor admitted to trading on the London Stock Exchange.

Consequently, it might not be as easy or economical for some Berendsen shareholders (in particular those outside of the Euro zone or who hold their Berendsen shares in dematerialized form through CREST) who receive New Shares to effect trades, in particular to buy and sell, in the New Shares that they will receive compared with the Berendsen shares they currently own.

Even if a material adverse change to Berendsen's business or prospects were to occur, Elis might not be able to terminate the Transaction, which could reduce the market price of Elis shares.

Completion of the Transaction is subject to a number of Conditions described in section 2.2.1.3 "Conditions of the Transaction" of the Securities Note.

Under the City Code and except for the Conditions relating to the approval of the Scheme by Berendsen shareholders and the Court, to the approval of the capital increase by Elis shareholders and to the admission to trading of the New Shares issued as consideration for the Contribution, Elis may invoke one or more of the Conditions in order not to proceed with the offer only if the Panel is satisfied that the circumstances giving rise to such Condition(s) Precedent not being satisfied are of material significance to Elis in the context of the offer.

If a material adverse change affecting Berendsen were to occur and if the Panel were not to allow Elis to invoke one or more of the Conditions to cause the Transaction not to proceed, the market price of Elis shares may decline or the business or financial conditions in which Elis carries out its business may be materially affected. As a result, the value of the New Shares which Berendsen shareholders will receive may be reduced.

Elis' share price is subject to volatility as a consequence of various factors, events and perceptions related to its activities.

Over the last few years, stock markets have been subject to major fluctuations that in some cases have no relation to the results of the companies whose shares are traded. Market fluctuations and general economic conditions could increase the volatility in Elis' shares.

Elis' share price could also fluctuate significantly in response to various factors, events (such as the Transaction, its completion and its consequences) and perceptions related to its activities, including the risk factors described in the Registration Document, this Securities Note or, after the Transaction is completed, the 2016 Berendsen Annual Report, as could the liquidity of the market for Elis shares.

Fluctuation in the market price of Elis shares between the date of the 2.7 Announcement and the completion of the Transaction could change the value of the consideration paid to Berendsen shareholders who receive New Shares.

At the date of the 2.7 Announcement, the consideration offered as part of the Transaction for each Berendsen share would comprise 0.403 New Shares and £5.40 in cash. Subject to the Mix and Match Facility, the Transaction will take place on that basis even if the Elis share price has moved and moves after the date of the 2.7 Announcement. In particular, that share price could be lower than the Elis share price on the date of the 2.7 Announcement. Accordingly, any fluctuation in the market price of Elis shares between the date of the 2.7 Announcement and the completion of the Transaction could increase or reduce the value of the consideration.

In addition, since Elis shares are denominated in euros, the value of each Elis share in pounds sterling could change depending on the EUR:GBP exchange rate.

Risk relating to the approval by Berendsen and Elis shareholders of the required resolutions.

The completion of the Transaction remains subject to (i) approval, with the required majorities, by the Court Meeting and the Berendsen General Meeting, which will both be held on August 31,2017 (indicative date) and (ii) approval by the Elis General Meeting to be held on August 31, 2017 at first call by a majority of two-thirds of shareholders present or represented.

In relation thereto, Elis has received voting undertakings from (i) each Berendsen director in favour of the Scheme of Arrangement in the Court Meeting and resolutions put to the Berendsen General Meeting for the implementation of the Scheme of Arrangement, (ii) Eurazeo SE, Legendre Holding 27 SAS, Predica, CPPIB and Messrs Xavier Martiré and Louis Guyot, in favour of the capital increase consisting of the issue of New Shares, representing around 40% of Elis' voting rights (taking into account the 55,500 shares held by Elis in treasury at May 31, 2017), and (iii) Eurazeo SE, Legendre Holding 27 SAS and Predica in favour of the reserved capital increase consisting of the issue of CPPIB Shares, representing 35.6% of Elis' voting rights (taking into account the 55,500 shares held by Elis in treasury at May 31, 2017).

Elis shareholders will be diluted due to the issue of the New Shares.

As part of the Transaction, Elis is expected to issue 69,052,152 New Shares as consideration for the contribution of all Berendsen shares held by Berendsen shareholders, with the exception of the shares held by Estera Trust (Jersey) Limited as trustee of Berendsen's Employee Benefit Trust. Berendsen shareholders will therefore own up to 31.5% of Elis' capital (including the CPPIB Cash Placing)[59]. In addition, Elis will issue 10,131,713 CPPIB Shares as part of the CPPIB Cash Placing. These issues would represent a large increase in the number of Elis shares in issue and admitted for trading on Euronext Paris. Elis could in future also issue additional shares or financial securities giving access to the capital in order to finance its activities or remunerate its managers and employees, which could further dilute the stakes held by current shareholders. Any increase in the number of equity securities in circulation, and in particular any significant increase such as the capital increase arising from the issue of New Shares and the reserved capital increase consisting of the issue of CPPIB Shares, could have adverse consequences for Elis' share price and could dilute the voting rights of current shareholders. The consequences of the capital increase consisting of

[59] On the basis of the 171,345,292 Berendsen shares, being the issued share capital of Berendsen comprised of 172,636,913 shares from which are deducted the 1,291,621 shares (i.e. the number of shares held by the Employee Benefit Trust which are excluded from the scope of the Scheme of Arrangement) as at July 25, 2017.

the issue of New Shares and the reserved capital increase consisting of the issue of CPPIB Shares in terms of dilution for the other Elis shareholders are specifically described in section 3.10 “Dilution” of the Securities Note.

The Elis shareholder structure following completion of the share capital increase also appears in section 3.10.3 “Impact of the Transaction on the ownership of Elis’ share capital and voting rights” of the Securities Note.

The financial instruments issued by the Company may be subject to the European financial transactions tax.

The Company’s shares and the CDIs representing rights to the Company’s shares currently fall within the scope of the French FTT provided for in article 235 ter ZD of the French Tax Code (*Code général des impôts*) which applies, under certain conditions, to the acquisition of shares of publicly traded companies registered in France having a market capitalization over €1 billion as of December 1 of the year preceding the year of taxation. The French FTT is due at a rate of 0.3% of the purchase price paid for the Company’s shares by their purchasers on the secondary market for transactions taking place from January 1, 2017 (subject to certain exceptions).

Prospective investors in the Company’s shares should be aware that the European Commission has published a proposal for a Directive on a common financial transaction tax (the European financial transaction tax, the “**European FTT**”) applicable to Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**Participating Member States**”). The European Commission later announced that Estonia had withdrawn from the European FTT project.

The European FTT, in its current draft form, has a very wide scope of application and could, if enacted as it stands, apply in some circumstances to certain transactions relating to the Company’s financial instruments.

The European FTT, in its current draft form, could apply in some circumstances to both residents and non-residents of the Participating Member States.

The proposed European FTT remains subject to negotiation between the Participating Member States. It could therefore be altered before its implementation. Other European Union Member States could decide to adopt it.

Prospective investors in the Company’s shares are advised to seek their own professional advice in relation to the potential consequences of the French FTT and the European FTT.

3.5.2. Risks relating to the Combined Group

Elis has not had the possibility of undertaking an examination of Berendsen’s non-public documents in a due-diligence exercise. Consequently, Elis may have to assume unknown liabilities relating to Berendsen or the realization of unknown risks concerning Berendsen, which may have an adverse impact on the Group and on the share price of Elis shares.

Elis has relied on available public information relating to Berendsen, in particular Berendsen’s periodic information and other reports made available in accordance with English law in order to initiate the Transaction and determine its terms and conditions. The negotiations between Berendsen and Elis that led to the terms of the Transaction being determined were carried out on the basis of available public information relating to Elis and Berendsen, and information voluntarily exchanged between the parties as part of their discussions. Neither Elis nor Berendsen have carried out detailed due diligence on each other.

Consequently, after the Transaction has been completed, Elis may have to take on unknown liabilities relating to Berendsen. Elis could also have to deal with (i) the materialization of some or all of the risks described in the 2016 Berendsen Annual Report and their consequences, whether or not described in that report, or (ii) other risks not identified by Berendsen in the 2016 Berendsen Annual Report. That could therefore have an adverse impact on the activities, financial position, results and outlook of the Combined Group, and on Elis' share price. As a consequence, the consolidated results and financial position of the future Combined Group may significantly vary from the results and financial position presented in the Non-Audited Pro Forma Financial Information.

If there are material and unforeseen difficulties integrating the businesses of the Group and of the Berendsen Group, the business of the Combined Group could be adversely affected.

The benefits expected from the Transaction will partly depend on successfully integrating Berendsen's businesses with those of Elis. The Group intends to integrate the businesses of the Berendsen Group with its own. The Group's goal in integrating these businesses is to increase revenues through enhanced growth opportunities and to achieve cost savings by taking advantage of the significant synergies expected from the Transaction.

However, the combination of Elis and Berendsen implies the integration of two large groups that currently operate independently. The Group could experience difficulties when integrating its businesses with those of Berendsen, some of which may not have been foreseen and may be beyond the control of Elis and Berendsen, including divergences between Elis and Berendsen in terms of standards, controls, procedures, rules, business culture and organization, and the need to integrate and harmonize Elis and Berendsen's various specific operational systems and procedures, such as financial and accounting systems and other information systems.

Elis' management will have to spend significant amounts of time and resources on the integration process. That task could therefore divert management attention and resources from other strategic opportunities and from day-to-day operational management during the integration process. Integration efforts could also give rise to major costs.

This could have a material adverse impact on the Combined Group's financial position and operating income. If these difficulties are material, they could materially impact the activities, financial position and profitability of the Combined Group.

The Transaction may not lead to the achievement of some or all of the synergies expected over the medium term.

Elis expects the Transaction to create large amounts of value in the medium term and beyond (see section 2.1.2.2 "Merits of the Transaction for Elis and its shareholders"), particularly given the Cost Synergies, which include €35 million per annum of operating expenditure EBITDA synergies, and €5 million per annum of capital expenditure synergies. However, no guarantee can be given that the expected Cost Synergies will exist or be achieved in the expected timeframe, because the realization and extent of any synergies depends on a series of factors and assumptions, some of which are beyond the control of Elis and Berendsen. Elis' ability to realize the expected Cost Synergies could be compromised by the materialization of one or more risks related to Elis' activities, described in the Registration Document, or to Berendsen's activities, described in its Annual Report and Accounts 2016. In addition, the costs incurred in order to realize the Cost Synergies could be higher than expected, or unexpected additional costs in excess of the expected synergies could arise, leading to a reduction in value for shareholders. The inability to realize the expected Cost Synergies or to control the increase in costs required to realize them could have a material adverse impact on the Combined Group's activities, operating income, financial position and outlook.

The Transaction will create significant goodwill, any potential future depreciation of which would have a significant impact on the net income of the Combined Group.

Goodwill represents the excess value paid by Elis during the Transaction compared with the fair value of Berendsen's net identifiable assets. If actual and forecasted business activities change, the estimation of the recoverable value of goodwill could be reduced significantly and would require impairment. No guarantee can be given that there will be no material impairment in the future, in particular if market conditions continue to deteriorate.

Whether or not the Transaction is completed, the announcement and the prospects of success of the Transaction might disrupt the normal course of business of the Group or of the Berendsen Group, which might have a materially adverse effect on their financial and operational results, and, if the Transaction is completed, on the financial and operational prospects of the Combined Group.

During the transitional period between the announcement of the Transaction and its completion, the Transaction is subject to uncertainty that could have an adverse effect on Elis and Berendsen's relations with certain customers, strategic partners and employees. Certain strategic partners, suppliers or customers could decide to delay operational or strategic decisions while waiting for greater certainty about the outcome of the Transaction. In addition, some current or future Elis and Berendsen employees may experience uncertainty about their future roles within the Combined Group, which may adversely affect Elis and Berendsen's ability to retain and recruit key managers and other employees.

If Elis and Berendsen are unable to manage such risks effectively, the operational and financial results of Elis, Berendsen and of the Combined Group, and Elis and Berendsen's share prices, could be adversely affected.

The cost of acquiring Berendsen could have a material impact on the financial position and the level of debt of the Combined Group, which may have to resort to contracting additional debt in the context of the Transaction, correlatively increasing the risks linked to its financial position and level of indebtness.

The portion of the price payable in cash to Berendsen shareholders pursuant to the Transaction will be partially financed by the Bridge Term Facility Agreement 2017 entered into with Crédit Agricole Corporate and Investment Bank and BNP Paribas Corporate & Investment Banking on June 12, 2017 for a total amount of €1,920 million. This agreement was syndicated on July 13, 2017, with BNP Paribas, Crédit Agricole Corporate and Investment Bank, HSBC and Société Générale as bookrunners and mandated lead arrangers and ING as lead arranger.

Elis may therefore use this Bridge Term Facility 2017 and incur additional debt as part of the Transaction.

The incurrence of additional debt by Elis would correlatively increase the risks linked to its financial position and level of indebtness.

The Group's pre-Transaction net indebtedness is presented in section 3.7 "Capitalization and indebtedness" of the Securities Note and amounted to €1,807.5 million as at May 31, 2017. Based on the assumptions made and data presented in section 4.3 "Financial information and pro forma adjustments" of the Securities Note, the Transaction would increase Elis' equity attributable to owners of the parent by €1,545.7 million and its net indebtedness by €1,371.6 million as at December 31, 2016.

In addition to the Reserved Capital Increase, this credit line is designed to be refinanced through bank financing or capital markets transactions: senior unsecured bond issuance or issues of equity-linked securities or other capital markets instruments, it being specified that Elis may decide to proceed or not with such market transactions.

Completion of the Transaction could trigger change-of-control clauses contained in contracts entered into by Berendsen.

As part of its business activity, Berendsen may have entered into contracts that contain change-of-control clauses, which give rise to obligations to obtain approval from the contracting partner or, for certain financing documents, a right for investors to obtain early repayment, and which could be triggered by the completion of the Transaction. The implementation of these clauses could lead to the termination of these contracts, resulting in sums owed by Berendsen coming due immediately, necessitate the renegotiation of finance or other agreements, or lead to an increase in Berendsen's obligations and/or cause it to lose rights or advantages. The payment obligations arising from such clauses could have a negative impact on the activities, results and financial position of the Combined Group. In addition, Berendsen may not be able to obtain the consent of the contracting partner, or could have to renegotiate terms, which could be less favorable than the previous terms, in order to obtain its consent. If one or more of these risks were to materialize, they could have a material adverse impact on the Combined Group's activities, operating income, financial position and outlook.

Elis may not be able to apply the desired strategy to the Combined Group's activities in the United Kingdom.

In preparing the Transaction, Elis has analyzed, on the basis of public information about Berendsen, the strategy adopted and implemented by the Berendsen Group in the United Kingdom. Elis intends to analyze the UK situation in detail in order to adopt the appropriate operational response. However, the political, economic and competitive environment could disrupt the strategy that Elis wishes to implement in the UK, and could prevent it from achieving the expected results.

Completion of the Transaction could result in the termination of directorship positions or employment contracts of certain key executives or employees of Berendsen and the consequential payment of compensation.

The Combined Group's success will depend partly on its ability to retain the key executives and employees of Elis and Berendsen and of their respective subsidiaries. The directorship positions or employment contracts of some key executives and employees of Elis and Berendsen and of their respective subsidiaries could be terminated on their own initiative or that of Elis, Berendsen or their respective subsidiaries, which could give rise to the payment of compensation that could affect the Combined Group's results. Any inability to retain key executives and employees could have a material impact on the Combined Group's activities, operating income, financial position and outlook.

Claims and litigation against Elis, Berendsen or the Combined Group could arise as a result of the Transaction.

As part of the Transaction, the Combined Group could face new claims and litigation, for example from the business partners and suppliers of Elis or Berendsen or from investors in relation to the Transaction.

The Combined Group's operating results and financial position could differ from those presented or suggested in the Non-Audited Pro Forma Financial Information included in the Securities Note.

The Non-Audited Pro Forma Financial Information for the year ended December 31, 2016 featuring in section 4 "Non-Audited Pro Forma Financial Information" of the Securities Note was prepared to illustrate the impact of the Transaction as if it had been completed on January 1, 2016 for the purposes of the pro forma income statement, and December 31, 2016 for the purposes of the pro forma statement of financial position. The Non-Audited Pro Forma Financial Information is presented solely for illustration purposes and does not take into account the operating income or financial position that the Combined Group would have had if the Transaction had actually been completed on January 1, 2016. As a result, the Combined Group's future results and financial position may differ from those presented or suggested in the Non-Audited Pro Forma Financial Information.

The accounting treatment of the Transaction could have an adverse impact on Berendsen's contribution to the Combined Group's net income.

As indicated in greater detail in note 2, section 4.3.3 "Notes to the Non-Audited Pro Forma Financial Information" of the Securities Note, the accounting treatment of the acquisition will give rise, among other things, to a substantial amount of goodwill and an adjustment of the fair value of Berendsen's intangible assets and property, plant and equipment, which is likely to lead to a related increase in amortization and depreciation charges, particularly regarding amortization of customer relationships. Final estimates will be made and accounting of the acquisition will be finalized on the basis of assessments and studies that will be carried out with the external support of valuation specialists only after completion of the Transaction.

As a result, the accounting treatment of the Transaction may therefore have material effects on Berendsen's contribution to the Combined Group's net income.

The Combined Group's revenue will be generated in a greater variety of currencies.

The Combined Group will operate in 28 countries and a large proportion of its revenue will be denominated in euros, pounds sterling, Swedish krona, Danish krone, Swiss francs and Brazilian real.

The results and financial ratios of the Combined Group could therefore be sensitive to exchange rate movements. Movements in exchange rates could have an adverse impact on the Combined Group's results and financial ratios, notwithstanding any hedging strategies.

3.6. Net working capital statement

The Company attests that, in its opinion, prior to the completion of the Transaction, it has sufficient consolidated net working capital to meet its obligations for the 12 months following the date of the AMF's visa on the Prospectus.

The Company attests that, in its opinion, after the completion of the Transaction, it has sufficient consolidated net working capital to meet its overall obligations following the completion of the Transaction, for the 12 months following the date of the AMF's visa on the Prospectus. This declaration is established in consideration of the fact that (i) Elis has put in place facilities of a total amount of €1,920 million in order to finance the Transaction and meet the financing needs of the Combined Group, (ii) the funds obtained through the CPPIB Cash Placing will be used to repay sums due under the 2017 Bridge Term Facility Agreement entered into by Elis, and (iii) Elis has only had access to public information regarding Berendsen's historical financial position and accounts, and has not had access to information regarding Berendsen's business outlook and movements in its monthly cash flow, in particular for the next twelve months, or to any historical non-public information.

3.7. Capitalization and indebtedness

In accordance with the recommendations of the European Securities and Markets Authority (ESMA/2013/319, paragraph 127), the table below shows the Company's unaudited consolidated net indebtedness and consolidated equity as at May 31, 2017, presented as required by IFRS standards:

(In millions of euros)	**05/31/2017 (unaudited)**
1. Capitalization and indebtedness	
Total current debt	**440.4**
- secured by guarantee[(1)]	40.0
- secured by collateral	0.0
- not secured by guarantee or collateral	400.4
Total non-current debt	**1,442.4**
- secured by guarantee[(1)]	1,415.0
- secured by collateral	3.7
- not secured by guarantee or collateral	23.7
Equity attributable to owners of the parent[(2)]	**1,366.6**
- Share capital[(3)]	1,401.7
- Additional paid-in capital[(4)]	284.8
- Statutory reserve	0.7
- Other reserves	(320.6)
Total	**3,249.4**
2. Net indebtedness	
A. Cash	69.1
B. Cash equivalents	6.3
C. Trading securities	**-**

D. Liquidity (A+B+C)	**75.3**
E. Short-term financial receivables	**-**
F. Short-term bank debt	43.2
G. Portion of medium- and long-term debt due in less than one year	12.1
H. Other short-term financial indebtedness	385.1
I. Current short-term financial indebtedness (F+G+H)	**440.4**
J. Net short-term financial indebtedness (I-E-D)	365.1
K. Bank debt due in more than one year	450.0
L. Bonds issued	800.0
M. Other borrowings due in more than one year	192.4
N. Net medium- and long-term financial indebtedness (K+L+M)	**1,442.4**
O. Net financial indebtedness (J+N)	**1,807.5**
P. Debt issuance costs spread using the effective interest rate method	(28.5)
Q. Loan from employee profit-sharing fund	27.5
R. Adjusted net financial indebtedness (O-P-Q)	**1,808.4**

(1) Joint and several security interests provided by certain Group companies to secure loans taken out by other Group companies, including a joint and several security interest provided by Atmosfera for a maximum amount of €1,455 million on May 31, 2017.
(2) Including changes in translation reserves, excluding net income as well as other comprehensive income for the period from January 1, 2017 to May 31, 2017.
(3) On June 21, 2017, Elis' share capital was reduced to €140,167,049 because of the reduction in the par value of each Elis share from €10 to €1, decided by the Elis shareholders' general meeting of May 19, 2017.
(4) The "Additional paid-in capital" account was increased by €1,261 million after the share capital was reduced on June 21, 2017: the amount of the capital reduction was transferred to the "Additional paid-in capital" account.

As at May 31, 2017, liabilities relating to deferred payments in connection with acquisitions accounted for on the balance sheet amounted to €26.2 million.

As at May 31, 2017, indirect financial commitments incurred in connection with operating leases entered into by the Group, and bank guarantees granted to third parties or by Group companies, amounted to €255.7 million.

As at May 31, 2017, there were no indirect or contingent liabilities other than those presented above.

On June 12, 2017, Elis entered into the Bridge Term Facility Agreement 2017 in an amount of €1,920 million with Crédit Agricole Corporate and Investment Bank and BNP Paribas Corporate & Investment Banking, as mentioned in section 2.2.1.5 "Financing of the Transaction" above, for the purposes of the Transaction.

Based on the assumptions made and data presented in section 4.3 "Financial information and pro forma adjustments" of the Securities Note, the Transaction would increase Elis' equity attributable to owners of the parent by €1,545.7 million and its net indebtedness by €1,371.6 million as at December 31, 2016.

To the knowledge of Elis, there have not been any material facts other than those described in the Prospectus affecting the presentation of the data relating to capitalization and indebtedness between May 31, 2017 and the date of the Prospectus.

3.8. Interest of natural and legal persons involved in the issue

Elis is advised in this Transaction by:

- Lazard Frères, financial adviser;
- Zaoui & Co. Ltd, financial adviser; and
- Deutsche Bank AG (Paris branch), financial adviser and corporate broker.

Elis entered into the Bridge Term Facility Agreement 2017 on June 12, 2017 with Crédit Agricole Corporate and Investment Bank and BNP Paribas Corporate & Investment Banking, as mentioned in section 2.2.1.5 "Financing of the Transaction" above, for the purposes of the Transaction.

To the knowledge of Elis, there is no interest, including any conflicting interest, that could materially influence the issuance of New Shares as part of the Transaction.

Elis' financial advisers and/or certain of their affiliates have provided and/or in the future may provide the Company or Group companies, their shareholders or their corporate officers with various banking, financial, investment, commercial and other services, for which they have received or may receive remuneration.

In addition, Elis and certain of its affiliated companies, nominees or brokers (acting as agents) may make certain purchases of, or arrangements to purchase, Berendsen shares during the period prior to the date on which the Scheme of Arrangement becomes effective. Furthermore, in accordance with, and to the extent permitted by, the City Code, normal UK market practice and Rule 14e-5 under the US Exchange Act, Deutsche Bank AG (Paris branch) and its affiliates may continue to act as exempt principal traders in Berendsen shares on the London Stock Exchange and will engage in certain other purchasing activities consistent with their respective normal and usual practice and applicable law, including Rule 14e-5 under the US Exchange Act. If such purchases or arrangements to purchase were to be made they would be made outside of the United States and would comply with applicable law, including the US Exchange Act of 1934, as amended. Any information about such purchases will be disclosed as required in the United Kingdom, reported to a Regulatory Information Service and available on the London Stock Exchange website.

3.9. Expenses related to the issue

Elis has incurred, for the implementation of the share capital increase, total estimated costs of approximately €17.7 million before tax and excluding the tax saving incurred.

3.10. Dilution

3.10.1. Impact of the Transaction on a shareholder's proportion of the equity

For information purposes only, the impact of the Transaction on the per-share value of consolidated Group shareholders' equity attributable to equity owners of the parent (calculated on the basis of the consolidated Group shareholders' equity attributable to equity holders of the parent at June 30, 2017 as reflected in the consolidated interim financial statements at June 30, 2017, and the number of shares comprising the share capital of the Company as at June 30, 2017, after deduction of the shares directly held by the Company in treasury), and based on a closing Elis share price of €19.90 on June 9, 2017 would be as follows:

	Consolidated shareholders' equity per share (in €)	
	Non-diluted basis	Diluted basis[(1)]
Before issuance of New Shares pursuant to the present share capital increase	9.81	9.69
After issuance of 69,052,152 New Shares pursuant to the present share capital increase	13.14	13.03
After issuance of 10,131,713 New Shares pursuant to the share capital increase reserved for CPPIB	13.44	13.34

(1) The calculations assume issuance of the maximum number of shares that may be issued as a result of existing performance share plans. At June 30, 2017, 1,689,216 performance shares were allotted to certain corporate officers of the Group under certain performance conditions, and such shares may lead to the allotment of existing treasury shares or issuance of new shares.

3.10.2. Impact of the Transaction on a shareholder's position

For information purposes only, the impact of the Transaction on the equity interest of a shareholder holding 1% of the Company's share capital prior to the share capital increase and not subscribing to it (calculated based on the basis of the number of shares comprising the share capital of the Company as at June 30, 2017) would be as follows:

	Shareholder's interest	
	Non-diluted basis	Diluted basis[(1)]
Before issuance of New Shares pursuant to the present share capital increase	1%	0.99%
After issuance of 69,052,152 New Shares pursuant to the present share capital increase	0.67%	0.66%
After issuance of 10,131,713 New Shares pursuant to the share capital increase reserved for CPPIB	0.64%	0.63%

(1) The calculations assume issuance of the maximum number of shares that may be issued as a result of existing performance share plans. At June 30, 2017, 1,689,216 performance shares were allotted to certain corporate officers of the Group under certain performance conditions, and such shares may lead to the allotment of existing treasury shares or issuance of new shares.

3.10.3. Impact of the Transaction on the ownership of Elis' share capital and voting rights

The following tables show the ownership of Elis' share capital and voting rights before (on the basis of the ownership structure as at June 30, 2017) and after the issuance of New Shares and the CPPIB Cash Placing as part of the Transaction:

Pre-Transaction
(based on the ownership structure as at June 30, 2017)

Shareholders	Number of shares	% of the share capital	Number of theoretical voting rights	% of theoretical voting rights	Number of exercisable voting rights	% of exercisable voting rights
Eurazeo, *including:*	**23,635,032**	**16.86%**	**42,892,699**	**26.84%**	**42,892,699**	**26.85%**
Legendre Holding 27 SAS[(a)]	22,522,058	16.07%	40,873,361	25.57%	40,873,361	25.58%
Eurazeo SE[(a)]	1,112,974	0.79%	2,019,338	1.26%	2,019,338	1.26%
Crédit Agricole Assurances[(a)]	**13,991,662**	**9.98%**	**13,991,662**	**8.75%**	**13,991,662**	**8.76%**
CPPIB[(c)]	**6,769,248**	**4.83%**	**6,769,248**	**4.24%**	**6,769,248**	**4.24%**
Free float, *including:*	**95,715,607**	**68.29%**	**96,117,816**	**60.14%**	**96,117,816**	**60.16%**
Ameriprise Financial, Inc.[(b)]	14,694,718	10.48%	14,694,718	9.19%	14,694,718	9.20%
ECIP Elis SARL[(a)]	190,172	0.14%	345,124	0.22%	345,124	0.22%
Executives and employees[(e)]	399,801	0.29%	484,476	0.30%	484,476	0.30%
Treasury shares	55,500[(d)]	0.04%	55,500[(d)]	0.03%	–	–
Total	**140,167,049**	**100%**	**159,826,925**	**100%**	**159,771,425**	**100%**

(a) Shareholders who have disclosed that they are bound by a shareholders' agreement which is not a concert action within the meaning of article L. 233-10 of the French Commercial Code.
(b) Based on Ameriprise Financial, Inc.'s disclosure regarding the crossing of ownership thresholds dated June 22, 2017. Ameriprise Financial, Inc. holds Elis shares via its subsidiary Threadneedle Asset Management Limited.
(c) CPPIB and the Company have entered into an investment agreement on June 7, 2017.
(d) As at June 30, 2017.
(e) Following the vesting of 250,392 shares under the performance share plan dated April 7, 2015, whose vesting period expired on April 7, 2017.

Following the issuance of 69,052,152 New Shares and completion of the CPPIB Cash Placing

Shareholders	Number of shares	% of the share capital	Number of theoretical voting rights	% of theoretical voting rights	Number of exercisable voting rights	% of exercisable voting rights
Eurazeo, *including:*	**23,635,032**	**10.77%**	**42,892,699**	**17.95%**	**42,892,699**	**17.95%**
Legendre Holding 27 SAS[(a)]	22,522,058	10.27%	40,873,361	17.11%	40,873,361	17.11%
Eurazeo SE[(a)]	1,112,974	0.50%	2,019,338	0.84%	2,019,338	0.84%
Crédit Agricole Assurances[(a)]	**13,991,662**	**6.38%**	**13,991,662**	**5.85%**	**13,991,662**	**5.86%**
CPPIB[(c)]	**16,900,961**	**7.70%**	**16,900,961**	**7.07%**	**16,900,961**	**7.07%**
Free float, *including:*	**164,767,759**	**75.12%**	**165,169,928**	**69.11%**	**165,169,928**	**69.12%**
Berendsen shareholders	69,052,152	31.48%	69,052,152	28.89%	69,052,152	28.90%
Ameriprise Financial, Inc.[(b)]	14,694,718	6.70%	14,694,718	6.15%	14,694,718	6.15%
ECIP Elis SARL[(a)]	190,172	0.09%	345,124	0.14%	345,124	0.14%
Executives and employees[(e)]	399,801	0.18%	484,476	0.20%	484,476	0.20%
Treasury shares	55,500[(d)]	0.03%	55,500[(d)]	0.02%	–	–
Total	**219,350,914**	**100%**	**239,010,790**	**100%**	**238,955,290**	**100%**

(a) Shareholders who have disclosed that they are bound by a shareholders' agreement which is not a concert action within the meaning of article L. 233-10 of the French Commercial Code.
(b) Based on Ameriprise Financial, Inc.'s disclosure regarding the crossing of ownership thresholds dated June 22, 2017. Ameriprise Financial, Inc. holds Elis shares via its subsidiary Threadneedle Asset Management Limited.
(c) CPPIB and the Company have entered into an investment agreement on June 7, 2017.
(d) As at June 30, 2017.
(e) Following the vesting of 250,392 shares under the performance share plan dated April 7, 2015, whose vesting period expired on April 7, 2017.

3.11. Additional information

3.11.1. Advisers having an interest in the offering

Not applicable.

3.11.2. Persons responsible for auditing Elis' financial statements

The names and addresses of persons responsible for auditing Elis' financial statements feature in section 1.1.4 "Statutory Auditors" of the Securities Note.

3.11.3. Expert's report

Not applicable.

4. NON-AUDITED PRO FORMA FINANCIAL INFORMATION

4.1. Description of the Transaction

4.1.1. Terms of the Transaction

The Transaction is to be implemented through the Scheme of Arrangement in accordance with Part 26 of the Companies Act 2006 in the United Kingdom.

Terms of the Transaction were announced on June 12, 2017.

4.1.2. Purpose of Non-Audited Pro Forma Financial Information

The purpose of the Combined Group's non-audited consolidated pro forma financial information (the "**Non-Audited Pro Forma Financial Information**") is to provide pro forma information describing the consequences that the Transaction (including the Transaction's financing) would have had on Elis' balance sheet as at December 31, 2016 and on the income statement for the financial year ended on December 31, 2016 (including the Transaction's financing), had the Transaction taken place at an earlier date than the date of its effective implementation.

No pro forma adjustments have been included in the Non-Audited Pro Forma Financial Information presented in this section in respect of the acquisitions of Indusal and Lavebras or their financing in order to reflect them as if completed as of January 1, 2016. Accordingly, the Non-Audited Pro Forma Financial Information does not reflect (i) the results of operations of Indusal for the period from January 1st, 2016 to December 21, 2016, nor (ii) the results of operations for financial year 2016 and assets and liabilities as at December 31, 2016 of Lavebras.

The Non-Audited Pro Forma Financial Information is not necessarily representative of the results or future financial position of the Combined Group. Moreover, there is no guarantee that the trends indicated by Non-Audited Pro Forma Financial Information are representative of the future results and performance of the Combined Group.

As a consequence, consolidated results and financial position of the future Combined Group may significantly vary from the results and financial position presented in Non-Audited Pro Forma Financial Information.

4.2. Basis of presentation

4.2.1. Regulatory framework

The Non-Audited Pro Forma Financial Information is required pursuant to the provisions of Annex II, "Pro Forma financial information building block" of European Commission regulation no. EC 809/2004 dated April 29, 2004 as amended. In this case, the Transaction will have an impact higher than 25% of Elis' revenues, profits and total balance sheet (Elis is considered as the acquirer according to IFRS 3 – Business combinations).

Non-Audited Pro Forma Financial Information complies with the recommendations issued by ESMA (previously CESR) (ESMA/2013/319, March 20, 2013) and AMF recommendation no. 2013-08 related to pro forma financial information as amended.

4.2.2. Historical data used and pro forma adjustments

The Non-Audited Pro Forma Financial Information has been drafted in millions of euros, as this currency is the functional currency used to present the historical consolidated financial statements of the Group.

The Berendsen historical consolidated accounts prepared in millions of pounds sterling have been converted pursuant to the average exchange rate for financial year 2016 (£1 = €1.223) for the pro forma income statement, and pursuant to the closing rate as at December 31, 2016 (£1 = €1.180) for the pro forma balance sheet. These rates are identical to those used for Elis' historical financial information.

The Non-Audited Pro Forma Financial Information includes the followings:

- the pro forma income statement for financial year ended December 31, 2016;
- the pro forma balance sheet as at December 31, 2016; and
- explanatory notes.

This financial information describes the acquisition of Berendsen by Elis using the acquisition method as if the acquisition occurred on December 31, 2016 for the pro forma balance sheet and on January 1, 2016 for the pro forma income statement (cf. Note 2).

In accordance with the provisions of Annex II, "Pro Forma financial information building block" of European Commission regulation no. EC 809/2004 dated April 29, 2004 as amended, Elis provides the Non-Audited Pro Forma Financial Information based on publicly available historical financial information regarding Berendsen and from the following consolidated accounts:

- Elis' consolidated accounts (audited) for financial year ended December 31, 2016, as they are included in the Registration Document; and
- Berendsen's consolidated accounts (audited) for financial year ended December 31, 2016, as published in the 2016 Berendsen Annual Report, available on Berendsen's website (www.berendsen.com/investors).

Elis and Berendsen prepare their consolidated accounts in accordance with International Financial Reporting Standards as adopted by the European Union. Berendsen's consolidated accounts incorporated by reference are not subject to any observation or qualification from their statutory auditor. Likewise, Elis' consolidated accounts for financial year ended December 31, 2016 are not subject to any observation or qualification from its statutory auditors.

Elis made a preliminary review of the accounting principles of Berendsen on the basis of publicly available information in order to identify any discrepancies between the accounting principles applied by Elis and Berendsen. This preliminary review did not identify any significant difference between IFRS standards applied by Berendsen and Elis. Following the closing of the Transaction, new reclassifications and restatements may be necessary when Elis will obtain full access to detailed information, proceed with the comprehensive homogenization of the accounting methods and finalize the presentation of the Combined Group's financial statements.

As Elis had no access to detailed information on Berendsen other than publicly available information, the following adjustments have not been implemented:

- restatements related to litigation and other contingent liabilities;
- accounting for of identifiable assets and liabilities at fair value; and
- deferred tax assets relating to tax loss carryforwards which may be lost in certain jurisdictions as a result of the change of control resulting from the Transaction.

In accordance with AMF recommendation no. 2013-08 dated May 17, 2013 as amended relating to pro forma financial information, no restatement has been made to Elis' historical financial information used in order to draft the Non-Audited Pro Forma Financial Information, as a result of events that occurred after the close of the 2016 financial year (described in sections 3.1 and 3.3 of the half-year financial report included in the Registration Document Update). As a consequence, the following items, which are exclusively due to changes which took place after the close of the 2016 financial year, have not been adjusted:

- new costs incurred by the restructuring and future changes (changes in strategy or organization); and
- synergies and economies of scale, considered as forecast data.

In addition, Elis and Berendsen do not have any previous significant relationship that could be considered as intercompany transactions. As such, no restatement has been made in the Non-Audited Pro Forma Financial Information of Elis and Berendsen.

The Non-Audited Pro Forma Financial Information reflects a hypothetical situation and is presented for illustration purposes only. As such, it does not constitute any indication with regard to the results of operational activities, nor to the financial position of the Combined Group for financial year ended December 31, 2016. Moreover, the Non-Audited Pro Forma Financial Information does not provide any indication as to the results of operational activities or financial position of the Combined Group following the implementation of the Transaction.

4.3. Financial information and pro forma adjustments

4.3.1. Pro forma consolidated income statement for the financial year ending December 31, 2016

(In millions of euros)	Historical data for Elis	Historical data for Berendsen	**Sum of historical data (note 1)**	**Adjustment "Berendsen acquisition" (note 2)**	**Adjustment "Transaction Financing" (note 3)**	**Adjustment "Transaction costs" (note 4)**	**Pro Forma Financial Information**
Revenue	**1,512.8**	**1,357.7**	**2,870.4**	-	-	-	**2,870.4**
Operating expenses	(1,304.2)	(1,160.7)	**(2,465.0)**	-	-	-	**(2,465.0)**
Operating income before other income and expense and amortization of customer relationships	**208.6**	**196.9**	**405.5**	-	-	-	**405.5**
Amortization of customer relationships	(45.6)	(9.1)	**(54.7)**	-	-	-	**(54.7)**
Goodwill impairment	-	-	-	-	-	-	-
Other operating income and expense[a]	24.5	(15.8)	**8.7**	-	-	(25.7)	**(17.0)**
Operating income	**187.4**	**172.1**	**359.5**	-	-	**(25.7)**	**333.8**
Net financial expense	(55.7)	(25.0)	**(80.6)**	-	(10.7)	-	**(91.3)**
Income (loss) before tax	**131.7**	**147.1**	**278.9**	-	**(10.7)**	**(25.7)**	**242.5**
Income tax benefit (expense)	(38.1)	(35.2)	**(73.3)**	-	5.9	8.8	**(58.5)**
Share of net income of equity-accounted companies	-	-	-	-	-	-	-
Net income (loss)	**93.7**	**111.9**	**205.6**	-	**(4.8)**	**(16.8)**	**183.9**
Attributable to:							
- owners of the parent	93.7	111.5	**205.2**				**183.6**
- non-controlling interests	(0.0)	0.4	**0.4**				**0.4**
Earnings (loss) per share (EPS) / Earnings (loss) per share (EPS) from continuing operations (in euros):							
- basic, attributable to owners of the parent	€0.82	€0.65	**€1.06**				**€0.95**
- diluted, attributable to owners of the parent	€0.82	€0.65	**€1.06**				**€0.95**

(a) Other operating income and expense mainly include:

i. €35.6 million of income relating to the disposal of the Puteaux site and various transaction costs, restructuring costs and other non-recurring expenses as described in note 4.4 of the 2016 consolidated financial statements of Elis; and

ii. €12.8 million relating to strategy implementation costs and €2.9 million in respect of other costs/income as described in note 4 of the 2016 consolidated financial statements of Berendsen.

Elis and Berendsen's historical data have been combined in the greatest possible extent from the financial data used for the drafting of Non-Audited Pro Forma Financial Information (cf. note 1 of section 4.3.3 "Notes to the Non-Audited Pro Forma Financial Information" of the Securities Note).

4.3.2. Pro forma balance sheet as of December 31, 2016

(In millions of euros)	Historical data for Elis net	Historical data for Berendsen net	Sum of historical datas (note 1)	Adjustment "Berendsen acquisition" (note 2)	Adjustment "Transaction Financing" (note 3)	Adjustment "Transaction costs" (note 4)	Adjustment "CPPIB Cash Placing" (note 5)	Pro Forma Financial Information
Goodwill	1,755.7	480.6	**2,236.3**	**1,825.2**	**-**	**-**	**-**	**4,061.5**
Intangible assets	350.9	35.5	**386.4**	**-**	**-**	**-**	**-**	**386.4**
Property, plant and equipment	896.5	674.7	**1,571.2**	**-**	**-**	**-**	**-**	**1,571.2**
Available-for-sale financial assets	0.1	-	**0.1**	**-**	**-**	**-**	**-**	**0.1**
Other non-current assets	4.2	87.1	**91.3**	**-**	**(86.8)**	**-**	**-**	**4.5**
Deferred tax assets	19.4	15.0	**34.4**	**0.3**	**-**	**-**	**-**	**34.7**
TOTAL NON-CURRENT ASSETS	**3,026.8**	**1,292.9**	**4,319.7**	**1,825.5**	**(86.8)**	**-**	**-**	**6,058.4**
Inventories	62.4	65.7	**128.1**	**-**	**-**	**-**	**-**	**128.1**
Trade and other receivables	392.6	224.1	**616.7**	**-**	**-**	**-**	**-**	**616.7**
Current tax assets	6.6	10.3	**16.9**	**-**	**4.5**	**15.0**	**-**	**36.3**
Other assets	17.0	2.5	**19.4**	**-**	**-**	**-**	**-**	**19.4**
Cash and cash equivalents	169.6	365.9	**535.5**	**(1,049.8)**	**1,093.2**	**(43.4)**	**-**	**535.5**
Assets held for sale	1.1	-	**1.1**	**-**	**-**	**-**	**-**	**1.1**
TOTAL CURRENT ASSETS	**649.3**	**668.5**	**1,317.8**	**(1,049.8)**	**1,097.7**	**(28.5)**	**-**	**1,337.2**
TOTAL ASSETS	**3,676.1**	**1,961.4**	**5,637.5**	**775.7**	**1,010.8**	**(28.5)**	**-**	**7,395.6**
Share capital	1,140.1	61.1	**1,201.2**	**629.4**	**-**	**-**	**101.3**	**1,931.9**
Additional paid-in capital	280.9	117.6	**398.5**	**566.0**	**-**	**(11.6)**	**98.7**	**1,051.5**
Treasury share reserve	(1.6)	-	**(1.6)**	**-**	**-**	**-**	**-**	**(1.6)**
Other reserves	0.7	178.1	**178.8**	**(178.1)**	**-**	**-**	**-**	**0.7**
Retained earnings (accumulated deficit)	(267.0)	283.6	**16.6**	**(283.6)**	**-**	**(16.8)**	**-**	**(283.8)**
Other components of equity	(6.1)	(1.1)	**(7.2)**	**1.1**	**-**	**-**	**-**	**(6.1)**
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	1,147.0	639.3	**1,786.3**	**734.8**	**-**	**(28.5)**	**200.0**	**2,692.7**
NON-CONTROLLING INTERESTS	4.0	6.0	**10.0**	**29.5**	**(29.5)**	**-**	**-**	**10.0**
EQUITY	**1,151.0**	**645.3**	**1,796.3**	**764.3**	**(29.5)**	**(28.5)**	**200.0**	**2,702.6**
Non-current provisions	24.2	-	**24.2**	**-**	**-**	**-**	**-**	**24.2**
Employee benefit liabilities	62.9	46.5	**109.4**	**-**	**-**	**-**	**-**	**109.4**
Non-current borrowings	1,276.8	605.1	**1,881.9**	**2.0**	**(605.9)**	**-**	**-**	**1,278.0**
Deferred tax liabilities	176.8	87.9	**264.8**	**-**	**(6.7)**	**-**	**-**	**258.1**
Other non-current liabilities	22.6	18.3	**40.9**	**-**	**(17.2)**	**-**	**-**	**23.7**
TOTAL NON-CURRENT LIABILITIES	**1,563.4**	**757.8**	**2,321.2**	**2.0**	**(629.8)**	**-**	**-**	**1,693.4**
Current provisions	4.9	8.9	**13.8**	**-**	**-**	**-**	**-**	**13.8**
Current tax liabilities	3.9	29.6	**33.5**	**-**	**11.1**	**-**	**-**	**44.6**
Trade and other payables	162.6	82.5	**245.0**	**-**	**-**	**-**	**-**	**245.0**
Other liabilities	296.3	169.8	**466.1**	**-**	**(0.4)**	**-**	**-**	**465.7**
Bank overdrafts and current borrowings	494.1	267.5	**761.6**	**9.4**	**1,659.4**	**-**	**(200.0)**	**2,230.4**
Liabilities directly associated with assets held for sale	-	-	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL CURRENT LIABILITIES	**961.7**	**558.3**	**1,520.0**	**9.4**	**1,670.2**	**-**	**(200.0)**	**2,999.6**

TOTAL EQUITY AND LIABILITIES	**3,676.1**	**1,961.4**	**5,637.5**	**775.7**	**1,010.8**	**(28.5)**	**-**	**7,395.6**

4.3.3. Notes to the Non-Audited Pro Forma Financial Information

Note 1: Building of the pro forma historical data

Non-Audited Pro Forma Financial Information has been drafted from Elis and Berendsen publicly available historical financial statements.

Berendsen's pro forma income statement and balance sheet are presented in accordance with Elis' presentation of its historical accounts, excluding operational expenses accounts which had to be consolidated due to a different allocation between those used historically

– by Elis:

(in thousands of euros)	2016
Revenue	**1,512,764**
Cost of linen, machinery and other consumables	(247,463)
Processing costs	(568,942)
Distribution costs	(238,657)
Gross margin	**457,702**
Selling, general and administrative expenses	(249,150)
Operating income before other income and expense and amortization of customer relationships	**208,552**

– by Berendsen:

For the year ended 31 December 2016	£ m	€ m
Revenue	**1,110.0**	**1,357.7**
Cost of sales	**(565.8)**	**(692.0)**
Gross profit	**544.2**	**665.6**
Other income	**2.8**	**3.4**
Distribution costs	**(208.3)**	**(254.8)**
Administrative expenses	**(172.4)**	**(210.9)**
Other operating expenses	**(25.6)**	**(31.3)**
Operating profit	**140.7**	**172.1**
Analyzed as:		
Operating profit before exceptional items and amortization of customer contracts	**161.0**	**196.9**
Exceptional items	**(12.9)**	**(15.8)**
Amortization of customer contracts	**(7.4)**	**(9.1)**
Operating profit	**140.7**	**172.1**

Non-IFRS indicators: 2016 Pro Forma EBITDA

EBIT is defined as net income (loss) before net financial expense, income tax, share in income of equity-accounted companies, amortization of customer relationships, goodwill impairment, other operating income and expenses, miscellaneous financial items (bank fees recognized in operating income) and expenses related to IFRS 2 (share-based payments). A reconciliation of EBIT with the consolidated income statement is presented below.

EBITDA is defined as EBIT before depreciation and amortization net of the portion of grants transferred to income. A reconciliation of EBITDA with the consolidated income statement as featured in note 3.2 to Elis' 2016 consolidated financial statements is presented below:

(in millions of currency)	€
Operating income before other income and expense and amortization of customer relationships	**208.6**
Depreciation and amortisation including portion of grants transferred to income	253.2
Miscellaneous financial items	2.3
Expenses related to share-based payments	3.8
Elis EBITDA	**467.9**

Berendsen's EBITDA is calculated as follows:

(in millions of currency)		€
Operating profit before exceptional items and amortization of customer contracts	**161.0**	**196.9**
Depreciation of property, plant and equipment		
– owned assets	182.9	223.7
– under finance leases	0.7	0.9
Amortization of intangible assets (included within other operating expenses)		
– computer software	4.0	4.9
Share-based payments	(1.0)	(1.2)
Berendsen EBITDA	**347.6**	**425.2**

Pro Forma EBITDA and EBITDA margin (EBITDA/Revenue) for 2016 are as follows:

(in millions of currency)	Historical data for Elis	Historical data for Berendsen	Combined historical data
EBITDA	**467.9**	**425.2**	**893.1**
EBITDA margin	30.9%	31.3%	31.1%

Note 2: Acquisition of Berendsen

As detailed in section 4.1 "Description of the Transaction" of the Securities Note, Berendsen's acquisition as part of the Transaction incurs the application of the acquisition method in accordance with IFRS 3 – Business Combination, and the determination of goodwill by difference between the consideration transferred estimated at fair value and the amount of identifiable assets and liabilities received estimated at fair value (unless otherwise stated).

However, as part of the Non-Audited Pro Forma Financial Information and as there is no available information on the fair value of identifiable assets and liabilities, goodwill is determined by difference between the consideration transferred determined as described below and the net book value of assets and liabilities accounted for in Berendsen's balance sheet as at December 31, 2016, adjusted with issuance costs non yet amortized and taking into account published financial debt at fair value. As a consequence, the "interim" goodwill determined hereinafter is not, by construction, the one which will be accounted for in the first financial statements presented by the Combined Group following the Transaction.

The details of the consideration transferred are presented below:

(in millions of euros)

Consideration transferred	**2,423.9**
including cash	1,049.8
including share-based payment	1,374.1
Berendsen shares outstanding (in millions of shares)[(a)]	171.3
Equity portion of purchase price	57%
Shares paid by Elis shares (in millions of shares)	97.1
Exchange Ratio Berendsen/Elis	**1.41**
Total Elis common shares issued (in millions of shares)	69.1
Par value of Elis' share (in €)[(b)]	10.0
Adjustment on share capital[(b)]	**690.5**
Adjustment on additional paid-in capital[(b)]	**683.6**

(a) The number of shares is equal to 172,636,913 ordinary shares as of July 14, 2017, minus 1,291,621 shares held by the Employee Benefit Trust;

(b) The restatements presented do not take into account the share capital reduction for reasons other than losses, implemented through a reduction of the shares' par value and the allocation of the amount of the reduction to the additional paid-in capital account as well as the subsequent amendment of article 6 "Share capital" of the Company's articles of incorporation, as described in the 22nd and 23rd resolutions submitted to the Elis shareholders general meeting held on May 19, 2017.

The share consideration paid to Berendsen shareholders is calculated in accordance with the terms of the Transaction pursuant to which each Berendsen share will give right to receive 0.403 new Elis share and 540 pence in cash.

Elis' best estimate of the transferred consideration as at the date of the Prospectus is as follows:

- a share capital increase of 69.1 million Elis shares for a total value of €1,374.1 million, which will be exchanged for Berendsen shares on the basis of a ratio of 0.403 Elis shares for each Berendsen share (considering Elis' share price of €19.90 as at June 9, 2017); For indicative purposes, the average share price over the last 20 trading days as at July 20, 2017 is identical; and
- a cash consideration totaling €1,049.8 million paid to Berendsen shareholders in pounds sterling based on an exchange rate of £1 for €1.1346 (the payment in cash is subject to exchange rate hedging).

Interim goodwill has been determined as follows:

(in millions of euros)	**Dec. 31, 2016**
Non-current assets acquired excluding Berendsen goodwill	812.3
Acquired current assets	668.5
Liabilities assumed	(1,316.1)
Unamortized loan costs for Berendsen	(1.7)
Acquired net assets	**163.1**

Non-controlling interests as at December 31, 2016	(6.0)
Non-controlling interests (payments based on shares which will not be replaced)	(29.5)
Provisional goodwill	**2,305.8**
Consideration transferred	**(2,423.9)**
Debt relating to repurchase undertakings of shares held by the Employee Benefit Trust	**(9.4)**

Issuance costs not yet amortized of £1.7 million before deferred tax (calculated with a 17% rate) amount to the difference between the nominal value of the borrowings and their book value in Berendsen's balance sheet.

As part of the settlement of Berendsen share plans for the benefit of some of its employees, and in order to assess the amount of non-controlling interest relating to those payments (plans which will not be replaced), the Group assumed that (i) the existing performance share plans as at the date of the Transaction and relating to a maximum number of 2,085,089 shares will be settled in cash and (ii) the option would be exercized leading to the delivery of a maximum of 379,781 Berendsen shares by the Employee Benefit Trust (E.B.T.).

In addition, as part of the reciprocal sale/purchase undertakings signed between the E.B.T. and Elis concerning 1,291,621 Berendsen shares held by the E.B.T., the Group accounted for a 9.4 million debt on the basis of an Elis share price of €19.90.

Interim goodwill is determined by difference between the consideration transferred and the net book value of assets and liabilities accounted for in Berendsen's financial statements as at December 31, 2016.

Final estimates will be made and accounting of the acquisition will be finalized on the basis of assessments and analysis made with the external support of evaluation specialists following effective implementation of the Transaction.

This provisional calculation has only been made for the purpose of the Non-Audited Pro Forma Financial Information and is therefore hypothetical and subject to subsequent revision as the acquisition date will be different from the date on which Non-Audited Pro Forma Financial Information is based and the share price is likely to evolve.

The assessment of the fair value of assets and liabilities taken over may result in the accounting of acquired identifiable assets (such as for instance customer relationships) which will have a limited lifetime and will be amortized. As a consequence, future results of the Combined Group may be significantly impacted by amortization costs relating to identifiable assets acquired.

The impact of businesses combination on Non-Audited Pro Forma Financial Information is as follows:

(in millions of euros)	Share capital increase	Elimination of Berendsen historical goodwill	Interim goodwill	Adjustment "Berendsen acquisition" (note 2)
Goodwill		(480.6)	2,305.8	**1,825.2**
Intangible assets				-
Property, plant and equipment				-
Available-for-sale financial assets				-
Other non-current assets	1,374.1		(1,374.1)	-
Deferred tax assets			0.3	**0.3**

TOTAL NON-CURRENT ASSETS	**1,374.1**	**(480.6)**	**932.0**	**1,825.5**
Inventories				-
Trade and other receivables				-
Current tax assets				-
Other assets				-
Cash and cash equivalents			(1,049.8)	**(1,049.8)**
Assets held for sale				-
TOTAL CURRENT ASSETS	**-**	**-**	**(1,049.8)**	**(1,049.8)**
TOTAL ASSETS	**1,374.1**	**(480.6)**	**(117.8)**	**775.7**
Share capital	690.5		(61.1)	**629.4**
Additional paid-in capital	683.6		(117.6)	**566.0**
Treasury share reserve			-	-
Other reserves			(178.1)	**(178.1)**
Retained earnings (accumulated deficit)		(480.6)	197.1	**(283.6)**
Other components of equity			1.1	**1.1**
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	1,374.1	(480.6)	(158.7)	**734.8**
NON-CONTROLLING INTERESTS			29.5	**29.5**
EQUITY	**1,374.1**	**(480.6)**	**(129.2)**	**764.3**
Non-current provisions				-
Employee benefit liabilities				-
Non-current borrowings			2.0	**2.0**
Deferred tax liabilities				-
Other non-current liabilities				-
TOTAL NON-CURRENT LIABILITIES	**-**	**-**	**2.0**	**2.0**
Current provisions				-
Current tax liabilities				-
Trade and other payables				-
Other liabilities				-
Bank overdrafts and current borrowings			9.4	**9.4**
Liabilities directly associated with assets held for sale				-
TOTAL CURRENT LIABILITIES	**-**	**-**	**9.4**	**9.4**
TOTAL EQUITY AND LIABILITIES	**1,374.1**	**(480.6)**	**(117.8)**	**775.7**

In the Non-Audited Pro Forma Financial Information, the consideration transferred is assessed on the basis of the number of Berendsen shares issued as at July 14, 2017 and in accordance with the terms of the Transaction. This amount may be restated depending on the date of the shareholders' general meeting and share price evolution.

Note 3: Financing of the Transaction

In order to finance the Transaction and redeem Berendsen's indebtedness issued on capital markets, Elis entered into the Bridge Term Facility Agreement 2017 with Crédit Agricole Corporate and Investment Bank and BNP Paribas Corporate & Investment Banking on June 12, 2017, regarding the set-up of funds for a total amount of €1,920 million.

The Bridge Term Facility Agreement 2017 provides for a validity period beginning from its signing date and terminating on the earliest of the following dates:

– the latest date between (i) 30 days after the date on which the Scheme of Arrangement becomes effective and (ii) the date on which Berendsen's indebtedness is refinanced, it being understood that Berendsen's indebtedness shall be refinanced at the latest within 3 months after the date mentioned in (i);

- the last day of the 9-month period starting from the signing date of such agreement;
- the date on which the Scheme of Arrangement lapses, terminates or is withdrawn.

The Bridge Term Facility Agreement 2017 provides for a 12-month maturity (i.e. June 2018) and includes two extension possibilities of 6 months each (i.e. December 2018 and June 2019), at Elis' discretion.

In addition to the Reserved Capital Increase, this credit line is designed to be refinanced through bank financing or capital markets transactions: senior unsecured bond issuance or issues of equity-linked securities or other capital markets instruments, it being specified that Elis may decide to proceed or not with such market transactions.

The applicable rate provided for in the Bridge Term Facility Agreement 2017 is EURIBOR for the period plus a spread, it being specified that the spread is subject to a variation grid from 100 bps to 400 bps based on a 3-month step timetable, it being specified that the period will vary between 1, 2 or 3 months.

The fees paid as a result of the Bridge Term Facility Agreement 2017 are underwriting fees, ticking fees and extension fees.

The Bridge Term Facility Agreement 2017 provides for the same financial covenant as in the Senior syndicated loan agreement entered into by the Company on January 17, 2017 and described in chapter 21 of the Bridge Term Facility Agreement 2017. Likewise, the Bridge Term Facility Agreement 2017 provides for the same terms as in the Senior syndicated loan agreement, requiring Elis to provide the lenders with certain guarantees in accordance with market standards.

The 1.4% interest rate retained for the calculation of interest to be included in the pro forma income statement constitutes a safe assumption and amounts to the maximum interest rate witnessed during the 12 months following the draw date of the credit line.

The Bridge Term Facility Agreement 2017 provides financing for the following expenses in an amount of €1,642.9 million:

- the cash consideration of the Transaction, for €1,049.8 million (cf. note 2);
- the refinancing of Berendsen's indebtedness as at December 31, 2016, for a nominal amount of €605.9 million;
- less the redemption of hedging instruments (cross-currency interest rate swaps) described in note 16 of Berendsen's 2016 annual consolidated accounts, representing a net asset valued at its fair value of €69.3 million before taking into account a deferred tax effect applicable to deferred instruments at a 16.1% rate, recalculated on the basis of note 19 of Berendsen's 2016 annual consolidated accounts. As the Transaction should entail the cancellation of the underlying loans (redemption of Berendsen's existing loans and consolidation of the Combined Group in euros instead of pounds sterling), this redemption is considered to be directly related to the Transaction;
- costs directly attributable to the Bridge Term Facility Agreement 2017, for €(13.0) million before tax effect at a 34.43% applicable tax rate in France; and
- costs relating to the Transaction for €(43.4) million before tax effect at a 34.43%

applicable tax rate in France (cf. note 4).

Restatement of the financing is as follows:

(In millions of euros)	**Repayment of Berendsen loans**	**Repayment of hedging instruments**	**Elis additional financing to complete the acquisition**	**Elis debt issuance costs**	**Adjustment "Transaction Financing" (note 3)**
Goodwill					-
Intangible assets					-
Property, plant and equipment					-
Available-for-sale financial assets					-
Other non-current assets		(86.8)			**(86.8)**
Deferred tax assets					
TOTAL NON-CURRENT ASSETS	-	**(86.8)**	-	-	**(86.8)**
Inventories					-
Trade and other receivables					-
Current tax assets				4.5	**4.5**
Other assets					-
Cash and cash equivalents	(605.9)	69.3	1,642.9	(13.0)	**1,112.0**
Assets held for sale					-
TOTAL CURRENT ASSETS	**(605.9)**	**69.3**	**1,642.9**	**(8.5)**	**1,116.5**
TOTAL ASSETS	**(605.9)**	**(17.6)**	**1,642.9**	**(8.5)**	**1,029.6**
Share capital					-
Additional paid-in capital					-
Treasury share reserve					-
Other reserves					-
Retained earnings (accumulated deficit)					
Other components of equity					
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	-	-	-	-	-
NON-CONTROLLING INTERESTS			(29.5)		(29.5)
EQUITY	-	-	**(29.5)**	-	**(29.5)**
Non-current provisions					-
Employee benefit liabilities					-
Non-current borrowings	(605.9)				**(605.9)**
Deferred tax liabilities		(11.1)		4.5	**(6.7)**
Other non-current liabilities		(17.2)			**(17.2)**
TOTAL NON-CURRENT LIABILITIES	**(605.9)**	**(28.4)**	-	**4.5**	**(629.8)**
Current provisions					-
Current tax liabilities		11.1			**11.1**
Trade and other payables					-
Other liabilities		(0.4)			**(0.4)**
Bank overdrafts and current borrowings			1,672.4	(13.0)	**1,659.4**
Liabilities directly associated with assets held for sale					-
TOTAL CURRENT LIABILITIES	-	**10.8**	**1,672.4**	**(13.0)**	**1,670.2**

(In millions of euros)	**Repayment of Berendsen loans**	**Repayment of hedging instruments**	**Elis additional financing to complete the acquisition**	**Elis debt issuance costs**	**Adjustment “Transaction Financing” (note 3)**
TOTAL EQUITY AND LIABILITIES	**(605.9)**	**(17.6)**	**1,642.9**	**(8.5)**	**1,010.8**

In addition, financial interests to be considered in connection with the debt movements presented hereinabove have been determined as follows:

- Berendsen’s indebtedness represented in 2016 an annual interest cost of €(23.0) million before tax at a 17% deferred theoretical tax rate (as mentioned in Note 5 to the Berendsen’s 2016 consolidated accounts). The latter has no impact in the Non-Audited Pro Forma Financial Information, due to the Bridge Term Facility Agreement 2017 entered into by Elis (cf. “Elimination of interest expense Berendsen” hereinafter);
- the Bridge Term Facility Agreement 2017 entered into by Elis as part of the Transaction for a total amount of €1,920 million would be drawn up to an amount net of the cash received from CPPIB (cf. note 5) of €1,442.9 million. The retained rate being 1.4% (cf. note 3), the interest cost over a 12-month period would be €(20.2) million before tax (cf. “Recurring interest expense Elis” hereinafter), in addition to which financial debt of €(0.5) million related to the financing of the cash consideration of transactions the payment of which was based on Berendsen shares. The tax effect is calculated taking into account the “rabot fiscal” mechanism which limits interests deductibility to 75% in France (article 223 B Bis of the French Tax Code).

The estimate of the costs directly attributable to the financing and non-accounted for as at late December 2016, amounts to €(13.0) million before tax. This includes mainly loan issuance costs and other non-recurring costs in connection with the financing (cf. “Non-recurring interest expense” hereinafter).

The tax effect is calculated on the basis of a 34.43% theoretical tax rate applicable to Elis in France.

(In millions of euros)	Repayment of Berendsen loans[60]	Elimination of interest expense Berendsen	Recurring interest expense Elis	Non-recurring interest expense	**Adjustment « Transaction » « Financing » (note 3)**
Revenue					-
Operating expenses					-
Operating income before other income and expense and amortization of customer relationships					-
Amortization of customer relationships					-
Goodwill impairment					-
Other operating income and expense					-

60 No adjustment is recorded as income (i) as the hedging instruments are valued at their fair value and reserves mentioned in “Other equity components” are not transferred by Berendsen to the Combined Group in accordance with IFRS standard 3 and (ii) taking into account the assumption that these instruments would be redeemed immediately following the Transaction.

Operating income				-
Net financial expense	23.0	(20.7)	(13.0)	(10.7)
Income (loss) before tax	**23.0**	**(20.7)**	**(13.0)**	**(10.7)**
Income tax benefit (expense)	(3.9)	5.4	4.5	5.9
Share of net income of equity-accounted companies				-
Net income (loss)	**19.1**	**(15.4)**	**(8.5)**	**(4.8)**

Potential fees for non-revolving use by Berendsen and Elis have not been restated in the Non-Audited Pro Forma Financial Information as Elis does not have any detailed information on the consolidated cash requirements of the Combined Group.

Note 4: Costs in connection with the Transaction

The estimate of the costs directly attributable to the Transaction, excluding financing costs (cf. note 3), non-accounted for as at late December 2016, amounts to €43.4 million before tax. This includes mainly:

– share issuance costs, advisers' fees and other non-recurring costs in connection with the Transaction. These costs will not have any extended impact on the Combined Group's accounts. These costs are negotiated by Elis for the entire Transaction, with no distinction between those incurred in connection with the share capital increase due to consideration paid in shares, those in connection with Berendsen shares paid in cash, and those relating to the whole Transaction. As such, the allocation in equity has been made on the basis of the estimated percentage of the consideration transferred paid in shares, the balance being accounted for in the income statement. The share allocated to equity based on the percentage of the Transaction financed through share consideration amounts to €17.7 million;

– the stamp duty amounts to 0.5% of the Transaction's value:

(In millions of euros)	Transferred consideration	Cost incurred for the Transaction	Tax effect	Net amounts after tax
Effect on shareholders' equity	57%	17.7	(6.1)	11.6
Cash/effect on net income (A)	43%	13.6	(4.7)	8.9
Increased share capital, advisors and other fees	**100%**	**31.3**	**(10.8)**	**20.5**
Stamp duty/effect on net income (B)		**12.1**	**(4.2)**	**7.9**
TOTAL		**43.4**	**(15.0)**	**28.5**
Of which effect on Net income (A+B)		***25.7***	***(8.8)***	***16.8***

The tax effect has been calculated on the basis of a 34.43% theoretical tax rate applicable to Elis in France.

Note 5: CPPIB Cash Placing

CPPIB, which held approximately 5% of the Elis shares in issue as at the date of the 2.7 Announcement, has agreed to subscribe for 10,131,713 CPPIB Shares to be issued to it through a reserved capital increase at a price of €19.74 per Elis share. The total proceeds of the CPPIB Cash Placing would be €200 million. CPPIB is a leading global institutional investor that manages the funds of the Canada Pension Plan. At March 31, 2017, the CPP Fund totaled CAD$316.7 billion. The funds raised by the CPPIB Cash Placing will not be used to fund the cash portion of the consideration but will be used to repay borrowing incurred by Elis to finance the consideration and to help Elis meet its 2018 leverage target of ~3x (consistent with its current level) if the Transaction is completed. The CPPIB Cash Placing is conditional on, amongst other matters, the Scheme being approved by Berendsen shareholders and sanctioned by the High Court of Justice in England and Wales and approval of the resolutions authorizing the issue of New Shares as part of the Transaction by Elis' general meeting of shareholders. While Elis is firmly committed to the CPPIB Cash Placing, the Transaction is not conditional upon the CPPIB Cash Placing becoming unconditional or being completed.

4.4. Statutory auditors' report on the Non-Audited Pro Forma Financial Information

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine
France

Mazars
61, rue Henri Regnault
92400 Courbevoie
France

STATUTORY AUDITORS' REPORT
ON PRO FORMA FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

Elis
5, boulevard Louis Loucheur
92210 Saint-Cloud
France

This is a free translation into English of the Statutory Auditors' report on pro forma financial information issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the members of the Supervisory Board and the Chairman of the Management Board,

In our capacity as Statutory Auditors of Elis and in accordance with Commission Regulation (EC) 809/2004, we have prepared this report on the pro forma financial information of Elis for the year ended December 31, 2016, which is included in section 4 of the prospectus drawn up in connection with the issue and admission to trading on the regulated market of Euronext Paris of new Elis shares as consideration for the contribution of Berendsen shares to Elis.

The pro forma financial information is intended solely to show the impact that the contribution of Berendsen shares to Elis would have had on the consolidated statement of financial position of Elis at December 31, 2016 and its consolidated income statement for the year then ended, if the transaction had been carried out on December 31, 2016 and January 1, 2016, respectively. By definition, the pro forma financial information reflects a hypothetical situation and is not necessarily representative of the financial position or performance that would have been reported if the transaction had taken place before the planned or actual date.

The pro forma financial information has been prepared under your responsibility in accordance with the provisions of European Commission Regulation (EC) 809/2004 and ESMA recommendations on pro forma financial information.

Pursuant to Annex II, item 7 of European Commission Regulation (EC) 809/2004 and on the basis of our work, our role is to express an opinion on the appropriateness of the pro forma information.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted mainly of obtaining assurance that the basis used to compile the pro forma financial information was consistent with the source documents as described in the notes to the pro forma financial information, reviewing the evidence supporting the pro forma adjustments and making inquiries of Elis management to obtain the information and explanations that we considered necessary. They did not include auditing or reviewing the underlying financial information used to prepare the pro forma financial information.

In our opinion:
- the pro forma financial information has been properly compiled on the basis stated;
- that basis is consistent with the accounting policies of the issuer.

This report has been issued solely for the admission to trading on a regulated market and/or the public offering of Elis shares in France and other EU member states where the prospectus as approved by the AMF would bse published, and it may not be used for any other purpose.

Neuilly-sur-Seine and Courbevoie, July 27, 2017

The Statutory Auditors

PricewaterhouseCoopers Audit	Mazars
Bruno Tesnière	Isabelle Massa

5. PRESENTATION OF THE CONTRIBUTION: BERENDSEN

The information relating to Berendsen contained in this section has been extracted from Berendsen's consolidated and audited financial statements for financial year ended December 31, 2016, as they appear in the 2016 Berendsen Annual Report published in English on Berendsen's website (www.berendsen.com).

5.1. Financial information

Berendsen plc is a public limited company incorporated under the laws of England ("**Berendsen**" and, together with its subsidiaries, the "**Berendsen Group**") whose shares are traded on the London Stock Exchange under the symbol BRSN.

5.1.1. Name, registered office and main administrative office

Berendsen plc's business name is Berendsen.

Berendsen's registered office is located at 1 Knightsbridge, London, SW1X 7LX, United Kingdom.

5.1.2. Date of incorporation and duration

Berendsen was incorporated and registered in England and Wales on February 18, 1980.

Berendsen does not have a specified duration.

5.1.3. Legislation applicable to Berendsen and legal form

Berendsen is an English public limited company. The principal laws under which Berendsen plc operates are the UK Companies Act 2006 and the regulations made thereunder.

5.1.4. Objects of the company

Berendsen's objects are unrestricted. Under the UK Companies Act 2006, unless a company restricts its objects, its objects are unrestricted.

5.1.5. Registration number on the trade and companies register

Berendsen is registered on the Register of Companies (England and Wales) under number 01480047.

5.1.6. Management

5.1.6.1 Names and positions of key executives

The Berendsen Board is currently made up of the following people:

Name	Position
Iain Ferguson CBE (61)	Non-Executive Chairman
James Drummond (55)	Chief Executive Officer
Maarit Aarni-Sirviö (63)	Non-Executive Director
Lucy Dimes (51)	Non-Executive Director
David Lowden (59)	Senior Independent Director
Kevin Quinn (57)	Chief Financial Officer

Andrew Wood (65)	Non-Executive Director

5.1.6.2 Remuneration and benefits in kind granted for the year ended December 31, 2016 to members of the administration and management bodies by all Berendsen Group companies

Total remuneration in 2016: Executive Directors

			Executive Directors		Previous Executive Directors	
	James Drummond		Kevin Quinn		Peter Ventress	
Fixed pay (£000)	**2016**	2015	**2016**	2015 (restated)	**2016**	2015 (restated)
Base salary	538	263	359	350	188	565
Taxable benefits	35	20	36	37	6	31
Pension contributions	108	53	72	70	47	141
Subtotal	681	336	467	457	241	737
Pay for performance (£000)						
Annual bonus (iv)	–	295	–	385	–	356
Performance LTIPs (v)	–	–	–	716	–	1,161
Subtotal	–	295	–	1,101	–	1,517
Other items in the nature of remuneration (£000)						
Dividend equivalents on DBSP (vi)	–	–	14	16	37	27
Non-performance LTIPs (vii)	–	–	–	–	–	–
Subtotal	–	–	14	16	37	27
Total remuneration (£000)	**681**	631	**481**	1,574	**278**	2,281

Notes:

(i) James Drummond joined Berendsen on July 1, 2015. His 2015 annual base salary was £525,000. His fixed salary was subject to a pro rata reduction from the date he joined.

(ii) Peter Ventress resigned as a director on July 31, 2015. In the table above, Peter Ventress' 2016 fixed pay is related to payments made during his notice period from January 1, 2016 to April 28, 2016 (amounting to £188,333 in base salary, £5,728 in taxable benefits and £47,083 in pension contributions). Further details of the payments made to Peter during the year can be found on page 94 of Berendsen's 2016 annual report and accounts.

(iii) 2015: 'Performance LTIPs' have been restated using the actual share price on the day of vesting for awards under the PSP and CIP 2013 grants which vested on June 1, 2016. In the 2015 annual report on remuneration these awards were valued using the average share price in the three months ending December 31, 2015 being 1038 pence. The PSP and CIP 2013 awards have been restated using the actual share price on the day of vesting being 1222 pence (a difference in value of 184 pence per share – £72,972 and £44,986 for Peter Ventress and Kevin Quinn, respectively).

(iv) Including 25% of annual bonus which is deferred for three years under the DBSP. The annual bonus paid to James Drummond and Peter Ventress for 2015 was subject to a pro rata reduction. Peter Ventress was not entitled to an annual bonus for 2016. James Drummond and Kevin Quinn did not receive an annual bonus during 2016, due to below threshold EPS performance, further details can be found on page 98 of Berendsen's 2016 annual report and accounts.

(v) 2016: 'Performance LTIPs' which are due to vest on March 6, 2017 and April 7, 2017 (being, PSP 2014 and CIP 2014 awards) will lapse in full and will not vest (further details on page 98 of Berendsen's 2016 annual report and accounts).

(vi) 2016: Dividend equivalents arising from the vesting of 2013 DBSP awards on June 1, 2016. For Peter Ventress: the dividend equivalents in 2016 relate to the vesting of the DBSP 2013 awards on March 7, 2016 and DBSP 2014 and 2015 awards on April 28, 2016.

(vii) 'Non-performance LTIPs' includes grants under the UK Sharesave Plan. The last grant under the Sharesave Plan was made on October 23, 2014. Further information on the UK Sharesave Plan can be found on page 106 of Berendsen's 2016 annual report and accounts.

(viii) Written confirmation has been received from the directors that they have not received any other items in the nature of remuneration.

Total remuneration in 2016: Chairman and Non-Executive Directors

	Policy fees effective January 1, 2016			Actual fees paid in 2016	
	Base fee (£000)	Chairman of Committee (£000)	Senior Independent Director (£000)	Total fee 2016 (£000)	Total fee 2015 (£000)
Iain Ferguson CBE	190	–	–	190	175
Maarit Aarni-Sirviö	55	–	–	55	52
Lucy Dimes	55	–	–	55	52
David Lowden	55	11	6	72	69
Andrew Wood	55	11	–	66	63
Total remuneration (£000)				**438**	**411**

The maximum authority for directors' fees (in aggregate), as outlined in Berendsen's Articles of Association, is £750,000 a year.

5.1.7. Statutory auditors

PricewaterhouseCoopers LLP, represented by Matthew Mullins, 1 Embankment Place, London, WC2N 6RH, United Kingdom, was reappointed as Berendsen's statutory auditor by Berendsen's annual shareholders' general meeting of April 27, 2017 until Berendsen's next ordinary shareholders' general meeting.

5.1.8. Related party agreements

There have been no material related party transactions in the year ended December 31, 2016 or in the year ended December 31, 2015, except for key management compensation as set out in section 5.1.6.2 "Remuneration and benefits in kind granted for the year ended December 31, 2016 to members of the administration and management bodies by all Berendsen Group companies" of the Securities Note.

5.1.9. Place where documents and information relating to Berendsen can be consulted

Documents and information relating to Berendsen can be consulted at Berendsen's registered office at 1 Knightsbridge, London, SW1X 7LX, United Kingdom or on Berendsen's website (www.berendsen.com).

5.2. General information regarding Berendsen's share capital

5.2.1. Amount of subscribed capital, number and categories of financial securities making up the subscribed capital and their main characteristics

5.2.1.1 Amount of subscribed capital and number of shares in issue

As at July 25, 2017, Berendsen's issued share capital was 172,636,913 ordinary shares of 30 pence each.

5.2.1.2 Main characteristics

Rights and obligations attaching to shares

Subject to the Articles, the UK Companies Act 2006 and other shareholders' rights, shares in Berendsen may be issued with such rights and restrictions as the shareholders may by ordinary resolution decide, or if there is no such resolution, as the Berendsen Board may decide provided it does not conflict with any resolution passed by the shareholders.

The rights attached to any class of shares can be amended if approved, either by 75% of shareholders holding the issued Berendsen shares in that class by amount, or by special resolution passed at a separate meeting of the holders of the relevant class of shares.

Every member and every duly appointed proxy present at a general meeting or class meeting has, upon a show of hands, one vote and every member present in person or by proxy has, upon a poll, one vote for every share held by him or her.

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

Restrictions on transfer of securities in Berendsen

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

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

The Berendsen directors are not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities.

Restrictions on voting

No shareholder shall be entitled to vote at any general meeting or upon a poll or exercise any other right conferred by membership (unless the directors decide otherwise) in respect of any share held by him or her if any call or other sum then payable by him or her in respect of that share remains unpaid or if a shareholder has been served with a restriction notice (as defined in Berendsen's articles of incorporation) after failure to provide the company with information concerning interests in those shares required to be provided under the Financial Conduct Authority's Listing Rules.

The Berendsen directors are not aware of any agreements between holders of securities that may result in restrictions on voting rights.

5.2.1.3 Movements in share capital over five years

Movements in share capital over five years					
	July 25, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
Total issued share capital	£51.8m	£51.8m	£51.8m	£51.8m	£51.8m
Berendsen shares					
Number of Berendsen shares in issue	172.6m	172.6m	172.6m	172.6m	172.5m

Changes in Berendsen's share capital					
Par value of Berendsen shares	30 pence	30 pence	30 pence	30 pence	30 pence

5.2.2. Characteristics of the financial instruments which give access to the share capital of Berendsen

5.2.2.1 Share capital – potential issues of ordinary shares

Share options

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

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

Share awards

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

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

		December 31, 2016	December 31, 2015
Date of grant	March 6, 2014	–	174,800
	March 9, 2015	**204,900**	218,500
		1,635,764	2,647,003

5.2.2.2 Share-based payments

Share options

During the year ended December 31, 2016, the Berendsen Group had five share-based payment arrangements granted since October 2011, outstanding with employees to grant share options. The schemes are equity settled. The details of the arrangements are set out below:

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

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

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

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

A reconciliation of movements in the number of share options for the Berendsen Group can be summarized as follows:

Berendsen Sharesave Plan

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

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

Share awards

During the year ended December 31, 2016 the Berendsen Group had 17 conditional share awards granted to directors and staff. The schemes are equity settled. The details of the arrangements are set out below:

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

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

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

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

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

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

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

A reconciliation of movements in the number of share awards for the Berendsen Group can be summarized as follows:

Performance Share Plan

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

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

Co-Investment Plan

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

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

Deferred Bonus Share Plan

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

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

Berendsen Long-term Incentive Plan

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

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

5.2.3. Ownership of shares and voting rights

The table below shows the holdings in Berendsen's issued share capital which had been publicly disclosed pursuant to Rule 8.3 of the UK City Code on Takeovers and Mergers as at July 25, 2017 and which would have been notifiable under the UK Financial Conduct Authority's Disclosure Guidance and Transparency Rules. The information below was correct at the date of disclosure. It should be noted that these holdings are likely to have changed since the date of disclosure. However, disclosure of any change will be made publicly in accordance with Rule 8.3 of the UK City Code on Takeovers and Mergers.

	July 25, 2017	
Shareholders	**Number of shares (millions)**	**% of share capital**
Prudential Plc / M&G IM	13,254,504	7.67%
FMR LLC	10,212,897	5.91%
Davidson Kempner Cap Mgmt LLC	8,286,524	4.80%
Wellington Mgmt Group	8,203,710	4.75%
Silchester International Investors	6,327,609	3.67%
Blackrock Group	6,339,439	3.67%
Norges Bank	5,464,024	3.17%
Carlson Capital, L.P.	5,345,262	3.10%
Shareholders holding less than 3% each	-	63.26%

5.3. Information regarding Berendsen's activities

5.3.1. Description of the main activities of Berendsen and the Berendsen Group, including their main categories of products and/or services provided

Berendsen is a focused European textile, hygiene and safety service solutions business. Berendsen provides service solutions to design, source, lease, clean and maintain textiles, medical and well-being devices. Its services, include investment in the stock of goods, management of the stock, pick-up of soiled items and delivery professionally cleaned, repaired and quality-checked goods.

Berendsen provides professional expertise in design of workwear, textile sourcing and purchasing, textile maintenance, decontaminating and sterilisation of medical and well-being devices and an optimised service to each customer. Outsourcing such services to Berendsen offers significant benefits to the customer, saving costs, freeing up time, space, staff and capital and allowing them to concentrate on their core business.

In 2016, Berendsen put into effect a new organisational structure with four customer-facing business lines: (i) Workwear; (ii) Facility; (iii) Healthcare; and (iv) Hospitality, to ensure direct alignment with their customers' needs.

Business Lines

Workwear

Berendsen provides predictable, convenient and cost effective outsourced workwear services to both private and public organizations. The Berendsen Group supplies 80,000 customers across 12 countries. Berendsen helps its customers to manage risk and handle administrative complexity by securing the right workwear and protection equipment for each situation.

Facility

Berendsen provides market-leading solutions and services through three operating units: Cleanroom, Mats and Washroom. All have leading positions in the markets in which they operate, with significant market share in those markets. Berendsen's product and service propositions sustain its customers' premises and in the case of Cleanroom, key operations across many industries including: high-tech companies, research facilities and pharmaceutical companies.

Healthcare

Berendsen offers patient-focused solutions for hospital wards, operating theatres and elderly care homes in Ireland, UK, Germany, Sweden and Denmark. This new business line aggregates all healthcare businesses together. Berendsen's products and services include linen rental and laundering services, product rental of sterile textiles and consumables and instrument decontamination services.

Hospitality

Berendsen provides market-leading linen solutions, such as linen hire and laundry services, primarily to customers who operate in hotel, restaurant and catering businesses. Its product offering includes bed linen, towelling, table linen and chefs wear. Its products are contract supplied with a typical 2-3 year duration. Our value added services help our customers to lower total costs by easing the housekeeping process.

Berendsen employs approximately 16,000 people across 16 countries throughout Europe. Its headquarters are located in London, while its business offices are found in Basingstoke and Copenhagen.

5.3.2. Net revenue in the last three years by business line and geographical market

Net revenue by business line

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 Berendsen 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 December 31, 2015 have been restated in line with the revised business line structure.

The results for the year ended December 31, 2016 under the new 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**

The results for the year ended December 31, 2015 under the new business line structure are as follows:

	Workwear £m	Facility £m	Healthcare £m	Hospitality £m	Unallocated £m	Group £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**

Net revenue by geographical area

Analysis of external revenue by country	**Year to December 31, 2016 £m**	**Restated Year to December 31, 2015 £m**	**Year to December 31, 2014 £m**
United Kingdom	392.3	396.9	391.8
Sweden	177.0	151.9	159.1
Germany	157.7	134.3	135.2
Denmark	146.8	126.4	133.2
Netherlands	91.0	78.3	83.3
Norway	50.1	47.8	57.2
Other	95.1	82.5	78.8
Total	**1,110.0**	**1,018.1**	**1,038.6**

5.3.3. Change in workforce of the Berendsen Group in the last three years

Average monthly number of people (including directors) employed	2016 Number	2015 Number	2014 Number
Berendsen Group	15,700	15,667	14,632

5.3.4. General information regarding the activity of subsidiaries and subsidiaries' subsidiaries which are relevant in terms of Berendsen's assets or results

				2016 figures, £m	
Name	**Country of registration**	**% of shares held**	**Nature of business**	**Revenue**	**Net assets**
Berendsen Finance Ltd (i)	United Kingdom	100%	Investment holding company	-	766.3
Berendsen Finance Ireland (Euro) Limited (i)	Ireland	100%	Investment holding company	-	98.2
Berendsen Textile Service A/S	Denmark	100%	Textile rental	146.8	80.4
Berendsen Textiel Service BV (iii)	Netherlands	100%	Textile rental	91.0	41.3
Berendsen UK Limited	United Kingdom	100%	Textile rental	369.4	236.1
Berendsen Textile Service AB (iv)	Sweden	100%	Textile rental	176.8	133.3

(i) Holds the Berendsen Group's equity interests, including (ii) and (iv).
(ii) Net assets include an intercompany loan with another subsidiary – eliminated on consolidation.

5.3.5. Indications regarding any outstanding litigation or exceptional circumstance which may have or has had in the recent past a significant impact on Berendsen's financial position

The Berendsen 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. Berendsen is currently in arbitration concerning the indemnity received to cover any environmental harm that might have existed when it purchased certain laundry sites in Sweden in 1991. Berendsen expects to succeed in this arbitration. Berendsen does not expect to incur any significant loss in respect of these or any other sites.

The UK Competition and Markets Authority has alleged that Berendsen's UK Cleanroom business has participated in market sharing through a joint venture which was purchased along with the Newbury acquisition in 2014. At December 31, 2016, Berendsen included a provision of the board of directors' best estimate of the costs within the merger and acquisition costs.

5.4. Financial information

5.4.1. Berendsen's condensed consolidated financial information for the last three years

5.4.1.1 Consolidated income statements for 2016, 2015 and 2014

	Year to December 31, 2016	Restated[61] Year to December 31, 2015	Year to December 31, 2014
	£m	£m	£m
Revenue	**1,110.0**	1,018.1	1,038.6
Cost of sales	**(565.8)**	(516.1)	(517.7)
Gross profit	**544.2**	502.0	520.9
Other income	**2.8**	4.6	4.3
Distribution costs	**(208.3)**	(187.0)	(193.3)
Administrative expenses	**(172.4)**	(161.3)	(168.5)
Other operating expenses	**(25.6)**	(26.2)	(26.2)
Operating profit	**140.7**	132.1	137.2
Analyzed as:			
Operating profit before exceptional items and amortization of customer contracts	**161.0**	153.8	158.7
Exceptional items	**(12.9)**	(7.3)	-
Amortization of customer contracts	**(7.4)**	(14.4)	(21.5)
Operating profit	**140.7**	132.1	137.2
Finance costs	**(21.1)**	(20.7)	(23.1)
Finance income	**0.7**	2.0	2.9
Profit before taxation	**120.3**	113.4	117.0
Taxation	**(28.8)**	(24.5)	(27.1)
Profit for the year	**91.5**	88.9	89.9
Analyzed as:			
Profit attributable to non-controlling interests	**0.3**	0.2	0.3
Profit attributable to owners of parent company	**91.2**	88.7	89.6
Earnings per share expressed in pence per share			
- Basic	**53.3**	51.9	52.6
- Diluted	**53.2**	51.8	52.4

[61] Following the implementation of the new Berendsen Excellence Strategy in November 2015, the Berendsen plc Executive Board now manages the business under four business lines (Workwear, Facility, Healthcare and Hospitality). The internal reporting structure has therefore been aligned and information by business line is presented in accordance with the internal reporting structure. As a consequence, results by business line for the year ended December 31, 2015 have been restated in line with the new business line structure.

5.4.1.2 Consolidated balance sheet for 2016, 2015 and 2014

	As at December 31 2016 £m	Restated[62] As at December 31 2015 £m	Restated[63] As at December 31, 2014 £m
Assets			
Intangible assets:			
– Goodwill	**407.3**	367.0	390.2
– Other intangible assets	**30.1**	25.9	37.1
Property, plant and equipment	**571.8**	477.1	480.8
Deferred tax assets	**12.7**	6.9	8.1
Derivative financial instruments	**73.8**	51.4	40.4
Pension scheme surplus	**–**	44.6	35.7
Total non-current assets	**1,095.7**	972.9	992.3
Assets classified as held for sale	**–**	–	0.2
Inventories	**55.7**	50.2	49.7
Income tax receivable	**8.7**	3.3	1.3
Derivative financial instruments	**2.1**	16.3	0.1
Trade and other receivables	**189.9**	169.9	163.5
Cash and cash equivalents	**310.1**	157.0	96.9
Total current assets	**566.5**	396.7	311.7
Liabilities			
Bank overdraft	**(226.1)**	(30.3)	-
Borrowings due in less than one year	**(0.6)**	(88.1)	(2.5)
Derivative financial instruments	**(0.3)**	(5.3)	(0.6)
Income tax payable	**(25.1)**	(16.5)	(12.5)
Trade and other payables	**(213.5)**	(196.8)	(200.3)
Provisions	**(7.5)**	(2.9)	(3.1)
Total current liabilities	**(473.1)**	(339.9)	(219.0)
Net current assets	**93.4**	56.8	92.7
Borrowings	**(512.8)**	(409.5)	(468.8)
Derivative financial instruments	**(14.6)**	(5.9)	(17.3)
Pension scheme deficits	**(39.4)**	(28.8)	(34.7)
Deferred tax liabilities	**(74.5)**	(65.4)	(57.6)
Trade and other payables	**(0.9)**	(1.1)	(1.2)
Total non-current liabilities	**(642.2)**	(510.7)	(579.6)
Net assets	**546.9**	519.0	505.4
Equity			
Share capital	**51.8**	51.8	51.8
Share premium	**99.7**	99.5	99.4
Other reserves	**(0.9)**	1.4	(2.4)
Capital redemption reserve	**150.9**	150.9	150.9

62 After the IFRS Interpretations Committee published guidance relating to cash pooling arrangements, Berendsen reviewed its cash pooling arrangements and altered its presentation of bank overdrafts.Comparable figures at December 31, 2015 have been restated, increasing overdrafts and increasing cash balances by £30.3 million. At December 31, 2014 the comparative restatement would have been to increase overdrafts and increase cash in hand by £137.8 million. As this is considered a change in accounting policy, the Berendsen Group and Berendsen should have presented a third balance sheet to capture the opening position at January 1, 2015. However, having reviewed the guidance management opted instead to present the impact of cash pooling in note 13 to Berendsen's consolidated financial statements for the year ended December 31, 2016. The numbers at December 31, 2014, as presented do not reflect the restatement adjustment to overdrafts and cash in hand.

63 2014 inventories were restated because of the reclassification of clothing inventories, which were removed from property, plant and equipment and moved to the finished goods category, as indicated in note 10 to the consolidated financial statements for the year ended December 31, 2014.

Retained earnings	**240.3**	211.3	200.5
Total equity attributable to owners of parent company	**541.8**	514.9	500.2
Non-controlling interest	**5.1**	4.1	5.2
Total equity	**546.9**	519.0	505.4

5.4.1.3 Annexes necessary for the correct assessment of data extracted from the income statement and balance sheet

Consolidated cash flow statement for 2016, 2015 and 2014

	Year to December 31 2016 £m	Year to December 31 2015 £m	Restated[64] Year to December 31, 2014 £m
Cash flows from operating activities			
Cash generated from operations	**322.3**	308.9	329.8
Interest paid	**(19.6)**	(19.7)	(22.2)
Interest received	**0.7**	2.0	2.9
Income tax paid	**(20.6)**	(18.0)	(18.2)
Net cash generated from operating activities	**282.8**	273.2	292.3
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	**(6.2)**	(9.2)	(12.4)
Disposal of subsidiary undertaking	**8.0**	-	-
Purchases of property, plant and equipment	**(233.1)**	(181.5)	(180.5)
Proceeds from the sale of property, plant and equipment	**2.0**	13.3	10.4
Purchases of intangible assets	**(4.7)**	(6.2)	(4.6)
Net cash used in investing activities	**(234.0)**	(183.6)	(187.1)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital	**0.2**	0.1	0.2
Purchase of own shares by the Employee Benefit Trust	**(5.0)**	(14.2)	(11.2)
Payment of loan issue costs	**(0.2)**	(2.1)	-
Drawdown of borrowings	**42.4**	199.8	130.1
Repayment of borrowings	**(93.4)**	(172.7)	(146.6)
Repayment of finance leases/hire purchase liabilities	**(0.2)**	(5.7)	(2.7)
Acquisition of minority interest in a subsidiary	**-**	(0.9)	-
Dividends paid to owners of parent company	**(54.8)**	(52.1)	(48.8)
Dividends paid to non-controlling interest	**-**	(0.1)	(0.1)
Net cash used in financing activities	**(111.0)**	(47.9)	(79.1)
Net (decrease)/increase in cash	**(62.2)**	41.7	26.1
Cash and cash equivalents at beginning of year	**126.7**	96.9	89.2
Exchange gains/(losses) on cash	**19.5**	(11.9)	(18.4)
Cash and cash equivalents at end of year net of	**84.0**	126.7	96.9
Free cash flow	**47.0**	102.5	122.6

[64] In 2015, the group reclassified the carrying values of textile rental garments awaiting delivery to customers from property, plant and equipment to finished goods as part of inventory. Although the impact is not significant the following items have been reclassified in 2014 to aid comparison. Cash generated from operations, decrease of £2.7 million, and purchases of property, plant and equipment, reduction of £2.7 million, have been restated in 2014 to reflect this reclassification in the prior years also. There is no impact on total cash flows in 2014.

5.4.1.4 Independent auditors’ reports for 2016, 2015 and 2014

The original English versions of the Berendsen Independent Auditors' Reports and of the full consolidated financial statements of Berendsen for the years 2016, 2015 and 2014 are set out in Annex 3 of the Securities Note.

5.4.1.4.1 Berendsen Independent Auditors’ Report for 2016

This is a free translation into French of a report issued in English and is provided only for the convenience of any French speaking readers. This report has been prepared in accordance with professional auditing standards applicable in the United Kingdom and may not comply with professional auditing standards applicable in France. In the event that the French free translation of this report and the original English language version conflict, the English language version will prevail.

Independent auditors' report to the members of Berendsen plc

Report on the group financial statements

Our opinion

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

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

What we have audited

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

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

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

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

Our audit approach

Context

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

Overview

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

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

Exceptional items.

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

Contingent liabilities.

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

Goodwill impairment assessment.

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

Misstatement in textile fixed asset valuation.

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

The scope of our audit and our areas of focus

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

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

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

Area of focus	How our audit addressed the area of focus
Exceptional items	
Following the announcement of the new strategy in November 2015, the Group disclosed that it expected to incur significant one off costs in implementing the new strategy over the next 24 months from that date. Management have classified these costs as exceptional due to their quantum and one-off nature (£12.9 million in 2016). There is a risk that costs are classified as exceptional when they are in fact incurred in the normal course of business, in order to improve the appearance of the underlying profitability of the group. We have therefore focused our audit procedures relating to the presentation and disclosure of the exceptional items in the financial statements.	We have obtained a full listing of all the exceptional costs incurred during the year across the Group and gained an understanding of what each project relates to through a review of Board meeting minutes, attendance at Audit Committee meetings, discussions with management and a review of third party support. Third party support has been examined by the Group and component audit teams in order to assess the nature of the costs incurred. We consider the items classified as exceptional to be appropriate given these costs are one-off and material to the business.
Contingent liabilities	
Regulatory investigations	
The Competition and Markets Authority (CMA) have alleged that Berendsen's UK Cleanroom business has participated in market sharing through a joint venture which was purchased along with the Newbury acquisition in 2014. Management have recognised a provision in relation to estimated future costs. The likelihood of a liability crystallising as a result of the investigation requires judgement in order to assess whether a provision should be recognised and, if so, the amount of the provision required to cover any future obligation.	Our audit work in this area focused on gaining an understanding of the latest status of the investigation, including a review of the correspondence with the CMA. We performed testing over management's assumptions and estimates in assessing the level of provision. In addition, we held meetings with the group's external legal advisors to assess the likelihood and the quantum of any potential penalties involved. Based on the evidence obtained, we consider the level of provision to be appropriate.
Environmental liabilities and warranties	
The Group operates from laundries across Europe, at which historic environmental liabilities may exist. Though the Group has indemnities from third parties and expects to have the warranties confirmed in full, it is currently defending a legal claim in respect of certain sites acquired. Judgement is required to assess the likelihood of these liabilities crystallising, in order to assess whether a provision should be recognised and, if so, the amount of that provision. The total potential liability is uncertain and would be affected by improvements in environmental clean-up technology and the future use of the sites. In Sweden, no amounts have been provided in the balance sheet with respect to any future environmental liability as there are significant uncertainties and the value and timing of any cost to Berendsen is still unable to be determined. As such, a contingent liability continues to be disclosed within the financial statements of the group. Refer also to notes 18 and 30 to the financial statements, page 83 (Audit Committee report) and page 135 (critical accounting estimates).	In Sweden we checked that the situation remains unchanged from the prior year, including confirming this with the group's external environmental advisors, and determined that the accounting for any potential environmental remediation as a contingent liability remains appropriate. We read and were satisfied with the level of disclosure in note 30 to the financial statements. We examined the group's latest assessment of the status of the legal claims and obtained confirmation from their external legal advisors of the likelihood of the group successfully defending its position.
Goodwill impairment	
We focused on this area due to the size of the goodwill balance (£407.3 million as at 31 December 2016) and	We evaluated the directors' future cash flow forecasts, and the process by which they were drawn up, including

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

Area of focus	How our audit addressed the area of focus
	scale and nature of the business. Taken together, these procedures gave us the evidence we needed in relation to the economic lives and depreciation of the relevant assets.

How we tailored the audit scope

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

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

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

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

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

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

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

Materiality

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

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

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

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

Going concern

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

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

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

Consistency of other information and compliance with applicable requirements

Companies Act 2006 reporting

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

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

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

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

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

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

ISAs (UK & Ireland) reporting

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

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

We have no exceptions to report.

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

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

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

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

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

Adequacy of information and explanations received

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

Directors' remuneration

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

Corporate governance statement

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

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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

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

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

What an audit of financial statements involves

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

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

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

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

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

Other matter

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

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

2 March 2017

Notes:

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

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

5.4.1.4.2 Berendsen Independent Auditors' Report for 2015

This is a free translation into French of a report issued in English and is provided only for the convenience of any French speaking readers. This report has been prepared in accordance with professional auditing standards applicable in the United Kingdom and may not comply with professional auditing standards applicable in France. In the event that the French free translation of this report and the original English language version conflict, the English language version will prevail.

Independent auditors' report to the members of Berendsen plc

Independent auditors' report on the group financial statements

Our opinion

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

- give a true and fair view of the state of the Group's affairs as at 31 December 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

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

- the Consolidated balance sheet as at 31 December 2015;
- the Consolidated income statement and Consolidated statement of comprehensive income for the year then ended;
- the Consolidated cash flow statement for the year then ended;
- the Consolidated statement of changes in equity for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

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

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

Our audit approach

Context

Berendsen plc is listed on the London Stock Exchange. The Group provides services across Europe and the structure of our audit continues to reflect this, with a considerable amount of time spent directing, communicating with and visiting component audit teams. The business involves a very large number of relatively low value items, and the accounting for these in inventory and fixed assets is an area of focus as a result. In terms of developments in the business affecting our audit, the performance of the German and Austrian Healthcare business was a focus of our work on the carrying value of goodwill.

Overview

Overall group materiality: £5.9 million which represents 5% of profit before tax and exceptional items.

- Overall group materiality: £5.9 million (2014:£5.8 million) which represents 5% of profit before tax and exceptional items.
- We performed an audit of the complete financial information of eight operating reporting units and specified procedures at Sweden Sourcing, using a number of overseas component audit teams.

Goodwill impairment assessment:

- The carrying value of goodwill is deemed to be an area of focus due to the judgements involved in estimating future cash flows and applying appropriate assumptions. This is particularly relevant to the German and Austrian Healthcare cash generating unit given the impairment taken in the year.

Misstatement in textile fixed asset and inventory valuation and existence:

- The valuation of textile fixed assets is deemed to be an area of focus due to the size of the asset on the balance sheet and the difficulty in tracking individual items and verifying their useful economic lives; and
- The existence and valuation of inventory due to the number of locations where inventory is held, especially at third party locations and the absorption of freight costs and duty affecting the value at which the inventory is held.

Environmental liabilities:

- The appropriateness of provisions recognised and the contingent liabilities disclosed in relation to historical environmental liabilities in a number of locations.

The scope of our audit and our areas of focus

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

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

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

Area of focus	How our audit addressed the area of focus
Goodwill impairment assessment	
We focused on this area due to the size of the goodwill balance (£367m as at 31 December 2015) and because the directors' assessment of the "value in use" of the Group's cash generating units (CGUs) involves judgement about the future results of the business and the discount rates applied to future cash flow forecasts. In particular we focused our audit effort on the goodwill recognised in relation to the German and Austrian Healthcare CGU due to the impairment charge of £6.4m recognised in the current year. Refer also to note 8 to the financial statements, page 70 (Audit Committee report) and page 131 (critical accounting estimates).	We evaluated the directors' future cash flow forecasts, and the process by which they were drawn up, including comparing them to the latest Board approved budgets and testing the underlying calculations. We found that management had followed a clear process for drawing up the future cash flow forecasts, which were subject to timely oversight and challenge by the directors and which were consistent with the Board approved budgets. We found no material misstatements in the calculations performed. We challenged the directors' key assumptions for long term growth rates in the cash flows by comparing them to historical results and economic forecasts. We compared the current year actual results to the FY15 figures included in the prior year forecasts to consider whether any forecasts included assumptions that, with hindsight, had been optimistic. For the discount rate we assessed the cost of capital for the company and comparable organisations by performing a benchmark analysis and found it to be in line with our expectations. We performed sensitivity analysis around the key drivers of the cash flow forecasts, being: • the growth rates; • the operating profit applied for the first three years; and • the discount rate. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired for all CGUs, we considered the likelihood of such a movement in those key assumptions arising. Management reassessed the market conditions in German and Austrian Healthcare and updated the forecats accordingly, leading to an impairment of the goodwill for this CGU. We found the revised assumptions to be supported by the evidence management provided, although note than any change in these assumptions would have a direct impact on the value of the impairment charge. We were also able to obtain sufficient evidence to support management's views on the key assumptions in the other CGUs, where no impairment charge was recognised. We considered the appropriateness of the related disclosures in note 8 to the financial statements. We found that they appropriately explain the impairment in German and Austrian Healthcare and describe the inherent degree of subjectivity in the estimates and the potential impact on future periods of revisions to these estimates.
Misstatement in textile fixed asset and inventory	
Textile fixed asset	
Linen and workwear textiles are sold by the UK and Sweden Sourcing businesses to the operating units within the Group	In each of the eight operating units where an audit of the complete financial information was performed, we carried out:

Area of focus	How our audit addressed the area of focus
as textile fixed assets and depreciated over their useful economic lives. Other than in certain businesses which have introduced the individual tagging of garments in order to trace their day-to-day use, textile assets are homogeneously depreciated by textile category over their estimated useful economic lives (currently between 20% and 40% per annum as stated in the accounting policies on page 126). These textiles are significant assets on the balance sheet (£221.9 million as at 31 December 2015). Therefore, an over or understatement of the useful economic lives could lead to a material misstatement of depreciation for the year, affecting both the charge to the income statement and the valuation of the assets on the balance sheet.	• a comparison between asset classes of the carrying value and depreciation charge for the year as a percentage of the revenue they generate; • a substantive analytical review of the depreciation charge by asset class (ensuring depreciation is in line with group policy); and • a comparison of additions in the year to additions in the prior year, within each asset class to check they were reasonably consistent. Within the additions testing, we also tested that linen asset additions were allocated to the correct linen asset class and depreciated in line with other assets of a similar nature and in line with their useful life expectancy. Additionally, at group level, we performed a reasonableness test by comparing additions between 2012 and 2015 to depreciation over the period to understand whether the assets are being replaced over a similar timeframe. We found that capital expenditure on textile assets was materially in line with depreciation where there had been no major change in the scale and nature of the business. Taken together, these procedures gave us the evidence we needed in relation to the economic lives and depreciation of the relevant assets.
Inventory	
The group holds inventory at many locations, including a number that are owned by third parties. There is a risk that inventory quantities will be misstated at one or more locations, particularly where inventory is not under the direct control of the group. Inventory largely comes into the group through the UK and Sweden Sourcing businesses. The allocations of freight and duty costs in the standard costing system are reviewed regularly but there is a risk that the standard cost of inventory items could be misstated.	We performed audit procedures for operating reporting units with material inventory balances. *Existence* – we attended the year-end stock counts that were performed by management at six locations and traced the stock count results to the inventory system, checking that these were accurately recorded in the year-end inventory balance. We obtained a sample of confirmations of inventory held directly by third parties at the balance sheet date and successfully reconciled these to the year-end inventory balance. Where stock counts were not performed at the balance sheet date, we tested the records of these counts to the year-end inventory balance via a sample of goods in/outwards reports between the date of the count and the balance sheet date without noting any significant issues. *Valuation* – to address the risk of misstatement in the valuation of inventory, a sample of stock items held by the group was traced from the inventory system to third party purchase invoices. We also tested the absorption of freight and duty costs to check they were incurred and appropriately allocated.
Environmental liabilities	
The group operates from laundries across Europe, at which historic environmental liabilities may exist. Though the group has indemnities from third parties and expects to have the warranties confirmed in full so as to incur no significant loss, it is currently defending legal claims in respect of certain sites acquired. Judgement is required to assess the likelihood of these liabilities crystallising, in order to assess whether a provision should be recognised and, if so, the amount of that provision. The total potential liability is uncertain and would be affected by improvements in environmental clean-up technology and the future use of the sites. In Sweden, no amounts have been provided in the balance sheet with respect to any future environmental liability as the value and the timing of any cost to Berendsen is still unable to be determined. As such, a contingent liability continues to be	We examined the group's latest assessment of the status of the legal claims and obtained confirmation from their external legal advisors of the likelihood of the group successfully defending its position. In Sweden we checked that the situation remains unchanged from the prior year and determined that the accounting for any potential environmental remediation as a contingent liability remains appropriate. We read and were satisfied with the level of disclosure in note 30 to the financial statements. In the Netherlands, we re-evaluated and challenged management's rationale for maintaining the level of provision consistent with the prior year with respect to clean up of the site. From the evidence obtained we consider the level of provision to be acceptable in the context of materiality and on the basis that the situation remains consistent with the prior year.

Area of focus	How our audit addressed the area of focus
disclosed within the financial statements of the group. In the Netherlands, management have recognised a provision on a specific site that is subject to a constructive obligation to incur environmental clean-up costs. The amount recognised is the best estimate of the expenditure that will be incurred before any related recovery. We focused on this area due to the judgement associated with assessing the level of provision to cover the future obligation. Under the terms of its share purchase agreement with a third party on the acquisition of the site, the company expects to have this amount reimbursed under the terms of its warranties and has consequently accounted for the estimated receivable at fair value. There is no change to the treatment in the current year compared to the prior year and therefore there has been no impact to the income statement. Refer also to notes 18 and 30 to the financial statements, page 70 (Audit Committee report) and page 131 (critical accounting estimates).	We obtained confirmations from external legal counsel and read other correspondence supporting the recoverability of the asset recognised from third parties under historical warranties. From the evidence obtained, we consider the current value of the asset recognised to be supportable.

How we tailored the audit scope

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

The Group's accounting process is structured around a local finance function in each of the 26 operating reporting units under which the Group operates. These functions maintain their own accounting records and controls and report to the head office finance function in London through an integrated consolidation system.

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

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

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

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

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

Materiality

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

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

- Overall group materiality £5.9 million (2014: £5.8 million);
- How we determined it 5% of profit before tax and exceptional items; and
- Rationale for benchmark applied Profit before tax and exceptional items provides a more consistent basis for the audit year on year.

We agreed with the audit committee that we would report to them misstatements identified during our audit above £0.3 million (2014: £0.3 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 108, in relation to going concern. We have nothing to report having performed our review.

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

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

Other required reporting

Consistency of other information

Companies Act 2006 opinions

In our opinion:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate governance statement set out on pages 59 to 77 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

ISAs (UK & Ireland) reporting

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

- information in the Annual Report is:
  - materially inconsistent with the information in the audited financial statements; or
  - apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
  - otherwise misleading.

  We have no exceptions to report.

- the statement given by the directors on page 77, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.

  We have no exceptions to report.

- the section of the Annual Report on page 70, as required by provision C.3.8 of the Code, describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee.

  We have no exceptions to report.

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

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

- the directors' confirmation on page 26 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

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

- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.

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

- the directors' explanation on page 27 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

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

Adequacy of information and explanations received

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

Directors' remuneration

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

Corporate governance statement

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

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' responsibilities for the financial statements set out on page 109, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose.

We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

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

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

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the parent company financial statements of Berendsen plc for the year ended 31 December 2015 and on the information in the Directors' remuneration report that is described as having been audited.

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

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

25 February 2016

Notes:

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

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

5.4.1.4.3 Berendsen Independent Auditors' Report for 2014

This is a free translation into French of a report issued in English and is provided only for the convenience of any French speaking readers. This report has been prepared in accordance with professional auditing standards applicable in the United Kingdom and may not comply with professional auditing standards applicable in France. In the event that the French free translation of this report and the original English language version conflict, the English language version will prevail.

Independent auditors' report to the members of Berendsen plc

Report on the group financial statements

Our opinion

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

- give a true and fair view of the state of the Group's affairs as at 31 December 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

Berendsen plc's financial statements comprise:

- the consolidated balance sheet as at 31 December 2014;
- the consolidated income statement and statement of comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Our audit approach

Overview

Overall group materiality: £5.8 million (2013: £6.25 million) which represents 5% of profit before tax.

We performed an audit of the complete financial information of nine operating reporting units:

- Which accounted for 89% (2013: 88%) of group revenues and 85% (2013: 88%) of group profit before tax.
- The existence and valuation of inventory due to the number of locations that inventory is held at and the absorption of freight costs and duty.
- The valuation of textile fixed assets due to the difficulty in tracking individual items and verifying their useful economic lives.
- The carrying value of goodwill, particularly in the German and Austrian Healthcare businesses.
- The appropriateness of provisions recognised or contingent liabilities disclosed in relation to historical environmental liabilities in a number of locations.

The scope of our audit and our areas of focus

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

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

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

Area of focus	How our audit addressed the area of focus
Existence and valuation of inventory	
During the year, there was a change in the internal responsibilities within the Group, with the recruitment of a new procurement team and a renewed focus on the procurement process. These changes, together with the associated key risks and controls relating to textile inventory, were reviewed	We performed audit procedures for all operating reporting units with material inventory balances. *Existence* – we attended the year end inventory counts that were performed by management at 14 locations and traced

Area of focus	How our audit addressed the area of focus
by the Audit Committee with the Finance Director of UK Flat Linen during 2014 (refer to page 78 of the Audit Committee report). We considered the implications of these changes for our audit and concluded that the existence and certain aspects of the valuation of inventory should be an area of focus this year. *Existence* – the Group holds inventory at many locations, including a number that are owned by third parties. There is a risk that inventory quantities will be misstated at one or more locations, particularly where inventory is not under the direct control of the Group. *Valuation* – inventory largely comes into the Group through the UK and Sweden Sourcing businesses. The allocations of freight and duty costs in the standard costing system are reviewed regularly but there is a risk that the standard cost of inventory items could be misstated for these cost elements.	the inventory count results to the inventory system, checking that they were accurately recorded in the year end inventory balance. We also obtained a sample of confirmations of inventory held directly by third parties at the balance sheet date and successfully reconciled these to the year end inventory balance. Where inventory counts were not performed at the balance sheet date, we tested the records of these counts to the year-end inventory balance via a sample of goods in/outwards reports between the date of the count and the balance sheet date without noting any significant issues. *Valuation* – to address the risk of misstatement in the valuation of inventory, a sample of stock items held by the Group was traced from the inventory system to third party purchase invoices. We also obtained and tested management's workings on the absorption of freight and duty costs to check that they had been accurately allocated.
Valuation of textile fixed assets	
Linen and workwear textiles are sold by the UK and Sweden Sourcing businesses to the operating units within the Group as textile fixed assets and depreciated over their useful economic lives. Other than in certain businesses which have introduced the individual tagging of garments in order to track their day-to-day use, textile assets are homogeneously depreciated by category over their estimated useful economic lives (currently between 20% and 40% per annum as stated in the accounting policies on page 122). These textiles are significant assets on the balance sheet (£228.6 million as at 31 December 2014). Therefore, an over or understatement of the useful economic lives could lead to a material misstatement of depreciation for the year, affecting both the charge to the income statement and the valuation of the assets on the balance sheet.	In each of the nine operating units where an audit of the complete financial information was performed, we carried out substantive analytical review over depreciation to test whether it was in line with group policy. We found the depreciation policy to have been applied consistently across the Group and to be in line with that detailed within the accounting policies note. We also compared the level of textile fixed asset additions between 2011 and 2014 to depreciation over the same period, finding that capital expenditure on textile assets was materially in line with depreciation where there had been no major change in the scale and nature of the business. We therefore considered the estimate of the useful economic lives of textile fixed assets to be acceptable.
Goodwill impairment assessment	
We focused on this area due to the size of the goodwill balance (£390.2m as at 31 December 2014) and because the directors' assessment of the 'value in use' of the Group's cash generating units (CGUs) involves judgement about the future results of the business and the discount rates applied to future cash flows forecasts. Although the directors believe there is headroom between the value in use of the CGUs and their carrying value, this remained an area of focus for us as a result of the size of the related goodwill balance. Refer also to note 8 to the financial statements, page 78 (audit committee report) and page 126 (key assumptions and sources of estimation and uncertainty).	We evaluated the directors' future cash flow forecasts, and the process by which they were drawn up, including comparing them to the latest Board approved budgets and testing the underlying calculations. We found that management had followed a clear process for drawing up the future cash flow forecasts, which were subject to timely oversight and challenge by the directors and which were consistent with the Board approved budgets. We found no material misstatements in calculations performed. We challenged the directors' key assumptions for long-term growth rates in the cash flows by comparing them to historical results and economic forecasts. We compared the current year actual results to the FY14 figures included in the prior year forecasts to consider whether any forecasts included assumptions that, with hindsight, had been optimistic. Actual performance in the German and Austrian Healthcare CGU was below budgeted expectations and therefore management has reflected this in the current year future cash flow model. We agreed that this judgement was appropriate given the past performance of the business. For the discount rate we assessed the cost of capital for the company and comparable organisations and found it to be in line with our expectations. We performed a sensitivity analysis around the key drivers of the cash flow forecasts, being: • the growth rates; • the operating profit margins applied; and

Area of focus	How our audit addressed the area of focus
	• the discount rate. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired, we considered the likelihood of such a movement in those key assumptions arising, concurring with management's view that the chances of this were low. We also considered the appropriateness of the related disclosures in note 8 to the financial statements. We found that they appropriately describe the inherent degree of subjectivity in the estimates and the potential impact on future periods of revisions to these estimates.
Environmental liabilities	
The Group operates from laundries across Europe, at some of which historic environmental liabilities may exist. Though the Group has indemnities from third parties over a number of these sites and expects to have the warranties confirmed in full so as to incur no significant loss, it is currently defending legal claims in respect of certain acquired sites. Judgement is required to assess the likelihood of these liabilities crystallising, in order to assess whether a provision should be recognised and, if so, the amount of that provision. The total potential liability is uncertain and would be affected by improvements in environmental clean-up technology and the future use of the sites. In Sweden, no amounts have been provided in the balance sheet with respect to any future environmental liability as the value and the timing of any cost to the Group is still impossible to determine. As such, a contingent liability continues to be disclosed within the financial statements of the Group. In the Netherlands, management have recognised a provision on a specific site that is subject to a constructive obligation to incur environmental clean-up costs. The amount recognised is the best estimate of the expenditure that will be incurred before any related recovery. We focused on this area due to the judgement associated with assessing the level of provision to cover the future obligation. Under the terms of its share purchase agreement with a third party on the acquisition of the site, the company expects to have this amount reimbursed under its warranties and has consequently accounted for the estimated receivable at fair value. Refer also to notes 18 and 30 to the financial statements, page 78 (audit committee report) and page 126 (key assumptions and sources of estimation and uncertainty).	We examined the Group's latest assessment of the status of the legal claims and obtained confirmation from its external legal advisers of the likelihood of the Group successfully defending its position. In Sweden we checked the situation remains unchanged from the prior year and determined that the accounting for any potential environmental remediation as a contingent liability remains appropriate. We read and were satisfied with the level of disclosure in note 30 to the financial statements. In the Netherlands, we evaluated and challenged management's rationale for the provision held with respect to clean up of the site. We obtained and read third party advice quantifying the amount provided and from the evidence obtained we considered the level of provision to be acceptable in the context of materiality. We also obtained confirmations from external legal counsel and read other correspondence supporting the recoverability of the asset recognised from third parties under warranties. From the evidence obtained, we considered the current value of the asset to be supportable.

How we tailored the audit scope

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

The Group's accounting process is structured around a local finance function in each of the 23 operating reporting units under which the Group operates. These functions maintain their own accounting records and controls and report to the head office finance team in London through an integrated consolidation system. In our view, due to their significance and/or risk characteristics, nine of these units required an audit of their complete financial information and we used component auditors from PwC network firms who are familiar with the local laws and regulations in each of the territories to perform this audit work. In addition, specific audit procedures on inventory were performed at the Sweden Sourcing reporting unit to address the risk identified in the existence and valuation of inventory area of focus.

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

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

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

Taken together, the territories and functions where we performed audit procedures accounted for 89% of group revenues and 85% of group profit before tax.

Materiality

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

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

- Overall group materiality: £5.8 million (2013: £6.25 million);
- How we determined it: 5% of profit before tax (2013: 5% of adjusted profit before tax); and
- Rationale for benchmark applied: We applied this benchmark, a generally accepted auditing practice, in the absence of indicators that an alternative benchmark would be appropriate. The use of profit before tax this year instead of the adjusted profit before tax measure that we referred to last year had no impact in practice on either the scoping of our audit or the assessment of our audit findings.

We agreed with the audit committee that we would report to them misstatements identified during our audit above £300,000 (2013: £300,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 106, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the group's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinions

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 64 to 81 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

ISAs (UK & Ireland) reporting

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

- information in the Annual Report is:
  - materially inconsistent with the information in the audited financial statements; or
  - apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
  - is otherwise misleading.

  We have no exceptions to report arising from this responsibility.

- the statement given by the directors on page 107, in accordance with provision C.1.1 of the UK Corporate Governance Code (the Code), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's performance, business model and strategy is materially inconsistent with our knowledge of the group acquired in the course of performing our audit.

We have no exceptions to report arising from this responsibility.

- the section of the Annual Report on page 76, as required by provision C.3.8 of the Code, describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee.

We have no exceptions to report arising from this responsibility.

Adequacy of information and explanations received

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

Directors' remuneration

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

Corporate governance statement

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

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the parent company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 107, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves

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

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

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the company financial statements of Berendsen plc for the year ended 31 December 2014 and on the information in the Directors' Remuneration Report that is described as being audited.

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

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

26 February 2015

Notes:

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

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

5.4.2. List of subsidiaries and other equity investments

5.4.2.1 Principal subsidiary undertakings

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

Company	Class of shares held	Country of incorporation	Registered office
Berendsen Textile Service A/S	Ordinary shares	Estonia	Lao 10 Nõo, Tartumaa, 61601, Estonia
AS Svarmil	Ordinary shares	Estonia	Kalevi 6, Kiviõli, 43122, Estonia

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

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

5.4.2.2 Non-principal subsidiary undertakings

The following entities complete the full list of the Berendsen Group's subsidiary undertakings. The registered office of these subsidiaries is 1 Knightsbridge, London, SW1X 7LX, United Kingdom ("**1K**"), unless otherwise stated.

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

Company	Class of shares held	Country of incorporation	Registered office
UK and Ireland			
Berendsen Workwear Limited	Ordinary shares	England	1K
Berendsen Healthcare Limited	Ordinary shares	England	1K
Berendsen Hospitality Limited	Ordinary shares	England	1K
Acorn Services (Berendsen West) Limited (ii)	Ordinary shares	England	1K
Berendsen Finance (DKK) Limited (i)	Ordinary shares	England	1K
Berendsen Finance (Euro 2) Limited	Ordinary shares	England	1K
Berendsen Finance (Euro) Limited (i)	Ordinary shares	England	1K
Berendsen Nominees Limited (i)	Ordinary shares	England	1K
Camborne-Redruth Laundry Company Limited	Ordinary shares	England	1K
Cavendish Laundry Limited	Ordinary shares	England	1K
Charnwood Laundry Limited	Ordinary shares	England	1K
Combined Linen Service Limited	Ordinary shares	England	1K
Davis (BIM) Limited (i)	Ordinary shares	England	1K
Davis (FH) Limited	Ordinary shares	England	1K
Davis (JH) Limited (i)	Ordinary shares	England	1K
Eamont Vale Laundry and Cleaners Limited	Ordinary shares	England	1K
Fabricare Limited	Ordinary shares	England	1K
Fakenham Laundry Services Limited	Ordinary shares	England	1K
Hall & Letts Limited (ii)	Ordinary shares	England	1K
IH Decontamination Services (Cardiff) Limited	Ordinary shares	England	1K
Lakeland Pennine Group Limited	Ordinary shares	England	1K
Lakeland Pennine Limited	Ordinary shares	England	1K
Laundrycraft Limited	Ordinary shares	England	1K
Midland Laundry Group Holdings Limited	Ordinary shares	England	1K
Midland Laundry Group Limited	Ordinary shares	England	1K

Company	Class of shares held	Country of incorporation	Registered office
National Sunlight Laundries Limited	Ordinary shares	England	1K
M Furnishing (Ireland) Limited	Ordinary shares	England	1K
M Furnishing Group Limited	Ordinary shares	England	1K
Rocialle Limited	Ordinary shares	England	1K
Salop Textile Solutions Limited	Ordinary shares	England	1K
Society Linen Limited	Ordinary shares	England	1K
Spring Grove Services Group Limited	Ordinary shares	England	1K
Spring Grove Services Limited	Ordinary shares	England	1K
St. Helens Laundry Limited	Ordinary shares	England	1K
Sunlight (72078) Limited	Ordinary shares	England	1K
Sunlight (Lyndale) Limited	Ordinary shares	England	1K
Sunlight (New Era Linen) Limited	Ordinary shares	England	1K
Sunlight (Newbury) Limited	Ordinary shares	England	1K
Sunlight Clinical Solutions Limited	Ordinary shares	England	1K
Sunlight Service Group (Shop Investments) Limited [(ii)]	Ordinary shares	England	1K
Sunlight Services Limited	Ordinary shares	England	1K
Sunlight Textile Services Limited	Ordinary shares	England	1K
Sunlight Workwear Services Limited	Ordinary shares	England	1K
The Lizard and District Hygienic Steam Laundry Company Limited	Ordinary shares	England	1K
The Sunlight Group Limited	Ordinary shares	England	1K
West Kent Laundry Limited	Ordinary shares	England	1K
Berendsen Supply Chain (Berendsen Ireland) Limited	Ordinary shares	Northern Ireland	c/o Carson McDowell, Murray House, Murray Street, Belfast, Northern Ireland, BT1 6DN
Berendsen Finance Ireland (DKK) Limited [(i)]	Ordinary shares	Republic of Ireland	Pottery Road, Dun Laoghaire, Co. Dublin, Ireland
Berendsen Finance Ireland (Euro) Limited [(i)]	Ordinary shares	Republic of Ireland	Pottery Road, Dun Laoghaire, Co. Dublin, Ireland
Berendsen Finance Ireland (PLN) Limited [(i)]	Ordinary shares	Republic of Ireland	Pottery Road, Dun Laoghaire, Co. Dublin, Ireland
Berendsen Ireland Holdings Limited	Ordinary shares	Republic of Ireland	Pottery Road, Dun Laoghaire, Co. Dublin, Ireland
Nanoclean Limited	Ordinary shares	Republic of Ireland	Pottery Road, Dun Laoghaire, Co. Dublin, Ireland
Steri-text Limited	Ordinary shares	Republic of Ireland	Pottery Road, Dun Laoghaire, Co. Dublin, Ireland
BDF Healthcare Ltd	Ordinary shares	Scotland	11 Ladywell Avenue, Grangestone, Girvan, Ayrshire, Scotland, KA26 9PL, United Kingdom
BDF Holdings Limited	Ordinary shares	Scotland	11 Ladywell Avenue, Grangestone, Girvan, Ayrshire, Scotland, KA26 9PL, United Kingdom

Company	Class of shares held	Country of incorporation	Registered office
BDF Limited	Ordinary shares	Scotland	11 Ladywell Avenue, Grangestone, Girvan, Ayrshire, Scotland, KA26 9PL, United Kingdom
Dunfermline and West Fife Laundry Limited	Ordinary shares	Scotland	16 Randolph Place, Randolph Industrial Estate, Kirkcaldy, Scotland, KY1 2YX, United Kingdom
New Wave Laundries Limited	Ordinary shares	Scotland	16 Randolph Place, Randolph Industrial Estate, Kirkcaldy, Scotland, KY1 2YX, United Kingdom
Continental Europe			
Frederiksborg Linnedservice A/S	Ordinary shares	Denmark	Gydebakken 16, DK-3310, Ølsted, Denmark
Xtra Måtteservice A/S	Ordinary shares	Denmark	Energivej 10, DK-6670 Holsted, Denmark
Berendsen Textile Service Oy	Ordinary shares	Finland	Huurrekuja 5, Tuusuka, 4360, Finland
Askulta Nord Textilpflege GmbH & Co KG	Ordinary shares	Germany	Stadtstraße 3-7, 25349 Glückstadt, Germany
Berendsen GmbH	Ordinary shares	Germany	Stadtstraße 3-7, 25349 Glückstadt, Germany
Berendsen GmbH Füssen	Ordinary shares	Germany	Stadtstraße 3-7, 25349 Glückstadt, Germany
Berendsen GmbH Glückstadt	Ordinary shares	Germany	Stadtstraße 3-7, 25349 Glückstadt, Germany
Berendsen GmbH Meßkirch	Ordinary shares	Germany	Stadtstraße 3-7, 25349 Glückstadt, Germany
Berendsen GmbH Nordost	Ordinary shares	Germany	Lindenstraße 61, 15517, Fürstenwalde, Germany
Berendsen GmbH Schleswig	Ordinary shares	Germany	Heinrich-Hertz-Straße 17, 24837, Schleswig, Germany
Berendsen GmbH West	Ordinary shares	Germany	Pettenkoferstraße 23, 58097, Hagen, Germany
Berendsen Group Services GmbH	Ordinary shares	Germany	Stadtstraße 3-7, 25349 Glückstadt, Germany
Berendsen Textilservice GmbH	Ordinary shares	Germany	Sachsenkamp 5, 20097 Hamburg, Germany
Decontam GmbH	Ordinary shares	Germany	Hofmannstraße 13-19, 91438 Bad Windsheim, Germany
Glückstadter Textilservice GmbH & Co oHG	Ordinary shares	Germany	Stadtstraße 3-7, 25349 Glückstadt, Germany
Klarner-Textilservice GmbH	Ordinary shares	Germany	Auf der Weiß 8, 57074 Worms, Germany
PTS Pinneberger Textil-Service GmbH	Ordinary shares	Germany	Stadtstraße 3-7, 25349 Glückstadt, Germany
Saniwo Textil-Gesellschaft mbH	Ordinary shares	Germany	Sachsenkamp 5, 20097 Hamburg, Germany

Company	Class of shares held	Country of incorporation	Registered office
TSL Textilservice – und Logistik GmbH	Ordinary shares	Germany	Lindenstraße 61, 15517 Fürstenwalde, Germany
S Berendsen (Netherlands) BV	Ordinary shares	Netherlands	Pieter Calandweg 2, 6827 BK, Arnhem, Netherlands
S Berendsen AB	Ordinary shares	Sweden	Box 17143, 200 10, Malmö, Sweden
Berendsen Textil Servis s.r.o	Ordinary shares	Slovakia	Drietoma 920, Drietoma, 913 03, Slovakia
OOO Berendsen	Ordinary shares	Russian Federation	Volgogradskij Prospect 42 Korpus 5 second floor, 109316, Moscow, Russian Federation

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

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

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

5.4.3. Interim financial statements from the last six-month period

BERENDSEN PLC RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2017

26 JULY 2017

Key Financial Highlights (£m)[3]	HY 2017	HY 2016	Change	
			Reported	Underlying[2]
Adjusted results[1]:				
Revenue	575.1	533.5	7.8%	2.4%
Operating profit	65.9	70.2	(6.1%)	(13.6%)
Operating margin	*11.5%*	*13.2%*		
Profit before tax	56.8	60.2	(5.6%)	
Earnings per share (basic)	25.6p	27.0p	(5.2%)	
Dividend per share	11.0p	10.5p	5.0%	
Statutory results:				
Revenue	575.1	533.5		
Operating profit	45.2	61.7		
Operating margin	7.9%	11.6%		
Profit before tax	36.1	51.7		
Earnings per share (basic)	15.7p	23.1p		

Notes:

[1] Before exceptional costs and amortisation of customer contracts

[2] Adjusted growth at constant exchange rates (“CER”) and excluding acquisitions and disposals

[3] Reconciliation of statutory and adjusted performance measures is set out in note 21

Financial Summary

- Underlying revenue grew by 2.4%; reported revenue grew 7.8% to £575.1 million
- Adjusted operating profit of £65.9 million; reported operating profit of £45.2 million
- In Continental Europe, the Group continued to make good progress; underlying revenue grew 5% and underlying adjusted operating profit grew 3.6%
- As expected, the UK continued to be impacted by operational issues identified in the second half of 2016; underlying revenue declined 2% across the UK; adjusted operating profit in UK textiles parts of the Workwear, Healthcare and Hospitality Business Lines declined by £5 million or 30%.
- Interim dividend of 11.0 pence (HY 2016: 10.5 pence). This was previously disclosed on 12 June in the announcement relating to the recommended acquisition of Berendsen by Elis SA.

Outlook

- Adjusted operating profit for full year 2017 expected to be approximately £150 million
- Adjusted operating profit for full year 2018 expected to be approximately £170 million

James Drummond, Chief Executive Officer, commented: "The Group continued to make good progress during the first half of 2017. The businesses continued to implement the Berendsen Excellence strategy, which is building the foundations for operational improvement, to enable us to serve better our existing customers, and a platform for sustainable growth, to ensure we make the most of the opportunities we see in our markets.

We have continued to invest in the capabilities of our people, systems and plants, and I am pleased that we are now starting to see those benefits coming through. I am confident that our strategy will enable the Group to capture progressively the sizeable opportunity for growth and margin improvement."

Contacts:

Berendsen

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2017 INTERIM RESULTS ANNOUNCEMENT

1. Results Overview
2. Outlook
3. Recommended offer by Elis SA
4. CEO Review & Strategy Update
5. Business Line Performance Reviews
6. Other Financial Items

1. RESULTS OVERVIEW

Unless otherwise stated, all commentary in this section is on an underlying basis (note 21). Underlying growth figures are at constant currency rates and exclude the impact of acquisitions, disposals and internal transfers. Adjusted operating profit excludes the impact of exceptional items and amortisation of customer contracts.

Reported Group revenue grew 7.8% to £575.1 million (HY 2016: £533.5 million). Underlying Group revenue grew 2.4%, with growth in each of the four Business Lines; Facility grew 4%, Workwear grew 3%, Healthcare grew 2% and Hospitality grew 1%. The Group grew faster outside the UK, with growth of 5%, compared to a decline in the UK, which had been expected, of 2%.

Adjusted operating profit, before exceptional items and amortisation of customer contracts, declined 6.1% to £65.9 million (HY 2016: £70.2 million); underlying adjusted operating profit declined 13.6%, as an increase in profitability in Europe was more than offset by an expected £5 million decline in the UK textiles parts of the Workwear, Healthcare and Hospitality Business Lines; this was a continuation of the trends identified in the second half of 2016, which were detailed in the 2016 full year results announcement.

Net finance costs reduced by £0.9 million to £9.1 million (HY 2016: £10.0 million), due to lower underlying finance cost following the partial repayment of private placement debt in 2016. Therefore, adjusted profit before tax reduced by £3.4 million to £56.8 million (HY 2016: £60.2 million).

Reported profit before tax, including the amortisation of customer contracts of £3.8 million (HY 2016: £3.6 million) and exceptional costs of £16.9 million (HY 2016: £4.9 million), decreased by £15.6 million to £36.1 million (HY 2016: £51.7 million). The effective tax rate on adjusted profit before taxation was 22.6% (HY 2016: 23.1%). The tax rate for the full year is hence expected to be in line with the prior year, approximately 23%.

Basic adjusted earnings per share were 25.6 pence (HY 2016: 27.0 pence), and basic reported earnings per share were 15.7 pence (HY 2016: 23.1 pence). The interim dividend per share increased by 5% to 11.0p (HY 2016: 10.5p); this was previously disclosed on 12 June in the announcement relating to the recommended acquisition of Berendsen by Elis SA.

2. OUTLOOK

On 3 March 2017, the Board of Berendsen announced a profit forecast for the financial year ended 31 December 2017 stating that adjusted operating profit for 2017 was expected to be approximately £150 million (the "2017 Profit Forecast") and that profitability was expected to be more weighted to the second half (approximately 40:60 split), than in previous years (the "Original Profit Forecast Split"). The Board of Berendsen today reconfirms the 2017 Profit Forecast and expresses its confidence in its delivery. Therefore, the Board of Berendsen hereby updates the Original Profit Forecast Split, as the Board expects that the weighting of the profitability to the second half of 2017 will change. The Board of Berendsen now expects that profitability, whilst remaining more weighted to the second half of 2017, will now comprise an approximate 44:56 split (the "Updated Profit Forecast Split").

Furthermore, the Board of Berendsen announced on 24 May, in the announcement titled "Statement regarding Elis' Possible Offer", a forecast for adjusted operating profit for the financial year ending 31 December 2018 of approximately £170 million (the “2018 Profit Forecast”). The Board of Berendsen today reconfirms the 2018 Profit Forecast and expresses its confidence in its delivery. Further details of the 2017 Profit Forecast and the 2018 Profit Forecast are set out at Appendix 1 to this Announcement.

3. RECOMMENDED OFFER BY ELIS SA

On 12 June 2017 the boards of Elis SA and Berendsen plc announced that they had reached agreement on the terms of a recommended acquisition by Elis of the entire issued and to be issued share capital of Berendsen (the “Transaction”).

The Berendsen Board remains confident that the Berendsen Excellence strategy would deliver significant value for the Berendsen Shareholders on a standalone basis. However, it also believes that the terms of the offer by Elis SA substantially acknowledges the quality of the Berendsen business and the strength of its future prospects. Furthermore, the Berendsen Board recognises that the Transaction will create a pan-European leader in textile services, with attractive positions in the markets in which it operates and with sufficient scale and footprint to provide customers with the most efficient and comprehensive textile services offering across the European continent. As such, the Berendsen Board intends unanimously to recommend the Transaction to Berendsen Shareholders.

It is expected that the Scheme Document, containing further information about the Transaction and notices of the Court Meeting and General Meeting, together with the Forms of Proxy, will be posted to Berendsen Shareholders no later than 31 July 2017. An expected timetable of principal events will be included in the Scheme Document. Completion of the transaction is expected during the third quarter of 2017, subject to relevant shareholder and regulatory approvals.

4. CEO REVIEW & STRATEGY UPDATE

The Group has made good progress implementing the Berendsen Excellence strategy in the first half of 2017, particularly with actions to address the three root causes of poor and deteriorating operating performance in the UK. There is still a lot of work to do during 2017, as we continue to implement the Group strategy. We continue to expect tangible benefits to start 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

Implementation of the new customer relationship management (CRM) tool, Berendsen Advance, has been completed across the Group. In the first half over 900 new users have been trained in its use, and the database has been populated with current customer and market data. 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 direct strategic and operational resource planning over the medium to long term. This will underpin the Group's ability to drive higher levels of growth, on the right terms, in attractive markets.

The Group has continued to make good progress in developing the scope of services, including new and adjacent markets. In Healthcare, the Clinical Solutions business has had notable success in medical device sterilisation pilots; the business has developed a rental service for critical surgical instruments, initially for the provision of endoscopes. The business was pleased to sign its first full service contract for the provision of endoscopes in the first half of 2017, has developed an attractive pipeline of further customer contracts and continues to see good opportunity for growth to expand the service to cover more hospitals and a wider range of medical instruments.

Operational Excellence

The Group is focused on driving improvements in operational and financial visibility across the organisation, as it implements standard processes and controls across each of the Business Lines. The new set of common Key Performance Indicators is being implemented by all of the Business Lines in the first half, and incorporated into the monthly management reporting process. The first version of the Berendsen Management System, which captures these key metrics, was launched in February 2017.

The new operating models, designed and tested during 2016, are now being implemented in the UK Healthcare and Hospitality businesses; in the first half three brownfield plant conversion were completed in the UK Hospitality business, and one in the UK Healthcare business. Overall, plant efficiency is expected to increase by over 30% post implementation. These plants are being closely monitored, and are performing in line with expectations.

The project management framework designed during 2016, to ensure all projects are aligned with the Group's strategic priorities and that appropriate levels of governance are being consistently applied, is now live and in use. The web-based tool allows project progress to be tracked against cost and schedule, and monitors 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

The Group continues to increase its focus on health and safety and is driving a change and improvement in culture across the organisation. The new Berendsen Incident Reporting System (BIRS), introduced in the second half of 2016, is continuing to drive higher levels of engagement throughout the Group. Safety observations continued to grow in the first half of 2017. The Group is now benefiting from comparative data from the prior year, which is helping to identify trends; whilst still at a very early stage, the trends are showing initial signs of improvement, which is encouraging.

During the first half of 2017 the Group successfully completed the Organisational Capability Review (OCR) of the individuals, structure processes and systems of the UK business. As part of this process, over 130 new people have been hired, and training and development of the management teams has been increased.

The Group continued to invest in the capabilities of its people in the first half of 2017, through increased training, monitoring and formalised development structures. A new leadership development programme was implemented in the UK at the start of 2017, which included development for over 300 senior leaders. The leadership programme is expected to be rolled out across the Group in the second half of 2017.

Efficient use of capital

In March 2017 the Group outlined plans to invest approximately £450 million in plant and machinery over the next 3 years: c. £250 million is expected to be invested in mainland Europe, predominately in growth capital to meet growing demand where the businesses are already well positioned; and, c. £200m in the UK, where the majority is being spent to replace aged plants and machinery, address cost of quality issues and create market leading capabilities. All growth 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).

The investment programme continues to progress in line with expectations, with capital expenditure in 2017 expected to be weighted to the second half. During the first half of 2017 the Group spent approximately £41 million on the completion of seven brownfield plant conversions, two new build plants and on ongoing maintenance across all operations. During the second half of 2017 nine brownfield plant conversions and four new build plants are scheduled for completion. In addition the Group expects to start work on a further 10 new build plants, due for completion in 2018.

5. 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.

From 1 January 2017 the Group has reported the Workwear operations in Poland, the Czech Republic and the Slovak Republic within the Workwear Business Line. Previously these operations were reported as part of the Facility Business Line, within Mats, and accordingly the comparative financial information for the six months ended 30 June 2016 has been restated.

	HY 2017			**HY 2016**		
	Revenue (£m)	**Operating profit[1] (£m)**	**Operating margin (%)**	**Revenue (£m)**	**Operating profit[1] (£m)**	**Operating margin (%)**
Workwear[2]	198.5	36.5	18.4%	179.8	33.7	18.7%
Facility[2]	128.3	31.2	24.3%	110.6	26.2	23.7%
Healthcare	163.5	10.0	6.1%	153.7	11.5	7.5%
Hospitality	84.8	(1.5)	-1.8%	89.4	1.4	1.6%
Central	-	(10.3)		-	(2.6)	
Total	**575.1**	**65.9**	**11.5%**	**533.5**	**70.2**	**13.2%**

Notes:

[1] Before exceptional costs and amortisation of customer contracts

[2] From 1 January 2017 the Group has reported the Workwear operations in Poland, the Czech Republic and the Slovak Republic within the Workwear Business Line. Previously these operations were reported as part of the Facility Business Line, within Mats, and accordingly the comparative financial information for the six months ended 30 June 2016 has been restated.

Workwear

Revenue in the Workwear Business Line grew 10.4% to £198.5 million (HY 2016: £179.8 million); underlying revenue growth was 3%, as 5% growth in Europe more than offset a 4% decline in the UK. The adjusted operating profit increased to £36.5 million (HY 2016: £33.7 million), with growth in Europe being offset by a decline in the UK. As a result the adjusted operating margin decreased slightly to 18.4% (HY 2016: 18.7%). Reported operating profit was £33.5 million (HY 2016: £33.0 million).

The UK accounts for just under 25% of Workwear revenues, and is the largest single operation within the Business Line. Revenue declined, as anticipated, 4% in the first half. This decline was predominately due to actions taken in 2016 to reduce the number of less profitable customers, which continued to impact the first half of 2017 and due to operational issues in the prior year which had some impact on customer service levels. However, the impact is starting to reduce, with the loss rate in Q2 lower than Q1; a further improvement is expected in the second half and is reflected in the improving termination pipeline we are seeing. Adjusted underlying operating profit for the first half was in line with expectations, c. £1 million lower than the first half of 2016. During the first half the business was impacted by lower revenue and a continuation of the negative trends identified in the second half of 2016, but this was partially offset by ongoing operational efficiency improvements.

Outside the UK, which accounts for just over 75% of Workwear revenues, underlying revenues grew 5%, with growth in each of the countries in Europe. Germany and Holland, which account for over 40% of revenue outside the UK, both grew over 5%. Operating profit grew compared to the first half of 2016, both on a reported and constant currency basis. However margins declined slightly as a result of the strong revenue growth in the first half requiring higher textile investment, particularly in Germany and Sweden.

As part of the Berendsen Excellence strategy, capital investment into the Workwear business has been accelerated. The investment programme continues to progress in line with expectations. During the first half one new build plant was completed in Denmark and one brownfield conversion was completed in Sweden. Two further new build plants are scheduled for completion in the second half of 2017, in Germany and in Holland, as well as a brownfield conversion in the UK.

Facility

Reported revenue in the Facility Business Line grew 16% to £128.3 million (HY 2016: £110.6 million); underlying revenue grew 4%, predominately due to strong growth in Cleanroom. Adjusted operating profit grew by £5.0 million to £31.2 million (HY 2016: £26.2 million). As a result, the adjusted operating margin increased compared to the prior year to 24.3% (2016: 23.7%). Reported operating profit was £28.0 million (HY 2016: £23.5 million).

The Facility Business Line is made up of three distinct services: Cleanroom, Mats and Washroom.

Cleanroom delivers very high integrity textile solutions, primarily for highly regulated pharmaceutical or technology sites. 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. Revenue in Cleanroom, which accounts for approximately 25% of the Facility Business Line revenue, continued to perform strongly. Underlying revenue grew 8%, with growth in each country, and particularly strong growth in Germany. Adjusted underlying operating profit grew in line with revenue. Cleanroom grew margins in each of its two largest countries, Denmark and Holland, as well as the UK.

Revenue in Mats, which accounts for over 50% of the Facility Business Line revenue, grew 1%, with growth in Norway and Sweden, the two largest countries in which the Mats service operates, as well as strong growth in the Baltics. Adjusted underlying operating profit was broadly flat compared to the first half of 2016.

Revenue in Washroom, which accounts for just under 20% of the Facility Business Line revenue, grew approximately 3%. Operating profit grew strongly, as Washroom is now benefiting from actions taken in 2016 to increase its direct sales capability, expand its direct supply chain to increase the use of proprietary products and reduce its reliance on third-party resellers. As a result, the adjusted underlying operating margin increased by over 600 basis points.

As part of the Berendsen Excellence strategy, capital investment into the Facility business has been accelerated. The investment programme continues to progress in line with expectations. During the first half one brownfield plant conversions were completed: one in Germany and one in Sweden. Four further brownfield plant conversions are scheduled for completion in the second half of 2017, two in Denmark, one in Holland and one in Finland.

Healthcare

Reported revenue, including the impact of foreign exchange movements, grew 6.4% to £163.5 million (HY 2016: £153.7 million); underlying revenue grew 2%, as good growth in Europe more than offset a decline in the UK. Adjusted operating profit declined by £1.5 million to £10.0 million (HY 2016: £11.5 million), as a reduction in the UK more than offset a good performance in Europe. As a result, the adjusted operating margin declined to 6.1% (HY 2016: 7.5%). Reported operating profit was £7.5 million (HY 2016: £11.0 million).

Revenues in the UK Healthcare textile business, which account for just under 30% of total Healthcare revenues, declined 3%, predominately due to customer losses from the prior year, particularly in the second half. However the win rate on new tenders and contract renewals has improved materially compared to the prior year, as a result of the progress the business made during the second half of 2016 and the first half of 2017 to improve the customer value proposition, with particular focus on the sales and customer service capabilities. This positions the business well for growth in future years. Profitability continued to be impacted by the negative trends identified in the second half of 2016, as disclosed in the 2016 full year results. However the business has made good progress in identifying, implementing and monitoring areas for cost and efficiency improvement. As a result adjusted underlying operating profit declined by approximately £2 million, compared to the first half of 2016.

Underlying revenues in Healthcare textiles outside the UK, which account for approximately 50% of total Healthcare revenues, grew 6%, as good growth in Germany, Sweden and Ireland more than offset a small decline in Denmark. Operating profits increased compared to the prior year, predominately due to an improved performance in Germany, as a result of plant closure costs in the first half of 2016, relating to a plant in Erbach, which did not repeat in 2017. The German business continues to make progress, as it begins to implement its operational improvement programme; this is expected to lead to capital investment plans being finalised over the next 12 months.

Revenues in the Clinical Solutions businesses, which are based in the UK and account for just over 20% of total Healthcare revenues, were in line with the first half of 2016 whilst profitability declined slightly, primarily as a result of the impact of currency on product sourcing costs. The Clinical Solutions business provides single use garments, reusable textiles, custom procedure trays, disposable medical packs, single use instruments and cleaning and sterilisation services for surgical and dental instruments. During 2016 the business developed a pilot rental service for critical surgical instruments, initially for the provision of endoscopes, with its first full service contract signed in the first half of 2017, a key success for the business. It continues to see good opportunity for growth to expand the service to cover more hospitals and a wider range of medical instruments.

As part of the Berendsen Excellence strategy, capital investment into the Healthcare business has been accelerated. The investment programme continues to progress in line with expectations. During the first half, one brownfield plant conversion was completed in the UK and one new build Care Home facility was completed in Ireland. During the second half of 2017 one new build and four brownfield plant conversions are scheduled for completion.

Hospitality

Underlying revenue grew 1%, as good growth in Scandinavia, particularly Sweden, was partially offset by a decline in the UK and Ireland. Reported revenue fell 5% to £84.8 million (HY 2016: £89.4 million), despite the positive impact of foreign exchange in the first half of 2017, due to the negative impact from the disposal of its direct sales business in the UK in the second half of 2016. Adjusted operating profit fell by £2.9 million to a £1.5 million loss (HY 2016: £1.4 million profit), due to a weaker performance in the UK, whilst profitability elsewhere was broadly flat. Reported operating loss was £3.2 million (HY 2016: £1.1 million profit).

Revenue in the UK linen business, which accounts for just over 60% of total Hospitality revenues, declined 2%, predominately due to customer losses in the prior year, whilst profitability was approximately £2 million lower than the prior year. During the first half, the business implemented a number of improvement plans to address the operational issues identified in the second half of 2016, such as high levels of machine downtime, process inefficiency and increased rework. As part of this, three plants completed brownfield conversions to the new operating model, as well as increased investment in maintenance capital for the legacy plants, to replace aged and unreliable machinery. In addition, the capability of management teams has been improved, training has been increased and action plans developed for each individual plant. These actions will deliver significant improvements in operational efficiency, particularly in the converted plants; these benefits should start to come through in the second half of 2017.

Revenues in Hospitality outside the UK, which account for just under 40% of total hospitality revenues, grew by over 7%, predominately due to strong growth in Sweden. The strong performance in Sweden, which accounts for just under half of the revenue outside the UK, is a continuation of the performance in the prior year, as a result of a strong customer focus, operational improvements made to the businesses in recent years and good market conditions. Underlying adjusted operating profits outside the UK were broadly flat compared to the first half of 2016.

In August 2016 the Hospitality business disposed of its direct sale business. This business contributed revenue of £7.5 million in the first half of 2016 and operating profit of £1.1 million.

As part of the Berendsen Excellence strategy, capital investment into the Healthcare business has been accelerated. The investment programme continues to progress in line with expectations. During the first half, three brownfield plant conversions were completed in the UK. A new build plant in Scotland, currently under construction, is scheduled for completion in the second half of 2017.

Central Costs

Central costs increased, as guided at the 2016 full year results, by £7.7 million to £10.3 million (HY 2016: £2.6 million), due to a higher level of provision for share based compensation, higher pension costs and also higher capability costs at the centre of the Group, including approximately £2m in respect of the implementation of group programmes.

6. OTHER FINANCIAL ITEMS

Dividends

The Board has declared an interim dividend of 11.0 pence (HY 2016: 10.5 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. The intention to declare this dividend was previously disclosed on 12 June in the announcement relating to the recommended acquisition of Berendsen by Elis SA. It is payable on 25 August to shareholders who are on the register at 4 August 2017. See note 7 for further details.

Exceptional costs and customer contract amortisation

Exceptional costs were £16.9 million (HY 2016: £4.9 million). See note 5.

Exceptional costs related to merger and acquisition activity and implementation of the Group strategy. The Group incurred expenses of £9.0 million relating to the recommended acquisition of Berendsen by Elis SA. In addition the Group incurred £7.9 million of costs relating to the implementation of the Berendsen Excellence strategic initiatives, which include professional fees and consultancy costs relating to HR, and restructuring and redundancy costs. Approximately £5m of further exceptional costs in respect of implementing these strategic initiatives is expected to be incurred in the second half of the year.

Amortisation of acquired customer contracts was £3.8 million (HY 2016: 3.6 million).

Cash flow

Cash flows from operating activities increased by £5.1 million to £137.6 million (HY 2016: £132.5 million). Net cash generated from operating activities, after net interest paid of £8.8 million (HY 2016: 9.9 million) and income tax paid of £22.4 million (HY 2016: 12.6 million), decreased by £3.6 million to £106.4 million (HY 2016: £110.0 million). Free cash flow, calculated as net cash generated from operating activities less net capital expenditure of £135.0 million (HY 2016: £109.4 million), reduced to an outflow of £28.6 million (HY 2016: £0.6 million inflow). See note 11.

The reduction in free cash flow conversion was primarily driven by a £24.9 million increase in capital expenditure on textiles, property, plant and equipment to £133.9 million (HY 2016: £108.6 million); capital expenditure was £35.1 million above depreciation of £98.8 million (HY 2016: £87.7 million). This includes an investment in textiles of £91.8 million (HY 2016: £80.4 million). Investment in plant and machinery, including land and buildings, increased £13.9 million to £42.1 million (HY 2016: £28.2 million), as the Group accelerated investment in plants in both the UK and in Europe. The Group expects capital investment in plant and machinery to increase further in the second half, as a result of a number of projects completing in the second half and additional projects starting in the second half that will only complete in 2018.

Other items impacting the cash flow included dividends paid to shareholders of £38.5 million (HY 2016: £36.8 million).

Balance Sheet

Net debt, defined as borrowing less cash deposits, as at 30 June 2017 was £488 million (FY 2016: £429.4 million), reflecting cash flow conversion being offset by increased capital expenditure and the payment of dividends.

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 1.2 times (FY 2016: 1.0 times) on a covenant basis, 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 £895 million with our Revolving Credit Facility and our Private Placement notes, which extend to 2025.

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.

Appendix 1

BERENDSEN PROFIT FORECASTS

1. Profit forecast regarding the financial year to 31 December 2017

In the announcement titled "Berendsen plc Results for the Full Year ended 31 December 2016" dated 3 March 2017, Berendsen announced that "we expect adjusted operating profit[65] for 2017 to be approximately £150 million" (the **"2017 Profit Forecast"**) and "Profitability is expected to be more weighted to the second half (approximately 40:60 split), than in previous years" (the "**Original Profit Forecast Split**").

Berendsen today has announced adjusted operating profit of £65.9 million in respect of the six months ended 30 June 2017. Berendsen also confirms that its 2017 Profit Forecast remains unchanged. Therefore, the Berendsen Directors confirm that the Original Profit Forecast Split is to be updated, as the Berendsen Directors expect that the weighting of the profitability to the second half of 2017 will change. The Berendsen Directors now expect that profitability, whilst remaining more weighted to the second half of 2017, will now comprise an approximate 44:56 split (the **"Updated Profit Forecast Split",** and together with the 2017 Profit Forecast, the **"Berendsen 2017 Profit Forecast"**).

The 2017 Profit Forecast and the Original Profit Forecast Split were published before Elis made an approach with regard to a possible offer for Berendsen and therefore the requirements of Rule 28.1(c) of the City Code on Takeovers and Mergers (the **"Takeover Code"**) apply to the 2017 Profit Forecast and the Original Profit Forecast Split.

Further, the Berendsen directors confirm that the Berendsen 2017 Profit Forecast is an ordinary course profit forecast and therefore pursuant to Note 2(b) to Rule 28.1 of the Takeover Code, with the agreement of Elis, the Panel has granted Berendsen a dispensation from the requirement to include reports from reporting accountants and Berendsen's financial advisers in relation to the Berendsen 2017 Profit Forecast, but the requirements of Rule 28.1(c)(i) apply to the Berendsen 2017 Profit Forecast.

In accordance with Rule 28.1(c)(i) of the Takeover Code, the Berendsen Directors confirm that the Berendsen 2017 Profit Forecast is valid and confirm that the Berendsen 2017 Profit Forecast has been properly compiled on the basis of the assumptions stated below and that the basis of accounting used is consistent with Berendsen's accounting policies.

The Berendsen 2017 Profit Forecast does not take into account any impact of the Transaction.

The Berendsen Directors prepared the Berendsen 2017 Profit Forecast on the basis of the following assumptions, any of which could turn out to be incorrect and therefore affect whether the Berendsen 2017 Profit Forecast is achieved:

Factors outside the influence and control of the Berendsen Board

(a) there will be no material change in the political and/or economic environment that would materially affect Berendsen;

(b) there will be no material change in market conditions in relation to customer demand or the competitive environment;

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[65] Adjusted operating profit is the basis that Berendsen uses for its adjusted earnings per share calculation. 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.

(c) there will be no material change in legislation or regulatory requirements impacting on the Berendsen Group's operations or its accounting policies;

(d) there will be no material litigation or regulatory investigations, or material unexpected developments in any existing litigation or regulatory investigation, in relation to any of Berendsen's operations, products or services;

(e) there will be no business disruptions that materially affect Berendsen, its customers, operations, supply chain or labour supply, including natural disasters, acts of terrorism, cyber-attack and/or technological issues;

(f) foreign exchange rates will be an average of GBP:EUR sterling exchange rate of 1.16; and

(g) there will be no material change in the management or control of Berendsen.

Factors within the influence and control of the Berendsen Board

(a) there will be no material acquisitions or disposals;

(b) there will be no material change in the existing operational strategy of Berendsen; and

(c) there are no material strategic investments or capital expenditure in addition to those already planned.

2. Profit Forecast regarding the financial year to 31 December 2018

In the announcement titled "Statement regarding Elis' Possible Offer" dated 24 May 2017, Berendsen announced "a forecast for adjusted operating profit[66] for the financial year ending 31 December 2018 of approximately £170 million" (the "**Berendsen 2018 Profit Forecast**").

In accordance with Rule 28.2 of the Takeover Code, the Panel has granted Berendsen a dispensation from the requirement to include reports from reporting accountants and Berendsen's financial advisers in relation to the Berendsen 2018 Profit Forecast because it was for a financial period ending more than 15 months from the date of the announcement in which it was first published, but the requirements of Rule 28.1(c)(i) apply to the Berendsen 2018 Profit Forecast.

In accordance with Rule 28.1(c), the Berendsen Directors confirm that the Berendsen 2018 Profit Forecast remains valid and confirm that the Berendsen 2018 Profit Forecast has been properly compiled on the basis of the assumptions stated below and that the basis of accounting used is consistent with Berendsen's accounting policies.

The Berendsen 2018 Profit Forecast does not take into account any impact of the Transaction.

The Berendsen Directors prepared the Berendsen 2018 Profit Forecast on the basis of the following assumptions, any of which could turn out to be incorrect and therefore affect whether the Berendsen 2018 Profit Forecast is achieved.

[66] Adjusted operating profit is the basis that Berendsen uses for its adjusted earnings per share calculation. 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.

Factors outside the influence and control of the Berendsen Board

(a) there will be no material change in the political and/or economic environment that would materially affect Berendsen;

(b) there will be no material change in market conditions in relation to customer demand or the competitive environment;

(c) there will be no material change in legislation or regulatory requirements impacting on the Berendsen Group's operations or its accounting policies;

(d) there will be no material litigation or regulatory investigations, or material unexpected developments in any existing litigation or regulatory investigation, in relation to any of Berendsen's operations, products or services;

(e) there will be no business disruptions that materially affect Berendsen, its customers, operations, supply chain or labour supply, including natural disasters, acts of terrorism, cyber-attack and/or technological issues;

(f) foreign exchange rates will be an average of GBP:EUR sterling exchange rate of 1.16; and

(g) there will be no material change in the management or control of Berendsen.

Factors within the influence and control of the Berendsen Board

(a) there will be no material acquisitions or disposals;

(b) there will be no material change in the existing operational strategy of Berendsen; and

(c) there are no material strategic investments or capital expenditure in addition to those already planned.

CONSOLIDATED INTERIM INCOME STATEMENT
For the six months ended 30 June 2017

	Notes	**Unaudited Six months to 30 June 2017 £m**	Unaudited Six months to 30 June 2016 £m	Audited Year to 31 December 2016 £m
Revenue	3	**575.1**	533.5	1,110.0
Cost of sales		**(295.1)**	(272.1)	(565.8)
Gross profit		**280.0**	261.4	544.2
Other income		**1.4**	1.8	2.8
Distribution costs		**(111.8)**	(100.6)	(208.3)
Administrative expenses		**(101.1)**	(89.7)	(172.4)
Other operating expenses		**(23.3)**	(11.2)	(25.6)
Operating profit	3	**45.2**	61.7	140.7
Analysed as:				
Operating profit before exceptional items and amortisation of customer contracts	3	**65.9**	70.2	161.0
Exceptional items	5	**(16.9)**	(4.9)	(12.9)
Amortisation of customer contracts	3	**(3.8)**	(3.6)	(7.4)
Operating profit	3	**45.2**	61.7	140.7
Finance costs		**(9.2)**	(10.4)	(21.1)
Finance income		**0.1**	0.4	0.7
Profit before taxation		**36.1**	51.7	120.3
Taxation	6	**(9.0)**	(12.1)	(28.8)
Profit for the period		**27.1**	39.6	91.5
Analysed as:				
Profit attributable to non-controlling interest		**0.2**	0.1	0.3
Profit attributable to owners of parent company	8	**26.9**	39.5	91.2
Earnings per share expressed in pence per share				
– Basic	8	**15.7**	23.1	53.3
– Diluted	8	**15.7**	23.1	53.2

The notes on pages 21 to 45 of Berendsen 2017 Interim Results Announcement (and on pages 203 to 234 of the Securities Note) are an integral part of these condensed interim financial statements.

All operations are continuing.

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2017

	Unaudited Six months to 30 June 2017 £m	Unaudited Six months to 30 June 2016 £m	Audited Year to 31 December 2016 £m
Profit for the period	**27.1**	39.6	91.5
Other comprehensive (expense)/ income			
Items that may be subsequently reclassified into profit or loss:			
Currency translation differences	**13.4**	35.3	45.2
Gain/ (loss) on cash flow hedges	**0.1**	5.3	(2.3)
	13.5	40.6	42.9
Items that cannot subsequently be reclassified into profit or loss:			
Actuarial gains/ (losses)	**6.0**	(34.7)	(47.1)
Other comprehensive income/ (expense) for the period net of tax	**19.5**	5.9	(4.2)
Total comprehensive income for the period	**46.6**	45.5	87.3
Attributable to:			
Non-controlling interest	**0.4**	0.7	1.0
Owners of parent company	**46.2**	44.8	86.3

Items in the statement above are disclosed net of tax.

CONSOLIDATED INTERIM BALANCE SHEET
As at 30 June 2017

	Notes	**Unaudited Six months to 30 June 2017 £m**	Unaudited Six months as at 30 June 2016 £m	Audited Year to 31 December 2016 £m
Assets				
Intangible assets:				
– Goodwill		**417.3**	404.3	407.3
– Other intangible assets		**27.4**	23.5	30.1
Property, plant and equipment	9	**617.5**	534.1	571.8
Deferred tax assets		**8.5**	13.1	12.7
Derivative financial instruments	15	**37.2**	64.9	73.8
Pension scheme surplus	14	**1.1**	6.8	-
Total non-current assets		**1,109.0**	1,046.7	1,095.7
Inventories		**56.1**	58.5	55.7
Income tax receivable		**15.2**	4.4	8.7
Derivative financial instruments	15	**19.7**	8.0	2.1
Trade and other receivables		**203.5**	193.5	189.9
Cash and cash equivalents		**221.2**	224.2	310.1
Total current assets		**515.7**	488.6	566.5
Liabilities				
Bank overdraft		**(144.9)**	(155.7)	(226.1)
Borrowings		**(77.5)**	(22.8)	(0.6)
Derivative financial instruments	15	**(16.8)**	(0.3)	(0.3)
Income tax payable		**(18.1)**	(17.8)	(25.1)
Trade and other payables		**(212.8)**	(197.5)	(213.5)
Provisions	10	**(6.8)**	(3.7)	(7.5)
Total current liabilities		**(476.9)**	(397.8)	(473.1)
Net current assets		**38.8**	90.8	93.4
Borrowings		**(486.8)**	(487.5)	(512.8)
Derivative financial instruments	15	**-**	(14.2)	(14.6)
Pension scheme deficits	14	**(34.0)**	(36.1)	(39.4)
Deferred tax liabilities		**(69.9)**	(67.3)	(74.5)
Trade and other payables		**(1.1)**	(1.1)	(0.9)
Total non-current liabilities		**(591.8)**	(606.2)	(642.2)
Net assets		**556.0**	531.3	546.9
Equity				
Share capital		**51.8**	51.8	51.8
Share premium		**99.8**	99.5	99.7
Other reserves		**(0.8)**	6.7	(0.9)
Capital redemption reserve		**150.9**	150.9	150.9
Retained earnings		**248.6**	217.6	240.3
Total equity attributable to shareholders of the company		**550.3**	526.5	541.8
Non-controlling interest		**5.7**	4.8	5.1
Total equity		**556.0**	531.3	546.9

CONSOLIDATED INTERIM CASH FLOW STATEMENT
For the six months ended 30 June 2017

	Notes	**Unaudited Six months to 30 June 2017 £m**	Unaudited Six months to 30 June 2016 £m	Audited Year to 31 December 2016 £m
Cash flows from operating activities				
Cash generated from operations	11	**137.6**	132.5	322.3
Interest paid		**(8.9)**	(10.3)	(19.6)
Interest received		**0.1**	0.4	0.7
Income tax paid		**(22.4)**	(12.6)	(20.6)
Net cash generated from operating activities		**106.4**	110.0	282.8
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired	13	**-**	(0.1)	(6.2)
Disposal of subsidiary undertaking		**-**	-	8.0
Purchase of property, plant and equipment		**(133.9)**	(108.6)	(233.1)
Proceeds from the sale of property, plant and equipment	11	**1.3**	0.9	2.0
Purchase of intangible assets		**(2.4)**	(1.7)	(4.7)
Net cash used in investing activities		**(135.0)**	(109.5)	(234.0)
Cash flows from financing activities				
Net proceeds from issue of ordinary share capital		**0.1**	-	0.2
Purchase of own shares by the Employee Benefit Trust		**(0.4)**	(4.8)	(5.0)
Payment of loan issue costs		**(0.1)**	(0.2)	(0.2)
Drawdown of borrowings		**58.0**	32.2	42.4
Repayment of borrowings		**-**	(63.9)	(93.4)
Repayment of finance leases/hire purchase liabilities		**(0.2)**	(0.3)	(0.2)
Dividends paid to company's shareholders	7	**(38.5)**	(36.8)	(54.8)
Dividends paid to non-controlling interest		**-**	-	–
Net cash from (used) in financing activities		**18.9**	(73.8)	(111.0)
Net (decrease)/ in cash	12	**(9.7)**	(73.3)	(62.2)
Cash and cash equivalents at beginning of year		**84.0**	126.7	126.7
Exchange gains/ (losses) on cash		**2.0**	15.1	19.5
Cash and cash equivalents at end of period		**76.3**	68.5	84.0
Free cash flow	11	**(28.6)**	0.6	47.0

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

	Attributable to shareholders of the company							
(Unaudited)	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 2016	51.8	99.5	1.4	150.9	211.3	514.9	4.1	519.0
Comprehensive income:								
Profit for the period	-	-	-	-	39.5	39.5	0.1	39.6
Other comprehensive income:								
Actuarial gains	-	-	-	-	(42.6)	(42.6)	-	(42.6)
Cash flow hedges	-	-	6.4	-	-	6.4	-	6.4
Currency translation	-	-	-	-	33.5	33.5	0.6	34.1
Tax on items taken to equity	-	-	(1.1)	-	9.1	8.0	-	8.0
Total other comprehensive income	-	-	5.3	-	-	5.3	0.6	5.9
Total comprehensive income	-	-	5.3	-	39.5	44.8	0.7	45.5
Transactions with owners:								
Purchase of own shares by the Employee Benefit Trust	-	-	-	-	(4.8)	(4.8)	-	(4.8)
Dividends (note 7)	-	-	-	-	(36.8)	(36.8)	-	(36.8)
Value of employee service in respect of share option schemes and share awards	-	-	-	-	8.4	8.4	-	8.4
Total transactions with owners	-	-	-	-	(33.2)	(33.2)	-	(33.2)
At 30 June 2016	51.8	99.5	6.7	150.9	217.6	526.5	4.8	531.3
Comprehensive income:								
Profit for the period	-	-	-	-	51.7	51.7	0.2	51.9
Other comprehensive income:								
Actuarial losses	-	-	-	-	(14.9)	(14.9)	-	(14.9)
Cash flow hedges	-	-	(7.6)	-	-	(7.6)	-	(7.6)
Currency translation	-	-	-	-	11.2	11.2	0.1	11.3
Tax on items taken to equity	-	-	-	-	1.1	1.1	-	1.1
Total other comprehensive income	-	-	(7.6)	-	49.1	41.5	0.3	41.8
Total comprehensive income	-	-	(7.6)	-	49.1	41.5	0.3	41.8
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	-	-	-	-	1.2	1.2	-	1.2
Dividends	-	-	-	-	(18)	(18)	-	(18)
Value of employee service in respect of share option schemes and share awards	-	-	-	-	(9.6)	(9.6)	-	(9.6)
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-
Total transactions with owners	-	0.2	-	-	(26.4)	(26.2)	-	(26.2)
At 31 December 2016	51.8	99.7	(0.9)	150.9	240.3	541.8	5.1	546.9

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY continued

	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 2017	51.8	99.7	(0.9)	150.9	240.3	541.8	5.1	546.9
Comprehensive income:								
Profit for the period	-	-	-	-	26.9	26.9	0.2	27.1
Other comprehensive income:								
Actuarial gain (note 14)	-	-	-	-	7.3	7.3	-	7.3
Cash flow hedges	-	-	0.1	-	-	0.1	-	0.1
Currency translation	-	-	-	-	10.0	10.0	0.4	10.4
Tax on items taken to equity	-	-	-	-	1.7	1.7	-	1.7
Total other comprehensive income	-	-	0.1	-	19.0	19.1	0.4	19.5
Total comprehensive income	-	-	0.1	-	45.9	46.0	0.6	46.6
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	-	-	-	-	(0.1)	(0.1)	-	(0.1)
Dividends (note 7)	-	-	-	-	(38.5)	(38.5)	-	(38.5)
Value of employee service in respect of share option schemes and share awards	-	-	-	-	1.0	1.0	-	1.0
Total transactions with owners	-	0.1	-	-	(37.6)	(37.5)	-	(37.5)
At 30 June 2017	51.8	99.8	(0.8)	150.9	248.6	550.3	5.7	556.0

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 30 June 2017, the Trust held 1,291,621 (30 June 2016: 1,514,115; 31 December 2016: 1,390,393) shares.

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 Basis of preparation

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2016 were approved by the Board of directors on 2 March 2017 and delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under Section 498 of the Companies Act 2006.

This condensed consolidated interim financial information has been reviewed, not audited.

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with IFRSs as adopted by the European Union and applicable law.

1.1 Going – concern basis

The group meets its day-to-day working capital requirements through its bank facilities. Although the current economic conditions, particularly in the UK following the recent referendum, continue to create uncertainty, particularly over the level of demand for the group's products, the group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facilities. As a consequence, and having reassessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the interim financial information.

2 Accounting policies

Except as described below, the accounting policies and key assumptions and sources of estimation uncertainty applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2017, but have no material impact on the group:

- Amendments to IAS 12, 'Income taxes' on Recognition of deferred tax assets for unrealised losses subject to EU endorsement

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2017 and have been applied within these financial statements.

- Amendments to IAS 7, 'Statement of cash flows' subject to EU endorsement which sets out the need for additional disclosure requirements in respect of movements in finance liabilities in particular identifying cash flow and non- cash flow movements (see note 12)

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the group, except the following as set out below:

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

2 Accounting policies (continued)

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

- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard which was endorsed by the EU in September 2016 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. At this time the group does not expect there to be any significant impact of the standard on revenue recognition within the group which will continue to recognise revenue in line with current reporting. For the group's textile revenue income it is expected that the performance obligation will be the provision of the textile rental service and hence revenue will continue to be recognised over time. Revenue from direct sales is expected to be recognised at a point in time where the performance obligation is the provision of the direct goods.

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the group, except the following as set out below:

- In January 2016 IFRS 16 – Leases was issued. The board is still in the process of reviewing the impact of IFRS 16 on the group's accounting policies. However, indicatively, because the accounting rules for lessors are largely unchanged the group is unlikely to have to change its current method of accounting for the textile rental assets held on its own balance sheet. All income arising from its textile and other rental assets are treated in effect as operating lease income and this will not change unless any future contracts result in the assets rented to third parties qualifying as finance leases rather than operating leases.

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

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

3 Segmental information

The business line results for the six months ended 30 June 2017 are as follows:

	Workwear	Facility	Healthcare	Hospitality	Unallocated	Group
	£m	£m	£m	£m	£m	£m
Total segment revenue	**199.9**	**128.6**	**166.4**	**85.0**	**-**	**579.9**
Inter-segment revenue	**(1.4)**	**(0.3)**	**(2.9)**	**(0.2)**	**-**	**(4.8)**
Revenue from external customers	**198.5**	**128.3**	**163.5**	**84.8**	**-**	**575.1**
Operating profit before exceptional items and amortisation of customer contracts	**36.5**	**31.2**	**10.0**	**(1.5)**	**(10.3)**	**65.9**
Exceptional items (note 5)	**(2.3)**	**(0.3)**	**(2.4)**	**(1.7)**	**(10.2)**	**(16.9)**
Amortisation of customer contracts	**(0.7)**	**(2.9)**	**(0.1)**	**-**	**(0.1)**	**(3.8)**
Segment result	**33.5**	**28.0**	**7.5**	**(3.2)**	**(20.6)**	**45.2**
Net finance costs						**(9.1)**
Profit before taxation						**36.1**
Taxation						**(9.0)**
Profit for the year						**27.1**
Profit attributable to non-controlling interest						**(0.2)**
Profit attributable to owners of parent company						**26.9**
Capital expenditure	**58.1**	**18.7**	**32.0**	**28.2**	**(0.7)**	**136.3**
Depreciation (note 11)	**45.1**	**13.3**	**26.2**	**16.8**	**(2.6)**	**98.8**
Amortisation (note 11)	**1.4**	**3.2**	**0.7**	**0.3**	**0.3**	**5.9**

Unallocated costs include 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.

The restated results for the half year ended 30 June 2016 under the new Business Line structure set out in the financial statements for the year ended 31 December 2016 are as follows:

	Workwear	Facility	Healthcare	Hospitality	Unallocated	Group Restated
	£m	£m	£m	£m	£m	£m
Total segment revenue	181.0	111.1	156.2	90.3	-	538.6
Inter-segment revenue	(1.2)	(0.5)	(2.5)	(0.9)	-	(5.1)
Revenue from external customers	179.8	110.6	153.7	89.4	-	533.5
Operating profit before exceptional items and amortisation of customer contracts	33.7	26.2	11.5	1.4	(2.6)	70.2
Exceptional items (note 5)	-	-	(0.4)	(0.3)	(4.2)	(4.9)
Amortisation of customer contracts	(0.7)	(2.7)	(0.1)	-	(0.1)	(3.6)
Segment result	33.0	23.5	11.0	1.1	(6.9)	61.7
Net finance costs						(10.0)
Profit before taxation						51.7
Taxation						(12.1)
Profit for the year						39.6
Profit attributable to non-controlling interest						(0.1)
Profit attributable to owners of parent company						39.5
Capital expenditure	53.3	16.5	23.3	20.4	(2.8)	110.7
Depreciation (note 11)	38.9	11.3	23.7	16.3	(2.5)	87.7
Amortisation (note 11)	1.2	3.3	0.6	0.4	0.2	5.7

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

3 Segmental information (continued)

The segment assets and liabilities at 30 June 2017 under the Business Line structure are as follows:

	Workwear £m	Facility £m	Healthcare £m	Hospitality £m	Unallocated £m	Group £m
Operating assets	**496.4**	**354.1**	**311.7**	**170.5**	**(10.9)**	**1,321.8**
Operating liabilities	**(67.3)**	**(37.6)**	**(53.8)**	**(28.4)**	**(33.5)**	**(220.6)**

The segment assets and liabilities at 30 June 2016 restated under the new Business Line structure are as follows:

	Workwear £m	Facility £m	Healthcare £m	Hospitality £m	Unallocated £m	Group £m
Operating assets	433.2	343.5	287.4	164.6	(14.8)	1,213.9
Operating liabilities	(66.7)	(45.0)	(39.2)	(38.8)	(12.6)	(202.3)

From 1 January 2017 the group has reported the Workwear operations in Poland, the Czech Republic and the Slovak Republic within the Workwear business line. Previously these operations were reported as part of the Facility business line and accordingly, where applicable, the comparative financial information for the full year ended 31 December 2016 has been represented.

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

	Workwear £m	Facility £m	Healthcare £m	Hospitality £m	Unallocated £m	Group £m
Operating assets	436.4	373.0	278.9	147.3	19.2	1,254.8
Reallocation	30.0	(30.0)	-	-	-	-
Represented operating assets	466.4	343.0	278.9	147.3	19.2	1,254.8
Operating liabilities	(74.7)	(53.7)	(32.9)	(37.5)	(22.9)	(221.7)
Reallocation	(2.6)	2.6	-	-	-	-
Represented operating liabilities	(77.3)	(51.1)	(32.9)	(37.5)	(22.9)	(221.7)

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.

The group's revenues analysed by major country may be summarised as follows:

	Six months to 30 June 2017 £m	Six months to 30 June 2016 £m
UK	**187.5**	195.3
Sweden	**95.4**	84.9
Germany	**87.1**	74.1
Denmark	**79.5**	68.2
Holland	**49.5**	43.1
Norway	**27.2**	23.4
Other	**48.9**	44.5
Total	**575.1**	533.5

4 Seasonality

The hotels and restaurants markets are subject to some seasonal fluctuation. Higher revenues and operating profits in the second and third quarters of the year are expected due to increased demand during the holiday season. Other than this, there is no significant seasonality or cyclicality affecting the interim result of the operations.

5 Exceptional items

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

	Six months to 30 June 2017 £m	Six months to June 2016 £m	Year to 31 December 2016 £m
Costs relating to merger and acquisition activity	**9.0**	-	8.3
Disposal of subsidiary	**-**	-	(0.8)
Curtailment gain	**-**	-	(5.1)
Strategy implementation costs:			
Professional fees and consultancy costs	**0.3**	4.4	4.7
Restructure and redundancy costs	**7.6**	0.5	5.8
	16.9	4.9	12.9

During the period the group incurred exceptional costs of £16.9m.

- £9m of exceptional costs were incurred in respect of legal and professional fees in respect of the recommended acquisition of Berendsen by Elis SA “the Transaction”. The tax credit associated with these costs was £1.6m.

- £7.6m of exceptional costs were incurred in respect of both the substantial completion reorganisation and operational capability review costs, principally within the UK. The tax credit associated with these costs was £1.4m.

- £0.3m of exceptional costs were incurred in respect of the implementation of the group’s strategic plans. The tax credit associated with these costs was £0.1m.

Contingent on completion of the Transaction, further fees of £23m would be payable. Other financial implications of the Transaction include the impact of the repayment of borrowings and the close out of associated derivatives, as well as the cost of accelerating unvested share awards. Further details of the Transaction will be included within the Scheme of Arrangement.

6 Taxation

The income tax expense is based on an effective annual tax rate estimated individually for each tax jurisdiction in which the group operates and applied to the pre-tax profit, excluding exceptional items, of the relevant entity. The effective tax rate on adjusted profit before tax is 22.6 % (30 June 2016: 23.1%).

7 Dividends

A final dividend relating to the year ended 31 December 2016 amounting to £38.5 million was paid in May 2017 (2016: £36.8 million), representing 22.5 pence per share (2015: 21.5 pence).

In addition, the directors have declared an interim dividend in respect of the financial year ending 31 December 2017 of 11p per ordinary share. It is payable on 25 August to shareholders who are on the register at 4 August 2017. This interim dividend amounting to approximately £19.0 million is not reflected in these financial statements as it does not represent a liability at 30 June 2017. It will be recognised in shareholders' equity in the year to 31 December 2017.

8 Earnings per share

Basic earnings per ordinary share are based on the group profit for the period and a weighted average of 171,293,223 (2016: 170,969,519) ordinary shares in issue during the period.

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

	30 June 2017 Number of shares	30 June 2016 Number of shares	31 December 2016 Number of shares
In issue	**171,293,223**	170,969,519	171,095,601
Dilutive potential ordinary shares arising from unexercised share options and awards	**161,003**	345,322	256,845
	171,454,226	171,314,841	171,352,446

An adjusted operating profit and 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 is shown because, in the opinion of the directors, this represents useful additional information to the readers of the interim financial statements, providing information attributable to the underlying activities of the business.

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

	Six months to 30 June 2017		Six months to 30 June 2016		Year to 31 December 2016	
	£m	**Earnings per share pence**	£m	Earnings per share pence	£m	Earnings per share pence
Profit attributable to equity shareholders of the company for basic earnings per share calculation	**26.9**	**15.7**	39.5	23.1	91.2	53.3
Exceptional items (after taxation)	**13.8**	**8.1**	3.9	2.3	11.3	6.6
Amortisation of customer contracts (after taxation)	**3.0**	**1.8**	2.8	1.6	5.8	3.4
Impact of tax rate reductions – UK and other tax items	**-**	**-**	-	-	(0.4)	(0.2)
Profit attributable to equity shareholders of the company for adjusted earnings per share calculation	**43.7**	**25.6**	46.2	27.0	107.9	63.1
Diluted basic earnings per share		**15.7**		23.1		53.2
Diluted adjusted earnings per share		**25.6**		27.0		63.0

9 Property, plant and equipment

During the six months ended 30 June 2017, the group acquired assets including new leases, but excluding property, plant and equipment acquired through business combinations, with a cost of £134 million (30 June 2016: £109 million).

Assets with a net book value of £1.7 million were disposed of by the group during the six months ended 30 June 2017 (30 June 2016: £1.4 million) resulting in a net loss on disposal of £0.4 million (30 June 2016: loss £0.5 million).

The group's capital commitments at 30 June 2017 were £48.3 million (30 June 2016: £23.2 million).

10 Provisions

	Restructuring £m	Regulatory and legal £m	Total £m
At 1 January 2017	0.6	6.9	7.5
Charged in the year	0.1	-	0.1
Utilised in the period	(0.1)	(0.7)	(0.8)
At 30 June 2017	0.6	6.2	6.8
Represented by:			
Current	0.6	6.2	6.8

Restructuring

Restructuring provisions comprise largely of employee termination payments. Provisions 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.

11 Cash flows from operating activities

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

	Six months to 30 June 2017 £m	Six months to 30 June 2016 £m	Year to 31 December 2016 £m
Profit for the period	**27.1**	39.6	91.5
Adjustments for:			
Taxation	**9.0**	12.1	28.8
Amortisation of intangible assets	**5.9**	5.7	11.4
Depreciation of property, plant and equipment	**98.8**	87.7	183.6
Loss on sale of property, plant and equipment	**0.4**	0.5	1.0
Profit on sale of subsidiary	**-**	-	(0.8)
Finance income	**(0.1)**	(0.4)	(0.7)
Finance costs	**9.2**	10.4	21.1
Curtailment gain	**-**	-	(5.1)
Other movements	**1.3**	(2.1)	(3.7)
Changes in working capital (excluding effect of acquisitions, non-cash disposals and exchange differences on consolidation):			
Inventories	**0.5**	(4.7)	(3.1)
Trade and other receivables	**(9.9)**	(5.5)	(7.3)
Trade and other payables	**(3.9)**	(11.2)	3.0
Provisions	**(0.7)**	0.4	2.6
Cash generated from operations	**137.6**	132.5	322.3

11 Cash flows from operating activities (continued)

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

	Six months to 30 June 2017 £m	Six months to 30 June 2016 £m	Year to 31 December 2016 £m
Net book amount	**1.7**	1.4	3.0
Profit on sale of property, plant and equipment	**(0.4)**	(0.5)	(1.0)
Proceeds from the sale of property, plant and equipment	**1.3**	0.9	2.0

	Six months to 30 June 2017 £m	Six months to 30 June 2016 £m	Year to 31 December 2016 £m
Free cash flow	**(28.6)**	0.6	47.0
Analysis of free cash flow			
Net cash generated from operating activities	**106.4**	110.0	282.8
Purchases of property, plant and equipment	**(133.9)**	(108.6)	(233.1)
Proceeds from the sale of property, plant and equipment	**1.3**	0.9	2.0
Purchases of intangible assets	**(2.4)**	(1.7)	(4.7)
Free cash flow	**(28.6)**	0.6	47.0

12 Reconciliation of net cash flow to movement in net debt

	Six months to 30 June 2017 £m	Six months to 30 June 2016 £m	Year to 31 December 2016 £m
Decrease in cash	**(9.7)**	(73.3)	(62.2)
Cash (inflow)/ outflow from movement in debt and lease financing	**(57.7)**	32.2	51.5
(Increase)/ decrease in net debt resulting from cash flows	**(67.4)**	(41.1)	(10.7)
New finance leases	**-**	(0.5)	(0.6)
Bank loans and lease obligations acquired with subsidiaries	**-**	-	(2.8)
Currency translation	**8.8**	(29.3)	(44.4)
Movement in net debt in period	**(58.6)**	(70.9)	(58.5)
Net debt at beginning of year	**(429.4)**	(370.9)	(370.9)
Net debt at end of period	**(488.0)**	(441.8)	(429.4)

Reconciliation of liabilities arising from financing activities

	Short-term borrowings £m	Long-term Borrowings £m	Short-term Lease liabilities £m	Long-term Lease liabilities £m	Total £m
As at 1 January 2017	-	(511.8)	(0.6)	(1.0)	(513.4)
Cash flows	-	(57.9)	0.1	0.1	(57.7)
Non-cash flows					
New finance leases	-	-	-	-	-
Reclassification to current liabilities	(77.0)	77.0	-	-	-
Currency translation	(0.3)	6.8	0.3	-	6.8
As at 30 June 2017	(77.3)	(485.9)	(0.2)	(0.9)	(564.3)

13 Acquisitions

The group made no acquisitions in the period ended 30 June 2017. Over the same period the group paid £nil in respect of previous acquisitions made.

14 Pension schemes

The amounts recognised in the balance sheet are determined as follows:

	As at 30 June 2017 £m	As at 31 December 2016 £m
Present value of obligations	**(399.2)**	(395.8)
Fair value of plan assets	**366.3**	356.4
Net liability recognised in balance sheet	**(32.9)**	(39.4)
Analysed as:		
– Pension scheme surplus	**1.1**	-
– Pension scheme deficit and unfunded schemes	**(34.0)**	(39.4)
	(32.9)	(39.4)

Analysis of the movement in the net balance sheet asset:

	Six months to 30 June 2017 £m
At 1 January 2017	**(39.4)**
Current service cost	**(0.7)**
Interest cost	**(5.2)**
Return on plan assets	**4.7**
Actuarial loss recognised in other comprehensive income	**7.3**
Benefits paid	**0.5**
Contributions paid	**0.8**
Currency translation	**(0.9)**
At 30 June 2017	**(32.9)**

The movement in the pension balance in the six months ended 30 June 2017 largely reflects the result of a fall in the Corporate bond rate during the period and the impact of this fall on discounted pension obligations.

15 Financial risk management and financial instruments

15.1 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 condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements and hence they should be read in conjunction with the group's annual financial statements as at 31 December 2016. There have been no changes in the risk management department or in any risk management policies since the year end.

15.2 Liquidity Risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities. During the period the group made an additional drawdown from its RCF of £58 million.

15 Financial risk management and financial instruments (continued)

15.3 Fair Value estimation

The table below analyses financial instruments carried at fair value, by valuation method. 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)
- 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 30 June 2017:

	Level 1	Level 2	Level 3	Total
Assets				
Derivatives used for hedging				
Cross-currency interest swaps	-	56.9	-	56.9
Forward foreign exchange contracts	-	-	-	-
Total assets	**-**	**56.9**	**-**	**56.9**

Liabilities				
Derivatives used for hedging				
Cross-currency interest swaps	-	(16.1)	-	(16.1)
Forward foreign exchange contracts	-	(0.7)	-	(0.7)
Total liabilities	**-**	**(16.8)**	**-**	**(16.8)**

The following table presents the group's financial assets and liabilities that are measured at fair value at 30 June 2016:

	Level 1	Level 2	Level 3	Total
Assets				
Derivatives used for hedging				
Cross-currency interest swaps	-	70.6	-	70.6
Forward foreign exchange contracts	-	2.3	-	2.3
Total assets	**-**	**72.9**	**-**	**72.9**

Liabilities				
Derivatives used for hedging				
Cross-currency interest swaps	-	(14.5)	-	(14.5)
Total liabilities	**-**	**(14.5)**	**-**	**(14.5)**

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
Assets				
Derivatives used for hedging				
Cross-currency interest swaps	-	73.6	-	73.6
Forward foreign exchange contracts	-	2.3	-	2.3
Total assets	**-**	**75.9**	**-**	**75.9**
Liabilities				
Derivatives used for hedging				
Cross-currency interest swaps	-	(14.9)	-	(14.9)
Forward foreign exchange contracts	-	-	-	-
Total liabilities	**-**	**(14.9)**	**-**	**(14.9)**

15 Fair risk management and financial instruments (continued)

15.4 Fair value measurement

In accordance with IFRS 13, disclosure is required for financial instruments that are measured in the group balance sheet at fair value.

Valuation techniques and assumptions applied in determining fair values of each class of asset or liability are consistent with those used as at 31 December 2016 and reflect the current economic environment. The fair value measurements of the derivatives are classified as Level 2 in the fair value hierarchy as defined by IFRS13.

The fair values by designated hedge type are as follows:

	Six months to 30 June 2017		Six months to 30 June 2016		Year to 31 December 2016	
	Assets fair value £m	**Liabilities fair value £m**	Assets fair value £m	Liabilities fair value £m	Assets fair value £m	Liabilities fair value £m
Cash flow hedges						
Cross currency interest rate swaps	**55.4**	**-**	60.9	-	68.9	-
Forward foreign exchange contracts	**-**	**(0.7)**	2.3	-	2.3	-
	55.4	**(0.7)**	63.2	-	71.2	-
Net investment hedges						
Cross currency interest rate swaps	**1.5**	**(16.1)**	9.7	(14.5)	4.7	(14.9)
	1.5	**(16.1)**	9.7	(14.5)	4.7	(14.9)
Total	**56.9**	**(16.8)**	72.9	(14.5)	75.9	(14.9)

16 Related parties

The nature of related parties as disclosed in the consolidated financial statements for the group as at and for the year ended 31 December 2016 has not changed. Further, there have been no significant related party transactions in the six month period ended 30 June 2017.

17 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 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.

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 authorities, or under regulatory requirements. Provision has been made in these interim 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, other than those disclosed within this interim financial information.

18 Website policy

The directors are responsible for the maintenance and integrity of the company's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

19 Events occurring after the balance sheet date

On 12 June 2017 the boards of Elis SA and Berendsen plc announced that they had reached agreement on the terms of a recommended acquisition by Elis of the entire issued and to be issued share capital of Berendsen (the "Transaction").

The Berendsen Board remains confident that the Berendsen Excellence strategy would deliver significant value for the Berendsen Shareholders on a standalone basis. However, it also believes that the terms of the offer by Elis SA substantially acknowledges the quality of the Berendsen business and the strength of its future prospects. Furthermore, the Berendsen Board recognises that the transaction will create a pan-European leader in textile services, with attractive positions in the markets in which it operates and with sufficient scale and footprint to provide customers with the most efficient and comprehensive textile services offering across the European continent. As such, the Berendsen Board intends unanimously to recommend the Transaction to Berendsen Shareholders.

It is expected that the Scheme Document, containing further information about the Transaction and notices of the Court Meeting and General Meeting, together with the Forms of Proxy, will be posted to Berendsen Shareholders no later than 31 July 2017. An expected timetable of principal events will be included in the Scheme Document. Completion of the transaction is expected during the third quarter of 2017, subject to relevant shareholder and regulatory approvals.

20 Principal risks and uncertainties

	Risk	Potential impact	Movement since January 2017	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	**No change**	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.	Continue with our current mitigating actions.
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**	New IT Director in place to define IT strategy and implement this. A shared services project is currently underway aiming at strengthening the use and scope of shared services. The project is being supported by a consultancy firm 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 CO_2 emissions Senior management retention rate Return on invested capital	**No change**	LEAN training programme in place with the delivery of projects and Superior Operating Models being developed. Sites benchmarking against Berendsen Excellence model in progress.	Continue with our current mitigating actions.
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	**Decreased** The Organisation Capability Review has now finalised in the UK business and an enhanced management team is now in place.	Accelerated leadership training being delivered in the UK for new management in the business.	Capability review to take place in Europe.
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	**No change**	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.

Risk	Potential impact	Movement since January 2017	Current mitigating actions	Further mitigating actions in 2017
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	**No change**	New defined standard framework for business capture using Microsoft Dynamics across businesses to help pipeline management being implemented. Greater focus on customer retention, Microsoft Dynamics will be also used as CRM across all businesses.	Continue with our current mitigating actions.
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	**No change**	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. Continuous monitoring of Brexit development by Group management is in place.	Continue with our current mitigating actions.

	Risk	Potential impact	Movement since January 2017	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.	Continue implementing the H&S strategy.
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.	Continue with our current mitigating actions.
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	**No change**	Focus placed on organisation capability review and accelerated leadership training. Review of the Berendsen Academy under way.	Continue with our current mitigating actions.

	Risk	Potential impact	Movement since January 2017	Current mitigating actions	Further mitigating actions in 2017
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**	Business line organisational structure in place which gives us more focus on growth areas. 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.	Continue embedding Berendsen Advance CRM system and consolidating this.
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	**No change**	Careful monitoring and planning of political developments. Deep understanding of domestic market and political environment where we operate.	Continue with our current mitigating actions.

	Risk	Potential impact	Movement since January 2017	Current mitigating actions	Further mitigating actions in 2017
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.	Review and update the current competition law policy, procedures and training. Develop and implement GDPR policy, procedures and training.
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	**No change**	Environmental policy and regular monitoring of compliance in place. Established procedures for incident reporting to senior management with subsequent monitoring.	Continue with our current mitigating actions.

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	**No change**	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.	BCP tests will continue to take place. Property assessments will continue taking place.

Risk	Potential impact	Movement since January 2017	Current mitigating actions	Further mitigating actions in 2017
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	**No change**	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.
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.	Continue with the current mitigating actions.

21 Statutory and Alternative Performance Measures

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.

Key financial measures

	2017 £m	2016 £m
Statutory		
Revenue	**575.1**	533.5
Revenue growth		**7.8%**
Operating profit	**45.2**	61.7
Operating margin	**7.9%**	11.6%
Operating profit growth		**(26.7%)**
Operating profit before tax	**36.1**	51.7
Basic earnings per share	**15.7**	23.1
Net debt to EBITDA	**1.48**	1.38
A		
Alternative Performance Measures		
Underlying revenue growth		**2.4%**
Adjusted operating profit	**65.9**	70.2
Adjusted operating margin	**11.5%**	13.2%
Adjusted operating profit growth		**(6.1%)**
Adjusted profit before tax	**56.8**	60.2
Adjusted underlying profit growth		**(13.6%)**
Adjusted earnings per share	**25.6**	27
Adjusted net Debt to EBITDA	**1.2**	1.1

Reconciliation of statutory and alternative performance measures – Consolidated

Revenue

	2017	2016
Statutory measure		
Statutory revenue	**575.1**	533.5
Statutory revenue growth		**7.8%**
A		
Alternative performance measure		
Statutory revenue	**575.1**	533.5
Adjust for acquisitions/disposals and internal transfers, where applicable	**(2.3)**	(7.5)
Impact of foreign exchange movements	**–**	33.4
Underlying revenue	**572.8**	559.4
Underlying revenue growth		**2.4%**

Operating profit

	2017	2016
Statutory measure		
Operating profit	**45.2**	61.7
Operating profit growth		**(26.7%)**
Operating profit margin	**7.9%**	11.6%
Operating profit margin growth		**(370) bps**
Profit before tax	**36.1**	51.7
a		
Alternative performance measure		
Operating profit	**45.2**	61.7
Intangible asset amortisation	**3.8**	3.6
Exceptional items	**16.9**	4.9
Adjusted operating profit	**65.9**	70.2
Adjusted operating profit margin	**11.5%**	13.2%
Adjusted operating profit growth		**(6.1%)**
Adjusted operating margin growth		**(170)bps**
Adjusted profit before tax	**56.8**	60.2
Tax on adjusted operating profit	**(12.9)**	(13.9)
Effective tax rate on adjusted operating profit	**22.6%**	23.1%
Adjusted operating profit	**65.9**	70.2
Impact of acquisitions and disposals	**(1.1)**	(1.1)
Impact of foreign currency translation	**-**	6.0
Underlying adjusted operating profit	**64.8**	75.1
Underlying adjusted operating profit margin	**11.3%**	13.4%
Underlying profit growth		**(13.6%)**

Earnings per share

	2017	2016
Statutory measure		
Basic Earnings per share	**15.7**	23.1
a		
Alternative performance measure		
Basic Earnings per share	**15.7**	23.1
Exceptional items	**8.1**	2.3
Intangible asset amortisation	**1.8**	1.6
Impact of changes in tax rates	**-**	-
Adjusted earnings per share	**25.6**	27.0

Net Debt to EBITDA

	2017	2016
Statutory measure		
Net debt divided by EBITDA	**1.48**	1.38
a		
Alternative performance measure		
Net debt	**488.0**	441.8
Adjust debt for underlying swap values and at average foreign currency translation rates	**(53.6)**	(75.2)
Adjusted EBITDA after intangible asset amortisation and exceptional costs	**355.4**	333.0
Adjusted net debt to EBITDA	**1.2**	1.10

Reconciliation of statutory and alternative performance measures – Business Line

Workwear

	2017	2016
Statutory measure		
Statutory revenue	**198.5**	179.8
Statutory revenue growth		**10.4%**
Alternative Performance Measure		
Statutory revenue	**198.5**	179.8
Impact of foreign exchange movements	**-**	12.9
Underlying revenue	**198.5**	192.7
Underlying revenue growth		**3.1%**
a		
Statutory measure		
Operating profit	**33.5**	33.0
Operating profit growth		**1.5%**
Operating profit margin	**16.9%**	18.4%
Operating profit margin growth		**(150)bps**
Alternative Performance Measure		
Operating profit	**33.5**	33.0
Amortisation of customer contracts	**0.7**	0.7
Exceptional items	**2.3**	-
Adjusted operating profit	**36.5**	33.7
Adjusted operating profit growth		**8.3%**
Adjusted operating profit margin	**18.4%**	18.7%

Facility

	2017	2016
Statutory measure		
Statutory revenue	**128.3**	110.6
Statutory revenue growth		**16%**
Alternative Performance Measure		
Statutory revenue	**128.3**	110.6
Adjust for acquisitions, disposals and internal transfers, where applicable	**(2.3)**	-
Impact of foreign exchange movements	**-**	11.1
Underlying revenue	**126.0**	121.7
Underlying revenue growth		**3.5%**
A		
Statutory measure		
Operating profit	**28.0**	23.5
Operating profit growth		**19.1%**
Operating profit margin	**21.8%**	21.2%
Operating profit margin growth		**(60bps)**
Alternative Performance Measure		
Operating profit	**28.0**	23.5
Amortisation of customer contracts	**2.9**	2.7
Exceptional items	**0.3**	-
Adjusted operating profit	**31.2**	26.2
Adjusted operating profit growth		**19.1%**
Adjusted operating profit margin	**24.3%**	23.7%

Healthcare

	2017	2016
Statutory measure		
Statutory revenue	**163.5**	153.7
Statutory revenue growth		**6.4%**
Alternative Performance Measure		
Statutory revenue	**163.5**	153.7
Impact of foreign exchange movements	**-**	6.9
Underlying revenue	**163.5**	160.6
Underlying revenue growth		**1.8%**
A		
Statutory measure		
Operating profit	**7.5**	11.0
Operating profit growth		**(31.8%)**
Operating profit margin	**4.6%**	7.2%
Operating profit margin growth		**(260)bps**
Alternative Performance Measure		
Operating profit	**7.5**	11.0
Amortisation of customer contracts	**0.1**	0.1
Exceptional items	**2.4**	0.4
Adjusted operating profit	**10.0**	11.5
Adjusted operating profit growth		**(13%)**
Adjusted operating profit margin	**6.1%**	7.5%

Hospitality

	2017	2016
Statutory measure		
Statutory revenue	**84.8**	89.4
Statutory revenue growth		**(5.1%)**
Alternative Performance Measure		
Statutory revenue	**84.8**	89.4
Adjust for acquisitions/disposals and internal transfers, where applicable	**-**	(7.5)
Impact of foreign exchange movements	**-**	2.5
Underlying revenue	**84.8**	84.4
Underlying revenue growth		**0.5%**
A		
Statutory measure		
Operating profit	**(3.2)**	1.1
Operating profit growth		**N/A**
Operating profit margin	**(3.8%)**	1.2%
Operating profit margin growth		**(500)bps**
Alternative Performance Measure		
Operating profit	**(3.2)**	1.1
Amortisation of customer contracts	**-**	-
Exceptional items	**1.7**	0.3
Adjusted operating profit	**(1.5)**	1.4
Adjusted operating profit growth		**N/A**
Adjusted operating profit margin	**(1.8%)**	1.6%

Statement of directors' responsibilities

The directors confirm that this condensed set of consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim financial report includes a fair review of the information required by DTR 4.2.7 and 4.2.8 namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of interim financial information, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

The directors of Berendsen plc are listed in the Berendsen plc Annual Report for the year ended 31 December 2016

On behalf of the Board

James Drummond

26 July 2017

Chief Executive Officer

Kevin Quinn

26 July 2017

Chief Financial Officer

Independent review report to Berendsen plc

Report on the condensed consolidated interim financial information

Our conclusion

We have reviewed Berendsen plc's condensed consolidated interim financial information (the "interim financial information") in the interim results announcement of Berendsen plc for the 6 month period ended 30 June 2017. Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial information comprises:

- the consolidated interim balance sheet as at 30 June 2017;
- the consolidated interim income statement and consolidated interim statement of comprehensive income for the period then ended;
- the consolidated interim cash flow statement for the period then ended;
- the consolidated statement of changes in total equity for the period then ended; and
- the explanatory notes to the interim financial information.

The interim financial information included in the interim results announcement has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. As disclosed in note 1 to the interim financial information, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial information and the review

Our responsibilities and those of the directors

The interim results announcement, including the interim financial information, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim results announcement in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial information in the interim results announcement based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial information involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim results announcement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial information.

PricewaterhouseCoopers LLP

Chartered Accountants

London

26 July 2017

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

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

5.5. Information regarding recent developments at Berendsen

This information is presented in section 5.4.3 “Interim financial statements from the last six-month period” of the Securities Note.

ANNEX 1
CROSS-REFERENCE TABLE

Please find in the cross-reference table hereunder, prepared in accordance with the table set out in Annex III of Regulation (EC) no. 809/2004 of the European Commission of April 29, 2004 (the "**Regulation**"), the paragraph and page numbers where the information requested in such Annex III can be found in this document.

No.	Regulation	Prospectus
1	**PERSONS RESPONSIBLE**	
1.1	All persons responsible for the information given in the prospectus and, as the case may be, for certain parts of it, with, in the latter case, an indication of such parts. In the case of natural persons including members of the issuer's administrative, management or supervisory bodies indicate the name and function of the person; in case of legal persons indicate the name and registered office.	1.1 1.2
1.2	A declaration by those responsible for the prospectus that, having taken all reasonable care to ensure that such is the case the information contained in the prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. As the case may be, declaration by those responsible for certain parts of the prospectus that, having taken all reasonable care to ensure that such is the case the information contained in the part of the prospectus for which they are responsible is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.	1.1.2 1.2.2
2	**RISK FACTORS**	
	Prominent disclosure of risk factors that are material to the securities being offered and/or admitted to trading in order to assess the market risk associated with these securities in a section headed "Risk Factors".	3.1 3.5
3	**KEY INFORMATION**	
3.1	**Working capital statement** Statement by the issuer that, in its opinion, the working capital is sufficient for the issuer's present requirements or, if not, how it proposes to provide the additional working capital needed.	3.6
3.2	**Capitalization and indebtedness** A statement of capitalization and indebtedness (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as of a date no earlier than 90 days prior to the date of the document. Indebtedness also includes indirect and contingent indebtedness.	3.7
3.3	**Interest of natural and legal persons involved in the issue/offer** A description of any interest, including conflicting ones, which are material to the issue/offer, detailing the persons involved and the nature of the interest.	3.8
3.4	**Reasons for the offer and use of the proceeds** Reasons for the offer and, where applicable, the estimated net amount of the proceeds broken into each principal intended use and presented by order of priority of such uses. If the issuer is	2.1 2.2

	aware that the anticipated proceeds will not be sufficient to fund all the proposed uses, state the amount and sources of other funds needed. Details must be given with regard to the use of the proceeds, in particular when they are being used to acquire assets, other than in the ordinary course of business, to finance announced acquisitions of other business, or to discharge, reduce or retire indebtedness.	
4	**INFORMATION CONCERNING THE SECURITIES TO BE OFFERED/ADMITTED TO TRADING**	
4.1	A description of the type and the class of the securities being offered and/or admitted to trading, including the ISIN (International Security Identification Number) or other such security identification code.	2.2.1 2.2.5
4.2	Legislation under which the securities have been created.	2.4
4.3	An indication whether the securities are in registered form or bearer form and whether the securities are in certificated form or book-entry form. In the latter case, name and address of the entity in charge of keeping the records.	2.2.5
4.4	Currency of the securities issue.	2.2.5
4.5	A description of the rights attached to the securities, including any limitations of those rights, and procedure for the exercise of those rights. Dividend rights: • fixed date(s) on which the entitlement arises;	2.2.5 2.2.6
	• time limit after which entitlement to dividend lapses and an indication of the person in whose favor the lapse operates;	Not applicable
	• dividend restrictions and procedures for non-resident holders;	2.2.5
	• rate of dividend or method of its calculation, periodicity and cumulative or non-cumulative nature of payments; • voting rights; • pre-emption rights in offers for subscription of securities of the same class; • right to share in the issuer's profits; • rights to share in any surplus in the event of liquidation; • redemption provisions; • conversion provisions.	2.2.5
4.6	In the case of new issues, a statement of the resolutions, authorizations and approvals by virtue of which the securities have been or will be created and/or issued.	2.5
4.7	In the case of new issues, the expected issue date of the securities.	2.2.1
4.8	A description of any restrictions on the free transferability of the securities.	2.2.5
4.9	An indication of the existence of any mandatory takeover bids and/or squeeze-out and sell-out rules in relation to the securities.	2.6
4.10	An indication of public takeover bids by third parties in respect of the issuer's equity, which have occurred during the last financial year and the current financial year. The price or exchange terms	2.2.5

	attaching to such offers and the outcome thereof must be stated.	
4.11	In respect of the country of registered office of the issuer and the country(ies) where the offer is being made or admission to trading is being sought: • information on taxes on the income from the securities withheld at source; • indication as to whether the issuer assumes responsibility for the withholding of taxes at the source.	2.3
5	**TERMS AND CONDITIONS OF THE OFFER**	
5.1	Conditions, offer statistics, expected timetable and action required to apply for the offer	2.2
5.1.1	Conditions to which the offer is subject.	2.2
5.1.2	Total amount of the issue/offer, distinguishing the securities offered for sale and those offered for subscription; if the amount is not fixed, description of the arrangements and time for announcing to the public the definitive amount of the offer.	2.2.1
5.1.3	The time period, including any possible amendments, during which the offer will be open and description of the application process.	2.2.1
5.1.4	An indication of when, and under which circumstances, the offer may be revoked or suspended and whether revocation can occur after dealing has begun.	2.2.1
5.1.5	A description of the possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants.	Not applicable
5.1.6	Details of the minimum and/or maximum amount of application (whether in number of securities or aggregate amount to invest).	Not applicable
5.1.7	An indication of the period during which an application may be withdrawn, provided that investors are allowed to withdraw their subscription.	Not applicable
5.1.8	Method and time limits for paying up the securities and for delivery of the securities.	2.2
5.1.9	A full description of the manner and date in which results of the offer are to be made public.	2.2
5.1.10	The procedure for the exercise of any right of pre-emption, the negotiability of subscription rights and the treatment of subscription rights not exercised.	2.2.5
5.2	Plan of distribution and allotment	Not applicable
5.2.1	The various categories of potential investors to which the securities are offered. If the offer is being made simultaneously in the markets of two or more countries and if a tranche has been or is being reserved for certain of these, indicate any such tranche.	2.2.1
5.2.2	To the extent known to the issuer, an indication of whether major shareholders or members of the issuer's management, supervisory or administrative bodies intended to subscribe in the offer, or whether any person intends to subscribe for over five per cent of the offer.	Not applicable
5.2.3	Pre-allotment disclosure	
	(a) the division into tranches of the offer, including the	Not applicable

	institutional, retail and issuer's employee tranches and any other tranches;	
	(b) the conditions under which the clawback may be used, the maximum size of such clawback and any applicable minimum percentages for individual tranches;	Not applicable
	(c) the allotment method or methods to be used for the retail and issuer's employee tranche in the event of an over-subscription of these tranches;	Not applicable
	(d) a description of any pre-determined preferential treatment to be accorded to certain classes of investors or certain affinity groups (including friends and family programs) in the allotment, the percentage of the offer reserved for such preferential treatment and the criteria for inclusion in such classes or groups;	Not applicable
	(e) whether the treatment of subscriptions or bids to subscribe in the allotment may be determined on the basis of which firm they are made through or by;	Not applicable
	(f) a target minimum individual allotment if any within the retail tranche;	Not applicable
	(g) the conditions for the closing of the offer as well as the date on which the offer may be closed at the earliest;	Not applicable
	(h) whether or not multiple subscriptions are admitted, and where they are not, how any multiple subscriptions will be handled.	Not applicable
5.2.4	Process for notification to applicants of the amount allotted and indication whether dealing may begin before notification is made.	2.2.1
5.2.5	Over-allotment and "green shoe"	
	(a) the existence and size of any over-allotment facility and/or 'green shoe'.	Not applicable
	(b) the existence period of the over-allotment facility and/or 'green shoe'.	Not applicable
	(c) any conditions for the use of the over-allotment facility or exercise of the 'green shoe'.	Not applicable
5.3	Pricing	
5.3.1	An indication of the price at which the securities will be offered. If the price is not known or if there is no established and/or liquid market for the securities, indicate the method for determining the offer price, including a statement as to who has set the criteria or is formally responsible for the determination. Indication of the amount of any expenses and taxes specifically charged to the subscriber or purchaser.	2.2.1 2.2.5
5.3.2	Process for the disclosure of the offer price.	Not applicable
5.3.3	If the issuer's equity holders have pre-emptive purchase rights and this right is restricted or withdrawn, indication of the basis for the issue price if the issue is for cash, together with the reasons for and beneficiaries of such restriction or withdrawal.	2.2.5
5.3.4	Where there is or could be a material disparity between the public offer price and the effective cash cost to members of the administrative, management or supervisory bodies or senior management, or affiliated persons, of securities acquired by them in transactions during the past year, or which they have the right to acquire, include a comparison of the public contribution in the proposed public offer and the effective cash contributions of such	Not applicable

	persons.	
5.4	Placing and underwriting	
5.4.1	Name and address of the co-ordinator(s) of the global offer and of single parts of the offer and, to the extent known to the issuer or to the offeror, of the placers in the various countries where the offer takes place.	Not applicable
5.4.2	Name and address of any paying agents and depository agents in each country.	2.2.5
5.4.3	Name and address of the entities agreeing to underwrite the issue on a firm commitment basis, and name and address of the entities agreeing to place the issue without a firm commitment or under "best efforts" arrangements. Indication of the material features of the agreements, including the quotas. Where not all of the issue is underwritten, a statement of the portion not covered. Indication of the overall amount of the underwriting commission and of the placing commission.	Not applicable
5.4.4	When the underwriting agreement has been or will be reached.	Not applicable
6	**ADMISSION TO TRADING AND DEALING ARRANGEMENTS**	
6.1	An indication as to whether the securities offered are or will be the object of an application for admission to trading, with a view to their distribution in a regulated market or other equivalent markets with indication of the markets in question. This circumstance must be mentioned, without creating the impression that the admission to trading will necessarily be approved. If known, the earliest dates on which the securities will be admitted to trading.	2.2.1 2.2.5
6.2	All the regulated markets or equivalent markets on which, to the knowledge of the issuer, securities of the same class of the securities to be offered or admitted to trading are already admitted to trading.	2.2.5
6.3	If, simultaneously or almost simultaneously with the creation of the securities for which admission to a regulated market is being sought, securities of the same class are subscribed for or placed privately or if securities of other classes are created for public or private placing, give details of the nature of such operations and of the number and characteristics of the securities to which they relate.	Not applicable
6.4	Details of the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment.	Not applicable
6.5	Stabilization: where an issuer or a selling shareholder has granted an over-allotment option or it is otherwise proposed that price stabilizing activities may be entered into in connection with an offer:	Not applicable
6.5.1	The fact that stabilization may be undertaken, that there is no assurance that it will be undertaken and that it may be stopped at any time;	Not applicable
6.5.2	The beginning and the end of the period during which stabilization may occur;	Not applicable
6.5.3	The identity of the stabilization manager for each relevant	Not applicable

	jurisdiction unless this is not known at the time of publication;	
6.5.4	The fact that stabilization transactions may result in a market price that is higher than would otherwise prevail.	Not applicable
7	**SELLING SECURITIES HOLDERS**	
7.1	Name and business address of the person or entity offering to sell the securities, the nature of any position office or other material relationship that the selling persons has had within the past three years with the issuer or any of its predecessors or affiliates.	Not applicable
7.2	The number and class of securities being offered by each of the selling security holders.	Not applicable
7.3	Lock-up agreements: the parties involved; content and exceptions of the agreement; indication of the period of the lock up.	Not applicable
8	**EXPENSE OF THE ISSUE/OFFER**	
	The total net proceeds and an estimate of the total expenses of the issue/offer.	3.9
9	**DILUTION**	
9.1	The amount and percentage of immediate dilution resulting from the offer.	3.10
9.2	In the case of a subscription offer to existing equity holders, the amount and percentage of immediate dilution if they do not subscribe to the new offer.	Not applicable
10	**ADDITIONAL INFORMATION**	
10.1	If advisers connected with an issue are mentioned in the Securities Note, a statement of the capacity in which the advisers have acted.	Not applicable
10.2	An indication of other information in the Securities Note which has been audited or reviewed by statutory auditors and where auditors have produced a report. Reproduction of the report or, with permission of the competent authority, a summary of the report.	3.1 3.2.2
10.3	Where a statement or report attributed to a person as an expert is included in the Securities Note, provide such persons' name, business address, qualifications and material interest if any in the issuer. If the report has been produced at the issuer's request, a statement to the effect that such statement or report is included, in the form and context in which it is included, with the consent of the person who has authorized the contents of that part of the Securities Note.	Not applicable
10.4	Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that, as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, identify the source(s) of the information.	Not applicable

ANNEX 2
REPORTS BY THE CONTRIBUTION APPRAISERS

Olivier Peronnet
FINEXSI
14 Rue de Bassano
75116 Paris

Dominique Mahias
Didier Kling & Associés
28 avenue Hoche
75008 Paris

Free translation of the original « *Rapport des Commissaires aux apports sur la valeur des titres BERENDSEN PLC devant être apportés à la société ELIS SA*» issued by the Contribution Appraisers, dated July 27, 2017

ELIS SA

Société anonyme
with a share capital of €140,167,049
5, boulevard Louis Loucheur
92210 Saint-Cloud
499 668 440 RCS Nanterre

Report of the Contribution Appraisers (*Commissaires aux Apports*) on the value of the BERENDSEN PLC shares to be contributed to ELIS SA

Order of the President
of the Commercial Court of Nanterre
dated June 28, 2017

Report of the Contribution Appraisers
(*Commissaires aux Apports*)
on the value of the BERENDSEN PLC shares to be contributed to the company ELIS SA

To the Shareholders:

In fulfillment of the assignment entrusted to us by order of the President of the Commercial Court of Nanterre dated June 28, 2017 concerning the contribution of shares of the BERENDSEN PLC, a company incorporated under English law, to ELIS SA, we have prepared this report on the value of the contributions pursuant to Article L. 225-147 of the French Commercial Code.

Since the shares of your company are listed for trading on a regulated market and as the transaction affects your company's share capital, we are required to issue an opinion on the remuneration offered for the contributions in accordance with Position - Recommendation No. 2011-11 of the French Financial Market Authority (*Autorité des marchés financiers*) for such a context. That opinion is the subject of a separate report.

The value of the contributions results from the terms of the Transaction (as defined below) described in the draft memorandum of transaction of July 13, 2017. This Transaction relates to the acquisition of the BERENDSEN PLC shares by ELIS SA (hereinafter the Transaction), by way of exchange of shares and cash.

Our role is to express a conclusion about the fact that the value of the contributions is not overestimated. For this purpose, we have planned and performed the procedures necessary in accordance with the professional standards of the *Compagnie Nationale des Commissaires aux Comptes* (French National Board of Auditors) applicable to such assignment. Those professional standards require that we perform the procedures intended to assess the value of the contributions, to ensure that this value is no overestimated, and to verify that it is at least equal to the nominal value of the shares to be issued by the company benefiting from the contributions, plus the issue premium.

As our assignment is completed upon submission of the report, we are not responsible for updating this report in order to take into consideration events and circumstances subsequent to its date of signature. Our reports are required by the provisions of the French Commercial Code on the duties of the contribution appraiser and are aimed at persons referred to in French law. They meet the requirements under French law but not those under UK law, even when our reports are brought to the attention of parties involved in the Transaction.

In addition, our reports do not exempt from reading the whole public documentation that is or will be made available in connection with this Transaction.

At no time were we in one of the cases of incompatibility, prohibition or disqualification provided for by French law.

Our findings and conclusions are presented below as follows:

1. Presentation of the transaction and description of the contributions

2. Diligence and assessments of the value of the contributions

3. Summary – Key Points

4. Conclusion

1. Presentation of the transaction and description of the contributions

1.1 Context of the Transaction

The contribution transaction is part of the combination of ELIS SA (hereinafter "ELIS") and BERENDSEN PLC (hereinafter "BERENDSEN").

On April 28, 2017, Elis sent an initial confidential offer to the BERENDSEN Board of Directors for the acquisition of all the shares comprising the capital of the latter, in exchange for the payment of £4.40 and the delivery of 0.411 new ELIS share for each BERENDSEN share, i.e., a valuation of the BERENDSEN share at £11.00. On May 12, 2017, this first offer was rejected by BERENDSEN who also refused to enter into discussions with ELIS.

On May 18, 2017, ELIS advised that on May 16, 2017 transmitted revised offer was sent to BERENDSEN's Board of Directors, regarding the acquisition of all the shares comprising the capital of the latter, in exchange for the payment of £4.40 and the delivery of 0.426 new ELIS share for each BERENDSEN share, i.e., a valuation of the BERENDSEN share at £11.75. This new offer was rejected by means of a press release issued the same day by the BERENDSEN Board of Directors.

On June 12, 2017, following further discussions, the two groups jointly issued a press release signifying their agreement to the conditions for the acquisition of the issued and to be issued securities of BERENDSEN (the "Offer" or the "Final Offer").

According to the terms of the Transaction which in this respect reflect those of the Offer, the price of the Transaction has been set at £12.45 per BERENDSEN share[1], paid in cash at £5.40 per share and in new ELIS shares at £7.05 per share on the basis of an exchange ratio of 0.403 ELIS shares per BERENDSEN share. In addition, the BERENDSEN shareholders will receive an interim dividend of £0.11 per share for the six-month period ended June 30, 2017.

The proposed transaction is based on a Scheme of Arrangement subject to UK rules and procedures which provides that BERENDSEN shareholders will have the option of exchanging their BERENDSEN shares for cash and ELIS shares.

To better meet the expectations of BERENDSEN's shareholders who would like to receive a different proportion of ELIS shares and cash, the Scheme of Arrangement contains a mix and match option (the "Mix and Match Option") that enables BERENDSEN's shareholders to expressly elect to change the proportion of ELIS shares and cash provided that reciprocal elections are made by other BERENDSEN shareholders and within an overall proportion set at 43.4% in cash and 56.6% in shares (in accordance with the draft securities note of July 26, 2017).

[1] Based on the ELIS share price of €19.90 and on the euro/sterling exchange rate of 1.138 of June 9, 2017.

Under French law, the transaction is analyzed as (i) an acquisition of securities paid in cash and (ii) a contribution remunerated in shares. A prospectus incorporating the transaction memorandum will be approved by the AMF at the appropriate time.

Following this transaction, ELIS is expected to hold all the shares and voting rights of BERENDSEN, with the exception of the shares held in BERENDSEN's Employee Benefit Trust.

Following the completion of the (i) Transaction and (ii) the capital increase reserved to Canada Pension Plan Investment Board (hereinafter "CPPIB") of ELIS' shareholders and BERENDSEN's former shareholders would respectively hold approximately 68% and 32%[2] of ELIS's share capital.

1.2 Presentation of the Companies involved

1.2.1 BERENDSEN PLC, Company whose shares are to be contributed

BERENDSEN PRIVATE LIMITED COMPANY is a limited liability company registered with the UK Companies House under No.01480047, with registered office at 1 Knightsbridge (London, UK, SW1X 7DL).

As at July 26, 2017, its share capital amounted to £51,791,073.90 divided into 172,636,913 common shares with a par value of 30 pence each, all fully paid up.

In addition, BERENDSEN had granted stock options and awards to its officers and employees representing, as of July 25, 2017, a maximum potential issue of 2,085,089 additional shares[3].

The Company has not issued any other dilutive instruments to the best of our knowledge.

Its shares are admitted to trading on the regulated market of the London Stock Exchange, under ISIN code GB00B0F99717.

BERENDSEN is the parent company of the BERENDSEN group, one of the European leaders in the corporate textiles rental-maintenance and laundry sector, which employs nearly 16,000 people in 15 European countries (in the United Kingdom, Baltic States and Eastern Europe).

Its activities are organized around 4 main segments: (i) the *Workwear* division, which includes the rental-maintenance and supply of work clothes for public and private customers, (ii) the Healthcare division, which provides public sector players in the health sector (mainly NHS[4] and hospitals) with flat linen rental-maintenance and laundry services, (iii) the Facilities division, which ensures the sales and maintenance of hygiene products and appliances: hand washers and dryers, and consumables (towels, toilet paper, etc.) and (iv) the

[2] 2.7 Announcement of the companies on June 12, 2017

[3] On the basis of the information communicated by Berendsen

[4] The National Health Service is the UK system of public health services

Hospitality division, which provides rental-maintenance of household linens and flat linens to customers in the hotel and catering sector.

BERENDSEN closes its books as of December 31 of each year, and publishes consolidated financial statements prepared in accordance with the IFRS standards as adopted by the European Union.

1.2.2 ELIS SA, the initiating company benefiting from the contribution

ELIS is a *société anonyme* – a French limited liability company – with its registered office located at 5 boulevard Louis Loucheur, 92210 Saint-Cloud. The Company is registered with the Nanterre Trade and Companies Register under number 499 668 440.

At June 30, 2017, its share capital totaled €140,167,049, divided into 140,167,049 shares, with a par value equal of one euro each, all fully paid up.

At the same date, 19,659,876 Elis shares carried double voting rights, representing approximately 14% of the capital and 12.3% of the theoretical voting rights.

ELIS had also granted performance shares to its officers and employees representing, as of June 30, 2017 and subject to the conditions of continuous service and the achievement of certain financial performance objectives, a maximum potential issue of approximately 1,689,216 additional shares.

The Company has not issued any other dilutive instruments to the best of our knowledge.

Its shares are admitted to trading on Compartment A of the Euronext Paris market, under ISIN Code FR0012435121.

On June 7, 2017, in order notably to maintain a stable level of indebtedness ELIS undertook, towards CPPIB, to issue 10,131,713 ELIS shares as part of a reserved capital increase at a subscription price of €19.74 per new share, representing an aggregated investment of approximately €200 million (hereinafter the "CPPIB Cash Placing").

The CPPIB Cash Placing is conditional on, amongst other matters, the Scheme of Arrangement being approved by the BERENDSEN shareholders and sanctioned by the Court and the approval of the resolutions authorizing the issue of new ELIS shares issued in consideration for the contribution in kind in connection with the Transaction by the Elis shareholders' general meeting convened on this matter.

EURAZEO SE, LEGENDRE HOLDING 27 SAS and PREDICA, shareholders of ELIS, undertook to vote in favor of the capital increase reserved to CPPIB, (37,626,694 ELIS representing 56,884,361 voting rights, i.e., approximately 35.6% of ELIS' theoretical voting rights (at June 30, 2017)).

The Company's corporate purpose is, "directly or indirectly, in France and abroad:

- the acquisition of stakes, through contributions, purchase, subscription or otherwise, in any companies, regardless of their corporate form and corporate purpose;
- management services to companies, notably in the administrative, accounting, financial, IT and sales sectors;
- the use of any patents and trademarks, notably under licenses;
- the renting of any equipment and facilities of any type;
- the ownership, through acquisition or otherwise, and the management, notably through rentals, of any properties and assets or real estate rights;
- the direct or indirect participation in any transactions that may be directly or indirectly related to the corporate purpose through the creation of new companies, contributions, subscriptions or purchases of securities or shares and related rights, mergers, alliances, joint venture and by any other means and in any forms used in France and abroad;
- and more generally, any commercial, financial, industrial, personal property or real estate transaction that may be directly or indirectly related to the aforementioned corporate purpose or any purposes that are similar, related or likely to facilitate the achievement of the corporate purpose."

ELIS SA is the parent company of the Elis Group, the French leader and one of the European leaders in the rental and maintenance of textile and hygiene products. The group employs more than 23,000 people in its subsidiaries in Western and Southern Europe as well as in Latin America.

Its activities are organized around four main segments: (i) the "*Flat Linen*" division, the Group's main activity, which provides rental services for flat linen, mainly for customers in the hotel and catering segment; (ii) the "*Workwear*" division, which includes work clothing rental-maintenance and personalization for industry and the hotel and catering segment, (iii) the "*Hygiene and well-being*" division, which markets services for the rental, maintenance and installation of hygiene equipment, such as hand washing and wiping equipment and associated consumables. (iv) "*Manufacturing*" activities, a small segment managed by two entities specific to the group, corresponding to the design and production of sanitary appliances, is the final activity of the ELIS GROUP.

ELIS closes its books as of December 31 of each year, and publishes consolidated financial statements in accordance with the IFRS standards as adopted by the European Union.

1.2.3 Links between the companies

As at the date of this report, there is no capital relationship between ELIS (beneficiary company) and BERENDSEN (company whose shares are being contributed).

1.3 Description of the transaction

1.3.1 Nature and purpose of the transaction

As mentioned above, this BERENDSEN Share Contribution Transaction is part of the ELIS and BERENDSEN corporate combination which will be formalized in a Scheme of Arrangement, and which will enable ELIS to acquire shares in BERENDSEN.

Given the strong geographical complementarity of the two groups, this combination should allow the creation of a pan-European leader in the rental and maintenance of textile and hygiene products. The combined group will benefit from favorable market positions in Northern and Southern Europe, exposure to strong growth markets in Latin America, and stronger presence in Germany

In addition, this transaction will make it possible to achieve gradually cost synergies estimated by ELIS management in the amount of €40 million per year, on a full year basis, including €35 million in operational costs and €5 million in capital expenditures.

1.3.2 Main features of the contribution

Legal treatment

The contribution will be subject to the provisions of Article L.225-147 of the French Commercial Code.

Tax treatment

In the case of registration fees, and inasmuch as the Scheme of Arrangement is subject to UK law, the contribution will result in payment by ELIS of a fixed fee of €500 pursuant to Article 810-I of the French General Tax Code..

Effective date of the transaction

Pursuant to the UK Companies Act 2006, the Scheme of Arrangement will become effective as soon as a copy of the Court's Order ruling on the approval of the Scheme of Arrangement has been filed with the Registrar of Companies

ELIS will own the shares contributed, from the date of completion of the contribution to be made upon the admission of the newly issued shares remunerating the contribution.

1.4 Description and valuation of the contributions

1.4.1. Valuation method used

The BERENDSEN shares contributed were valued at their fair value by reference to the transaction price corresponding to the price of the ELIS Offer, i.e., £12.45 per share, on the basis of the ELIS stock price of €19.90 and a £/€ exchange rate of 1.138 on the date of the Offer[5].

1.4.2. Description of the contributions

According to the terms of the Transaction, the contributions would consist of 56.6% of the BERENDSEN share capital, which will be composed of 171,345,292[6] shares as of the completion of the contribution.

The contributions thus consist of 96,981,435 BERENDSEN shares at a unit price of £12.45, representing a maximum aggregate value of contributions of £1,207,418,866. For the conversion of the total value of the contributions in euros, the exchange rate used is determined with reference to the rate of the currency hedges subscribed by Elis for the purpose of the payment of the cash portion, i.e., at the exchange rate of 1.1346 per pound sterling. The total contribution amounts to €1,369,937,445.

1.5 Remuneration of the contributions and exchange ratio

According to the terms of the Transaction, the remuneration proposed by ELIS for one BERENDSEN share contributed amounts to 0.403 new ELIS share and a cash portion of £5.40.

The Scheme of Arrangement is accompanied by a Mix and Match option, allowing BERENDSEN's shareholders to change the proportion of ELIS shares and the cash amount received as remuneration for their contribution, and in compliance with an overall proportion set for the transaction at 43.4% in cash and 56.6% in shares (according to the draft memorandum of transaction of July 26, 2017).

The Transaction will result in a maximum issue of 69,052,152 New Shares, i.e., a nominal capital increase amount of €69,052,152.

The issue premium will be determined by the difference between the value of the contributions and the nominal value of ELIS share capital increase intended to remunerate the contribution. On the basis of the £/€ exchange rate of 1.1346, the issue premium amounts to €1,300,885,293
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5 Market price and exchange rate of June 9, 2017, the last trading day before the 2.7 Announcement establishing the terms of the Offer.

6 BERENDSEN share capital composed of 172,636,913 shares, from which 1,291,621 shares are deducted (i.e. the number of shares held by the Employee Benefit Trust, which are excluded from the Scheme of Arrangement), at July 26, 2017. Accordingly, 171,345,292 BERENDSEN shares will be acquired by ELIS.

1.6 Conditions precedent

On the basis of the draft securities note of July 26, 2017 which we have reviewed, the contribution is subject to the fulfillment of conditions precedent, presented in full in the Scheme Document, as follows:

- approval of the Scheme of Arrangement by a majority of in number of shareholders, present or represented who are on the register of the members of BERENDSEN at the voting record time on the basis of which rights are determined at the BERENDSEN representing at least 75% in value of the BERENDSEN shares held by shareholders who are on the register of members of Berendsen at the said voting record time;

- approval of all resolutions necessary in connection with the Scheme of Arrangement by the requisite majorities applicable at the BERENDSEN shareholders' General Meeting , i.e., 75% of votes cast by the shareholders present (or represented) at said General Meeting;

- approval of the Scheme of Arrangement by the Court and delivery of an office copy of the Court order sanctioning the Scheme of Arrangement to the Registrar of Companies in England and Wales;

- approval of the resolutions authorizing the issue of the New Shares as part of the Transaction by the General Meeting of ELIS shareholders specially convened for this purpose, by a two-thirds majority of the votes of the ELIS shareholders present or represented at said ELIS General Meeting;

- publication of a notice confirming the future admission to trading of the New Shares, with the proviso that such admission to trading will take place on the date of publication of the notice or shortly thereafter;

The Transaction is also subject to the receipt of certain regulatory authorizations (including the approval of the Financial Conduct Authority (FCA) and merger control clearances in Austria, Germany and Poland). The FCA approval and merger control clearances in Germany and Poland have been received. Based on the expected timetable of the Transaction, it is not expected that merger control clearance in Austria will be required.

2. Procedures and value assessments of contributions

2.1 Procedures implemented

Our assignment, provided for by law, is neither an audit engagement nor a review engagement. It is therefore not intended to enable us to formulate an opinion on the financial statements or to carry out specific activities concerning compliance with company law. It cannot be equated with a "due diligence" assignment performed for a lender or a purchaser and does not include all the work necessary for that type of assignment.

We carried out the procedures we deemed necessary in accordance with the professional doctrine of the *Compagnie Nationale des Commissaires aux Comptes* (French National Board of Auditors) to ensure that the contribution is not overvalued.

We specifically performed the following:

- we met with the representatives and advisers of the companies involved, both to review the proposed Contribution Transaction and its background, and to analyze the planned accounting, financial and legal methods;

- we reviewed the draft Scheme document and its annexes;

- we reviewed the prospectuses and draft prospectuses filed with the French Markets Regulator (AMF);

- we read the announcement entitled "Recommended acquisition of BERENDSEN plc by ELIS SA to create a pan-European leader in the rental-maintenance sector of textile articles and hygiene," published pursuant to Article 2.7 of the Takeover Code, published on ELIS' website on June 12, 2017;

- we reviewed the legal and accounting information used as the basis for the Transaction;

- we read ELIS' and BERENDSEN's registration documents for the financial year ending December 31, 2016;

- we analyzed and discussed the financial analyses, included in section 2.8 of the notice of the transaction dated July 26, 2017 prepared with the help of Lazard Frères, ELIS' adviser;

- we analyzed the relevance of the selected criteria, reviewed the parameters of their implementation and carried out various sensitivity analyses, and then implemented our own approaches to the values we deemed appropriate;

- we obtained a representation letter from the ELIS management confirming in particular the absence of events or facts likely to significantly affect the conditions of the transaction, the relative valuations, or the value of the contributions;

- the BERENDSEN management confirmed to us that no item not communicated to the market since the reporting of the financial statements as at June 30, 2017 had an impact on the valuation of the group;

- we adopted as a working assumption the absence of significant tax implications specific to the transaction.

2.2 Assessment of the contribution valuation method in accordance with accounting regulations

Contributed BERENDSEN shares are retained at their real value, or a unit value of £12.45 per contributed BERENDSEN share (approximately €14.12 per share according to the exchange rate of £1 equaling €1.1346).

At a contribution of 96,981,435 BERENDSEN shares (i.e., 56,6% of the capital issued by BERENDSEN), the contribution is made at real value in compliance with the provisions of Regulation CRC 2004-01.

We therefore have no observations on the choice of valuation method used.

2.3 Reality of contributions

The Scheme of Arrangement will become effective as soon as a copy of the Court's Order of ruling on the approval of the Scheme of Arrangement has been filed with the Registrar of Companies It will affect all BERENDSEN shares. When the time comes, shareholders will contribute their unrestricted shares in exchange for the payment of a price and delivery of ELIS shares to be issued, pursuant to the obligation made thereon according to the law in effect in the UK.

2.4 Assessment of the value of contributions

The contribution value is based on the terms of the Transaction which in this respect reflect those of ELIS' Final Offer, the terms and conditions of which are set forth in the securities note of July 26, 2017, i.e., an Offer Price of £12.45 per BERENDSEN share

The overall contribution represents £1,207,418,866, or €1,369,937,445 at an exchange rate of 1.1346.

This corresponds to a real value as it derives from an Offer Price of £12.45 per share and will itself constitute a reference, provided that the Offer is accepted by shareholders representing 75% of BERENDSEN capital.

To assess the value of the contribution, over and above the reference to the Offer Price, we implemented a multi-critera valuation approach based on the five principal valuation methods applied:

- The share price method,
- Reference to financial analysts' price targets,
- The market comparables method,
- The transaction comparables method,
- Discounted Cash Flow (DCF)[7].

2.4.1 Share price

BERENDSEN is a listed company with significant free float and sufficiently high volumes of securities transactions. Reference to the share price is in our opinion justified and relevant.

The analysis was done over the 24-month period preceding May 17, 2017 (last business day preceding the memorandum regarding ELIS' revised offer) using the volume weighted average prices at 1 month, 3 months, 12 months and 24 months.

BERENDSEN – share price trend

	Berendsen (£)
Spot (05/17/2017)	8.64
VWAP* 1 month	8.32
VWAP* 3 months	8.17
VWAP* 6 months	8.31
VWAP* 12 months	9.35
VWAP* 24 months	9.76

**VWAP = Volume Weighted Average Price*

Source: Capital IQ

This method results in a value per share of between £ 8.17 (3 month weighted average) and £ 9.76 (24 month weighted average). Compared with the Offer Price of £12.45, this valuation range represents a premium of between 27.5 % and 52.5 %.

2.4.2 Financial analysts' share price targets

In our work, we used 8 analyses of interest to BERENDSEN published by a panel of analysts in March and April 2017.

The analysts targeted a BERENDSEN share valuation of between £6.45 and £10.70. The £12.45 offer price represents a premium of between 16.4 % and 93 %.

[7] For each of these criteria the valuation is applied without taking into account the synergies expected from the combinaison.

2.4.3 Market multiples of comparable companies

The market comparable method consists in determining the value of a company by applying multiples observed among a sample of other listed companies in the same business sector with financial indicators that are deemed relevant.

Implementing this approach assumes we have access to a sample of comparable companies in terms of activity, operating characteristics, size and profitability.

To implement the market comparable method, we selected three companies whose field of activity was similar to BERENDSEN'S core activity, and then determined the company's average 2017 and 2018 consensus EBITDA multiples.

Consolidated net debt as at December 31, 2016 was then deducted from the enterprise values to determine the values of BERENDSEN'S equity.

Valuation using the market comparable method results in a BERENDSEN share value of between £12.19 (2018 consensus EBITDA) and £12.65 (2017 consensus EBITDA). This valuation range represents a premium of 2.1 % (2018 consensus EBITDA) and a haircut of 1.6 % (2017 consensus EBITDA) compared to the Offer Price of £12.45.

2.4.4 Multiples reported in comparable transactions

The transaction comparable method consists in determining the value of a company by applying multiples reported in historic transactions occurring in the same business sector.

In the rental and maintenance sector, five transactions involving European target companies comparable to BERENDSEN were identified. Using this sample, we determined the implicit EBITDA multiples derived from these transactions.

The enterprise values determined by applying the implicit median EBITDA posted in transactions based on 2017 and 2018 "consensus" aggregates, restated for consolidated net debt as at December 31, 2016, represent values per share of between £11.30 (2017 consensus EBITDA) and £12.15 (2018 consensus EBITDA) for BERENDSEN.

Compared to the £ 12.45 Offer Price, this valuation range represents a premium of between 2.5 % (2018 consensus EBITDA) and 10.2 % (2017 consensus EBITDA).

2.4.5 Discounted Cash Flow (DCF)

The Discounted Cash-Flow (DCF) method consists in determining the enterprise value of a company by discounting forecasted cash-flows. The value thus reported is strongly correlated with the assumptions used in the business plan used for the valuation.

Construction of a business plan

As the company did not communicate a business plan, for the purposes of the relative valuation of the companies, a business plan was prepared based on the projected data from a consensus of analysts for the period 2017-2019 which were then extrapolated by the advisory banks.

Because the sample of analysts tracking the company was deemed sufficient and the group's activities remained relatively constant and predictable, this approach in our opinion was relevant.

Assessment of principal evaluation assumptions used by contributions appraisers

In accordance with our procedures, we have reviewed the main assumptions used in the estimation of the future cash flows and have implemented our own assessment for which we detail the sensitivity analyses below.

In light of the documentation obtained and work meetings organized with BERENDSEN advisors, we did not consider it necessary to make significant corrections to the forecasted data provided.

As part of our DCF approach:

- we positioned our valuation as of January 1, 2017, considering that the performance of the company as at June 30, 2017 met both market expectations and the consensus;
- we extrapolated the cash flows for 2020 and 2021 on the basis of conservative assumptions in terms of revenue growth and margins based on our discussions with the companies and their board;

The net debt position was calculated based on the company's annual consolidated financial statements as of December 31, 2016.

Lastly, the number of shares used for the calculation of the value per share was calculated based on the known number of shares in circulation as at June 30, 2017, restated for treasury shares and grant of bonus shares in the money.

We used an average weighted cost of the company's capital of 7% to discount future BERENDSEN cash-flows and a perpetuity growth rate of 2% to determine terminal value.

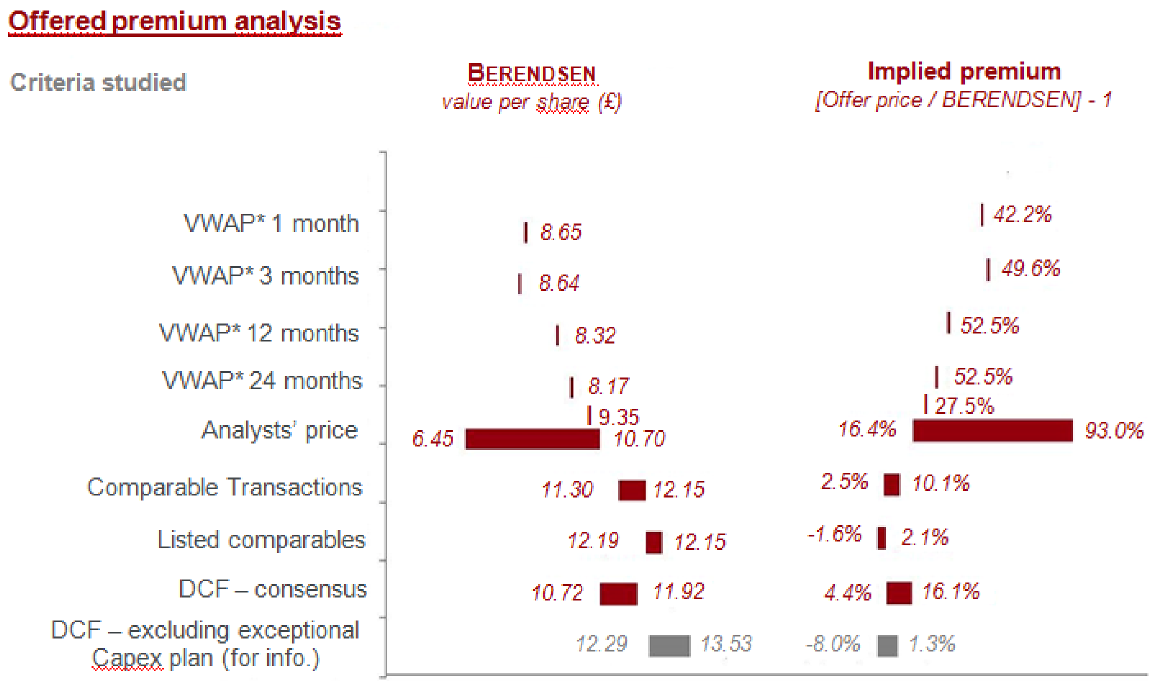
We performed sensitivity analyses on (i) the level of perpetuity growth, (ii) the discount rate.

Based on our evaluation of the DCF method, the value of the BERENDSEN share is in a range[8] between £10.72 and £11.92 compared to the £12.45 Offer Price, which represents a premium in a range between 4.4 % and 16.1 %.

For the sensitivity analyses, we also applied the DCF method based on the BERENDSEN business plan from the consensus by adjusting the investments envelope, the level of revenue growth and profitability, considering the exceptional and very significant character of the additional investment plan of £450m over three years announced by the management. Based on this method, the relative value of a share for the latter would fall in a range of £12.29 £ and £13.53. This range is only presented incidentally.

2.4.6 Summary of valuations per BERENDSEN share and premiums offered

In summary, the Offer price of £12.45 shows a variable premium/discount depending on the valuation criteria, which can be summarized as follows:



*VWAP = Volume Weighted Average Price (VWAP)
Source: Auditors' analysis

The Transaction is analyzed as an acquisition: provided that more than 75% of the BERENDSEN shareholders agree to the Offer, ELIS would obtain 100% of the share capital of BERENDSEN.

[8] Low ranges calculated from a change of +0.1% and from a discount rate of -0.1% of the growth rate *ad infinitum*.
High ranges calculated from a change of -0.1% and from a discount rate of +0.1% of the growth rate *ad infinitum*.

ELIS would then be in a position to immediately implement the synergies that may be expected from such a merger, and which are reflected in the induced premiums shown in the table above.

With regard to synergies

Synergies were identified by the operational teams at ELIS and have been quantified. These synergies mainly concern the following areas:

- Commercial synergies: these relate to access to the existing markets and customers of the two groups, as well as to the integration of the two respective offerings which will make it possible to reach new markets and customers.

- Productivity synergies: they are made up of gains of productivity from which the two groups profit thanks to the optimization of the processes and the economies of scale, particularly in purchases and supplies of linens and sanitary equipment.

- Structural cost synergies: these consist of savings in structural costs related to the pooling of certain common resources, notably savings in the acquisition of computer technologies.

- Negative synergies: these consist mainly of acquisition costs and post-merger integration costs and the implementation of the above-mentioned synergies.

According to the information available to us, the complementary nature of the business lines and the geographical areas covered by the two groups should not, on the basis of the preliminary analyses in progress, pose any difficulties for the antitrust authorities or affect the implementation of these synergies.

It is suitable to note that the approaches expressing an intrinsic value or by analogy post exchange rate ranges that are more elevated than those reported based on the recent share prices, strongly affected by BERENDSEN's recent profit warnings[9]. The premiums resulting from the intrinsic values or by analogies are therefore lower than those resulting from the market prices.

Ultimately, the values resulting from our sensitivity analyses on the valuation of BERENDSEN do not call into question the contribution value of £12.45 per BERENDSEN share.

[9] On October 27, 2016 and March 3, 2017

3. Summary – Key points

In summary, we would like to draw your attention on the following points:

We conducted our work based on publicly-available financial data that we presume to be reliable and fair and on analysts' consensus.

The terms of this report do not assume any changes in the factors that may affect the terms of the Transaction (including exchange rates, financial markets, and changes in the target or the initiator) to its completion.

On the basis of the work described in this report, we note that the Offer price shows a premium/discount of between (1.6%) and 93% depending on the different valuation criteria used.

As a reminder, this sizeable premium range results primarily from the share price targets of some analysts trending significantly lower following the recent announcements by BERENDSEN's management

This premium is justified in principle by the acquisition, since if the Offer is approved by more than 75% of BERENDSEN'S shareholders, ELIS will then be in a position to obtain all of BERENDSEN'S shares. This situation will allow it to immediately implement the synergies identified it identified which amount is material.

4. Conclusion

Based on our work, and as at the date of the present report, we believe the value of the contributions amounting to £1,207,418,866, i.e. €1,369,937,445 on the basis of the exchange rate of £1:€1.1346, is not overestimated and, as a consequence, is at least equal to the amount of the share capital increase of the company benefitting from the contributions, increased by the issuance premium.

Paris, July 27, 2017

Olivier Peronnet Dominique Mahias

Statutory Auditors
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Free translation of the original « *Rapport des Commissaires aux apports sur la rémunération des apports devant être effectués à la société ELIS SA conformément à la position - recommandation n°2011-11 de l'AMF*» issued by the Contribution Appraisers, dated July 27, 2017

Société anonyme
with a share capital of €140,167,049
5, boulevard Louis Loucheur
92210 Saint-Cloud
499 668 440 RCS Nanterre

Report of the Contribution Appraisers (*Commissaires aux Apports*) on the remuneration for the contributions to be made to ELIS SA in accordance with AMF position - recommendation No. 2011-11

Order of the President
of the Commercial Court of Nanterre
dated June 28, 2017

Report of the Contribution Appraisers (*Commissaires aux Apports*) on the remuneration for the contributions to be made to ELIS SA in accordance with AMF position - recommendation No. 2011-11

To the Shareholders:

In accordance with the assignment entrusted to us by the order of the President of the Commercial Court of Nanterre dated June 28, 2017, concerning the contribution of securities of BERENDSEN PLC, a company incorporated under English law, to Elis SA, a French company, we have prepared this report on the remuneration for the contribution in kind, it being specified that this report has been prepared in accordance with the regulations of the French Financial Markets Authority (*Autorité des Marchés Financiers*). Our assessment of the value of the contributions is the subject of a separate report.

The remuneration of the contributions results from the terms of the Transaction (as defined below) described in the draft securities note of July 26, 2017. This Transaction relates to the acquisition of BERENDSEN Plc shares by Elis SA (hereinafter the Transaction), by way of exchange and cash.

Our role is to express an opinion on the fairness of the exchange relationship. For this purpose, we carried out our work in accordance with the professional doctrine of the *Compagnie Nationale des Commissaires aux Comptes* (French National Board of Auditors) applicable to this assignment. This professional doctrine requires that we carry out procedures to verify, firstly, that the relative values attributed to the contributions and to the shares of the beneficiary company are relevant and, secondly, to analyze the fairness of the remuneration vis-à-vis the relative values that are deemed relevant.

As our assignment is completed upon submission of the report, we are not responsible for updating this report in order to take account of facts and circumstances subsequent to its date of signature. Our reports are required by the provisions of the French Commercial Code on the duties of the contribution appraiser and are aimed at persons referred to in French law. They meet the requirements under French law but not those under UK law, even when our reports are brought to the attention of parties involved in the Transaction.

In addition, our reports do not exempt from reading the whole public documentation that is or will be made available in connection with this Transaction.

At no time did we find ourselves in any case of incompatibility, prohibition or disqualification provided for by French law.

Our findings and conclusions are presented below as follows:

1. Presentation of the transaction and description of the contributions
2. Verification of the relevance of the relative values attributed to the shares of the companies participating in the transaction
3. Assessment of the fairness of the remuneration
4. Summary
5. Conclusion

1. Presentation of the transaction and description of the contributions

1.1 Background of the transaction

The contribution transaction is part of the combination of ELIS SA (hereinafter "ELIS") and BERENDSEN PLC (hereinafter "BERENDSEN").

On April 28, 2017, Elis sent an initial confidential offer to the BERENDSEN Board of Directors for the acquisition of all the shares comprising the capital of the latter, in exchange for the payment of £4.40 and the delivery of 0.411 new ELIS share for each BERENDSEN share, i.e., a valuation of the BERENDSEN share at £11.00. On May 12, 2017, this first offer was rejected by BERENDSEN who also refused to engage in discussions with ELIS.

On May 18, 2017, ELIS advised that on May 16, 2017, a revised offer was sent to BERENDSEN's Board of Directors, regarding the acquisition of all the shares comprising the capital of the latter, in exchange for the payment of £4.40 and the delivery of 0.426 new ELIS share for each BERENDSEN share, i.e., a valuation of the BERENDSEN share at £11.75. This new offer was rejected by means of a press release issued the same day by the BERENDSEN Board of Directors.

On June 12, 2017, following further discussions, the two groups jointly issued a press release signifying their agreement to the conditions for the acquisition of the issued and to be issued securities of BERENDSEN (the "Offer" or the "Final Offer").

According to the terms of the Transaction which in this respect reflect those of the Offer, the price of the Transaction has been set at £12.45 per BERENDSEN share[1], paid in cash at £5.40 per share and in new ELIS shares at £7.05 per share on the basis of an exchange ratio of 0.403 ELIS shares per BERENDSEN share. In addition, the BERENDSEN shareholders will receive an interim dividend of £0.11 per share for the six-month period ended June 30, 2017.

The proposed transaction is based on a Scheme of Arrangement subject to UK rules and procedures which provides that BERENDSEN shareholders will have the option of exchanging their BERENDSEN shares for cash and ELIS shares.

To better meet the expectations of BERENDSEN's shareholders who would like to receive a different proportion of ELIS shares and cash, the Scheme of Arrangement contains a mix and match option (the "Mix and Match Option") that enables BERENDSEN's shareholders to expressly elect to change the proportion of ELIS shares and cash provided that reciprocal elections are made by other BERENDSEN shareholders and within an overall proportion set at 43.4% in cash and 56.6% in shares (in accordance with the draft securities note of July 26, 2017).

[1] Based on the ELIS share price of €19.90 and on the euro/sterling exchange rate of 1.138 of June 9, 2017.

Under French law, the transaction is analyzed as (i) an acquisition of securities paid in cash and (ii) a contribution remunerated in shares. A prospectus incorporating the securities note will be approved by the AMF at the appropriate time.

Following this transaction, ELIS is expected to hold all the shares and voting rights of BERENDSEN, with the exception of the shares held in BERENDSEN's Employee Benefit Trust.

Following the completion of the (i) Transaction and (ii) the capital increase reserved to Canada Pension Plan Investment Board (hereinafter "CPPIB"), ELIS' shareholders and BERENDSEN's former shareholders would respectively hold approximately 68% and 32%[2] of ELIS's share capital.

1.2 Presentation of the companies involved

1.2.1 BERENDSEN PLC, the company whose shares are to be contributed

BERENDSEN PRIVATE LIMITED COMPANY is a limited liability company registered with the UK Companies House under No. 01480047, whose registered office is at 1 Knightsbridge (London, UK, SW1X 7LX).

As at July 26, 2017, its share capital amounted to £51,791,073.90 divided into 172,636,913 common shares with a par value of 30 pence each, all fully paid up.

In addition, BERENDSEN had granted stock options and awards to its officers and employees representing, as of June 25, 2017, a maximum potential issue of 2,085,089 additional shares.

The Company has not issued any other dilutive instruments to the best of our knowledge.

Its shares are admitted to trading on the regulated market of the London Stock Exchange under ISIN code GB00B0F99717.

BERENDSEN is the parent company of the BERENDSEN group, one of the European leaders in the corporate textiles rental-maintenance and laundry sector, which employs nearly 16,000 people in 15 European countries (in the United Kingdom, Baltic States and Eastern Europe).

Its activities are organized around 4 main segments: (i) the *Workwear* division, which includes the rental-maintenance and supply of work clothes for public and private customers, (ii) the *Healthcare* division, which provides public sector players in the health sector (mainly NHS[3] and hospitals) with flat linen rental-maintenance and laundry services, (iii) the Facilities division, which ensures the sales and maintenance of hygiene products and appliances: hand washers and dryers, and consumables (towels,

[2] 2.7 Announcement of the companies on June 12, 2017
[3] The National Health Service is the UK system of public health services

toilet paper, etc.) and (iv) the Hospitality division, which provides rental-maintenance of household linens and flat linens to customers in the hotel and catering sector.

BERENDSEN closes its books as of 31 December of each year and publishes consolidated financial statements prepared in accordance with IFRS standards as adopted by the European Union.

1.2.2 ELIS SA, the initiating company benefiting from the contribution

ELIS is a *société anonyme* – a French limited liability company – with its registered office located at 5 boulevard Louis Loucheur, 92210 Saint-Cloud. The Company is registered with the Nanterre Trade and Companies Register under number 499 668 440.

At June 30, 2017, its share capital totaled €140,167,049, divided into 140,167,049 shares with a par value of one euro each, all fully paid up.

At the same date, 19,659,876 ELIS shares carried double voting rights, representing approximately 14% of the share capital and 12.3% of the theoretical voting rights.

ELIS had also granted performance shares to its officers and employees representing, as of June 30, 2017 and subject to the conditions of continuous service and the achievement of certain financial performance objectives, a maximum potential issue of approximately 1,689,216 additional shares.

The Company has not issued any other dilutive instruments to the best of our knowledge.

Its shares are admitted to trading on compartment A of the Euronext Paris market, under ISIN code FR0012435121.

On June 7, 2017, in order notably to maintain a stable level of indebtedness ELIS undertook, towards CPPIB, to issue 10,131,713 ELIS shares as part of a reserved capital increase at a subscription price of €19.74 per new share, representing an aggregate investment of approximately €200 million (hereinafter the "CPPIB Cash Placing").

The CPPIB Cash Placing is conditional on, amongst other matters, the Scheme of Arrangement being approved by the BERENDSEN shareholders and sanctioned by the Court, and the approval of the resolutions authorizing the issue of new ELIS shares to be issued in consideration for the contribution in kind in connection with the Transaction by the Elis shareholders' general meeting convened on this matter.

EURAZEO SE, LEGENDRE HOLDING 27 SAS and PREDICA, shareholders of ELIS, undertook to vote in favor of the capital increase reserved to CPPIB (37,626,694 ELIS representing 56,884,361 voting rights, i.e., approximately 35.6% of ELIS' theoretical voting rights (at June 30, 2017)).

The Company's corporate purpose is, *"directly or indirectly, in France and abroad:*

- *the acquisition of stakes, through contributions, purchase, subscription or otherwise, in any companies, regardless of their legal form and corporate purpose;*

- *management services to companies, notably in the administrative, accounting, financial, IT and sales fields;*

- *the exploitation of any patents and trademarks, notably under licenses;*

- *the renting of any equipment and facilities of any type;*

- *the ownership, through acquisition or otherwise, and the management, notably through rentals, of any properties and assets or real estate rights;*

- *the direct or indirect participation in any transactions that may be directly or indirectly related to the corporate purpose through the creation of new companies, contributions, subscriptions or purchases of securities or shares and related rights, mergers, alliances, joint venture and by any other means and in any forms used in France and abroad;*

- *and more generally, any commercial, financial, industrial, personal property or real estate transaction that may be directly or indirectly related to the aforementioned corporate purpose or any purposes that are similar, related or likely to facilitate the achievement of the corporate purpose."*

ELIS SA is the parent company of the Elis Group, the French leader and one of the European leaders in the rental and maintenance of textile and hygiene products. The group employs more than 23,000 people in its subsidiaries in Western and Southern Europe as well as in Latin America.

Its activities are organized around four main segments: (i) the "*Flat Linen*" division, the Group's main activity, which provides rental services for flat linen, mainly for customers in the hotel and catering segment; (ii) the "*Workwear*" division, which includes work clothing rental-maintenance and personalization for industry and the hotel and catering segment, (iii) the "*Hygiene and well-being*" division, which markets services for the rental, maintenance and installation of hygiene equipment, such as hand washing and wiping equipment and associated consumables. (iv) "*Manufacturing*" activities, a small segment managed by two entities specific to the group, corresponding to the design and production of sanitary appliances, is the final activity of the ELIS GROUP.

ELIS closes its books on December 31 of each year and publishes consolidated financial statements presented in accordance with IFRS standards as adopted by the European Union.

1.2.3 Links between companies

As at the date of this report, there is no capital relationship between ELIS (the beneficiary company) and BERENDSEN (company whose shares are being contributed).

1.3 Description of the transaction

1.3.1 Nature and purpose of the transaction

As mentioned above, the present BERENDSEN Share Contribution Transaction is part of the ELIS and BERENDSEN corporate combination which will be formalized in a Scheme of Arrangement, and which will enable ELIS to acquire shares in BERENDSEN.

Given the strong geographical complementarity of the two groups, this combination should allow the creation of a pan-European leader in the rental and maintenance of textile and hygiene products. The combined group will benefit from favorable market positions in Northern and Southern Europe, exposure to strong growth markets in Latin America, and stronger presence in Germany.

In addition, this transaction will make it possible to achieve gradually cost synergies estimated by ELIS management in the amount of €40 million per year, on a full year basis, including €35 million in operational costs and €5 million in capital expenditures.

1.3.2 Main features of the contribution

Legal regime

The contribution will be subject to the provisions of Article L.225-147 of the French Commercial Code.

Tax treatment

In the case of registration fees, and inasmuch as the Scheme of Arrangement is subject to English law, the contribution will result in payment by ELIS of a fixed fee of €500 pursuant to Article 810-I of the French General Tax Code.

Effective date of the transaction

Pursuant to the UK Companies Act 2006, the Scheme of Arrangement will become effective as soon as a copy of the Court's Order ruling on the approval of the Scheme of Arrangement has been filed with the Registrar of Companies.

ELIS will own the shares contributed, from the date of completion of the contribution to be made upon the admission of the newly issued shares remunerating the contribution.

1.4 Description and valuation of the contributions

1.4.1 Valuation method adopted

The BERENDSEN shares contributed were valued at their fair value by reference to the transaction price corresponding to the price of the ELIS Offer, i.e., £12.45 per share, on the basis of the ELIS stock price of €19.90 and a £/€ exchange rate of 1.138 on the date of the Offer.[4]

1.4.2 Description of the contributions

According to the terms of the Transaction, the contributions would consist of 56.6% of the BERENDSEN share capital, which will be composed of 171,345,292[5] shares as of the completion of the contribution.

The contributions thus consist of 96,981,435 BERENDSEN shares at a unit price of £12.45, representing a maximum aggregate value of contributions of £1,207,418,866. For the conversion of the total value of the contributions in euros, the exchange rate used is determined with reference to the rate of the currency hedges subscribed by Elis for the purposes of the payment of the cash portion, i.e., at the exchange rate of 1.1346 per pound sterling. The total contribution amounts to €1,369,937,445.

1.5 Remuneration of the contributions and exchange ratio

According to the terms of the Transaction, the remuneration proposed by ELIS for one BERENDSEN share contributed amounts to 0.403 new ELIS share and a cash portion of £5.40.

The Scheme of Arrangement is accompanied by a Mix and Match option, allowing BERENDSEN's shareholders to change the proportion of ELIS shares and the cash amount received as remuneration for their contribution, and in compliance with an overall proportion set for the transaction at 43.4% in cash and 56.6% in shares (according to the draft memorandum of transaction of July 26, 2017).).

The Transaction will result in a maximum issue of 69,052,152 New Shares, i.e., a nominal capital increase amount of €69,052,152.

The issue premium will be determined by the difference between the value of the contributions and the nominal value of ELIS' share capital increase intended to

[4] Share price and exchange rate of June 9, 2017, last trading day before the 2.7 Announcement setting the conditions of the Offer

[5] BERENDSEN share capital composed of 172,636,913 shares, from which 1,291,621 shares are deducted (i.e. the number of shares held by the Employee Benefit Trust, which are excluded from the Scheme of Arrangement), at July 26, 2017. Accordingly, 171,345,292 BERENDSEN shares will be acquired by ELIS.

remunerate the contribution. On the basis of the £/€ exchange rate of 1.1346, the issue premium amounts to €1,300,885,293.

1.6 Conditions precedent

On the basis of the draft securities note of July 26, 2017 which we have reviewed, the contribution is subject to the fulfillment of conditions precedent, presented in full in the Scheme Document, as follows:

- approval of the Scheme of Arrangement by a majority of in number of shareholders, present or represented who are on the register of the members of BERENDSEN at the voting record time on the basis of which rights are determined at the BERENDSEN representing at least 75% in value of the BERENDSEN shares held by shareholders who are on the register of members of Berendsen at the said voting record time;

- approval of all resolutions necessary in connection with the Scheme of Arrangement by the requisite majorities applicable at the BERENDSEN shareholders' General Meeting , i.e., 75% of votes cast by the shareholders present (or represented) at said General Meeting;

- approval of the Scheme of Arrangement by the Court and delivery of an office copy of the Court order sanctioning the Scheme of Arrangement to the Registrar of Companies in England and Wales;

- approval of the resolutions authorizing the issue of the New Shares as part of the Transaction by the General Meeting of ELIS shareholders specially convened for this purpose, by a two-thirds majority of the votes of the ELIS shareholders present or represented at said ELIS General Meeting;

- publication of a notice confirming the future admission to trading of the New Shares, with the proviso that such admission to trading will take place on the date of publication of the notice or shortly thereafter;

  The Transaction is also subject to the receipt of certain regulatory authorizations (including the approval of the Financial Conduct Authority (FCA) and merger control clearances in Austria, Germany and Poland). The FCA approval and merger control clearances in Germany and Poland have been received. Based on the expected timetable of the Transaction, it is not expected that merger control clearance in Austria will be required.

2. Verification of the relevance of the relative values attributed to the shares of the companies participating in the transaction

2.1 Procedures implemented

Our assignment, provided for by law, is neither an audit engagement nor a review engagement. It is therefore not intended to enable us to formulate an opinion on the financial statements or to carry out specific activities concerning compliance with company law. It cannot be equated with a "due diligence" assignment performed for a lender or a purchaser and does not include all the work necessary for that type of assignment.

We carried out the procedures we deemed necessary in accordance with the professional doctrine of the *Compagnie Nationale des Commissaires aux Comptes* (French National Board of Auditors) in order to ensure that the relative values attributed to the contributed Berendsen shares and to the Elis shares are relevant.

In particular, we performed the following tasks:

- we met with the representatives and advisers of the companies involved, both to review the proposed contribution transaction and the context in which it occurs, and to analyze the accounting, financial and legal arrangements contemplated;
- we examined the draft Scheme document and its notes;
- we reviewed the prospectuses and draft prospectuses filed with the French regulators (AMF);
- we read the announcement entitled “Recommended acquisition of Berendsen plc by Elis SA to create a pan-European leader in the rental-maintenance sector of textile articles and hygiene,” published pursuant to Rule 2.7 of the Takeover Code, published on Elis’ website on June 12, 2017;
- we reviewed the legal and accounting information used as the basis for the transaction;
- we read Elis’ and Berendsen’s registration documents for the financial year ending December 31, 2016;
- we read all the publicly-available information on Berendsen, a company listed on the London Stock Exchange, as well as analyst notes and consensus on its share;
- we analyzed and discussed the financial analyses, included in section 2.8 of the notice of the transaction dated July 26, 2017, prepared with the help of Lazard Frères, Elis’ adviser;
- we analyzed the relevance of the selected criteria, reviewed the parameters of their implementation and carried out various sensitivity analyses, and then implemented our own approaches to the values we deemed appropriate;
- we obtained a representation letter from the Elis management confirming in particular the absence of events or facts likely to significantly affect the

conditions of the transaction, the relative valuations, or the value of the contributions;

- the Berendsen management confirmed to us that no item not communicated to the market since the reporting of the financial statements as at June 30, 2017 had an impact on the valuation of the group;
- we adopted as a working assumption the absence of significant tax implications specific to the transaction.

Finally, we carried out specific procedures to verify the contributions, which we detail in a separate report.

2.2 Evaluation methods and relative values assigned to the contribution premium and to ELIS' shares

We show below the approaches presented by the advisory banks in the securities note:

2.2.1 Relative values assigned to the BERENDSEN share

The relative values of the BERENDSEN share as presented in the transaction notice are as follows:

BERENDSEN	*(Pence)*
Share prices[6]	
June 9, 2017	**1215**
May 17, 2017.	**1215**
Average 1 month	**831**
Average 2 month	**798**
Average 3 month	**811**
Average 6 month	**828**
Analyst share price targets	
Average held	**765**
Average	826

The relative value of the BERENDSEN shares has been estimated based on shareprice criteria and analysts' share price targets.

2.2.2 Relative values assigned to the ELIS share

The relative values of the ELIS share determined by ELIS as presented in the transaction notice are as follows:

[6] The averages are weighted by volumes exchanged for each listing day

ELIS	*(Euro)*
Share prices[7]	
As of May 17, 2017	**20.0**
Average 1 month	**19.0**
Average 2 month	**18.7**
Average 3 month	**18.3**
Average 6 month	**16.9**
Analyst share price targets	
Average	**20.7**

The relative value of the BERENDSEN shares has been estimated based on stock price criteria and analysts' share price targets.

2.2.3 Other items of appraisal

The analysis is supplemented by the implied trading Report[8] as well as the Premium or discount reported based on the various relative values assigned to the ELIS and BERENDSEN shares by ELIS and its advisors:

BERENDSEN / ELIS	BERENDSEN *(p)*	ELIS *(€)*	Exchange rate *€/£*	Implicit exchange ratio	Offer exchange ratio in securities	Premium / (Discount)
Share price						
June 9, 2017	864	19.9	0.8787	0.494x	0.712x	44.1%
May 17, 2017	864	20.0	0.8611	0.502x	0.712x	41.9%
1-month average	831	19.0	0.8452	0.517x	0.712x	37.7%
2-month average	798	18.7	0.8513	0.502x	0.712x	41.9%
3-month average	811	18.3	0.8543	0.520x	0.712x	36.8%
6-month average	828	16.9	0.8537	0.575x	0.712x	23.9%
Share price targets						

[7] The averages are weighted by volumes exchanged for each listing day

[8] The implied exchange rate of the offer in shares is equal to the ratio between the value of £12.45 of the BERENDSEN share reported based on the offer, divided by the value of the Elis share as of June 9, 2017, converted at the exchange rate €/£ of the same day (1.138)

Average	789	20.7	0.8611	0.444x	0.712x	60.5%

2.2.4 Evaluation differences criteria

As indicated in the draft securities note, the following criteria have not been used:

Book net asset value:

The reference to the net book value does not seem relevant in the present case, to the extent that it corresponds to the application of accounting conventions to which the company refers, which does not reflect its real value and potential for future development.

Revalued net asset value:

This approach consists in restating the book net asset value for the unrealized gain or loss identified for the assets and for the liabilities on the balance sheet. This method is generally used for valuing holding companies the assets of which mainly correspond to equity investments. As ELIS and BERENDSEN are both operating assets, this criterion was discarded.

Dividend discount:

This approach was discarded due to the different growth strategies between the two companies: ELIS increased its external growth operations during recent years and plans to continue to do so, limiting the ability to distribute dividends in the short term, while BERENDSEN's scope has remained relatively stable, as has its dividend distribution policy.

Exchange rate of net earnings per share:

As Elis' net earnings per share for fiscal years 2014 and 2015 were negative, it did not seem relevant to use this method.

Exchange rate of dividend per share:

The exchange rate of dividend per share method was discarded for the same reasons as the dividend discount method.

2.3 Discussion on and analysis of the evaluations shown in the draft securities note.

2.3.1 Relative values assigned to the BERENDSEN share

Because of the company's significant free-float, the share price criterion appears essential to us. The reference to the analysts' share price objectives also appears to us to be a relevant measuring reference as this criterion reflects the forecasts of the development of BERENDSEN share price, with regard, in particular, to the significant investment projects announced by the management of the company.

However, it seemed necessary to us to supplement the study with other criteria which allow us to appraise the value of the group and which furthermore have been mainly implemented for the determination of the share value:

- the comparable markets approach;
- the implicit multiples resulting from comparable transactions approach;
- the criteria of discounting future cash flows (Discounted cash-flow or "DCF").

The listed comparable multiples approach shall be examined because it allows to determine BERENDSEN share value by comparison with samples of comparable companies.

The criterion of the implicit multiples resulting comparable acquisition transactions is relevant in order to determine a BERENDSEN share value by analogy with the comparable transactions occurring recently on the textile and hygiene market.

The discounted cash flows method is, in our opinion, particularly appropriate for appraising the potential of the BERENDSEN group, particularly in an industrial and managerial reorganization context, of the company's British activities.

The offer by ELIS of £12.45 per BERENDSEN share (based on the ELIS share price and the euro/pound exchange rate as of June 9, 2017) also constitutes a reference. The shareholders of BERENDSEN will have the choice, under the terms set by the Mix and Match option, between payment in ELIS shares and/or in cash based on £12.45 per share. It also appears, thus, particularly adapted in this case to consider equally the reference to the offer price to appraise the relative value of BERENDSEN.

This price represents a significant premium which is justified by the geographic complementary nature of the two groups, the historical BERENDSEN share price as well as by the synergies expected in a combination.

2.3.2 Relative values assigned to the ELIS share

The value of the ELIS share has been evaluated using an approach by reference to the market prices and to analysts' targets.

In the context of this transaction which does not consist of a merger between equals but an acquisition of BERENDSEN by ELIS, we believe this approach is relevant concerning the main criteria which are shared by ELIS and its advisory bank. We note that the payment of the contribution premium shall represent around 32% of the capital of ELIS post transaction and share capital increase reserved to CPPIB.

We believe that the share price is relevant for the shareholder who is going to receive, in exchange for his BERENDSEN shares, shares of the company ELIS, which has a free float and liquidity which renders the reference to its share price essential.

The reference to the share price targets of analysts also illustrates a relevant appreciation from the point of view of the minority shareholder.

The absence of the implementation of a DCF by ELIS is acceptable in the context of the transaction, the group not communicating, additionally, forecasts. We think it is useful for shareholder information to present a base consensus of the DFC of ELIS.

The valuation of the ELIS share also deserves to be examined, in a supplementary manner, by the analogical method of comparable market multiples or multiples reported in comparable transactions.

2.4 Appraisal of the relative values

2.4.1 Opening Remarks

We are going to successively examine the exchange rate resulting from the 5 methods which we think most relevant in the scope of this contribution premium project, as we have implemented them:

- the share price method;
- the reference to the analysts' share price targets;
- the listed multiples of comparable companies;
- the multiples paid during comparable transactions;
- the direct approach by comparison of aggregates and their weight in the combined group;
- the discounting of future cash flows (DCF);

Both companies in presence belong to the same industry, the appraisal of an exchange rate assumes the use of identical valuation methods and implements the homogeneous assumptions, particularly in the case of the method of future cash flows, it being specified that the calculation of relative values do not include the expected synergies from the combinaison.

The Mix and Match option provides that the cash and new ELIS shares components of the Offer vary according to the wishes of each shareholder, subject reciprocal choices expressed by other shareholders in order for the overall proportion between the cash portion and the shares portion to be unchanged. As a result, the proportions of each component can vary for each shareholder but remains stable for the Offer analyzed in its entirety.

In order to obtain the situation taken in its entirety without consideration for the individual mix for each shareholder, we will present the implicit and possible exchange rate premiums or discounts determined for each one of the criteria studied on an adjusted base of the cash component of £5.40. This presentation expresses, for each criterion, the number of ELIS shares which should be issued in order to pay one BERENDSEN share reduced by the cash portion received otherwise.

The calculation of the implicit rate for the criteria excluding share price has been carried out starting from the values per share and cash component converted based on an average £/€ exchange rate of 1.16 calculated over a six month period, from January 1, 2017 to June 30, 2017.

For the share price, the average weighted prices by volumes and cash component have been converted at the exchange rate over the period concerned.

2.4.2 Share prices

For listed companies whose free float is significant and whose shares are in sufficient volumes, reference to the share price is justified and relevant.

BERENDSEN / ELIS - Evolution of the exchange ratio

	Elis (€)	Berendsen (£)	*Exchange rate (£/$)*	Exchange ratio adjusted by the cash component
Spot (06/19/2017)	19.90	12.15	1.14	**0.386x**
Spot (05/17/2017)	19.99	8.64	1.17	**0.189x**
VWAP* 1 month	19.08	8.32	1.18	**0.181x**
VWAP* 3 months	18.26	8.17	1.17	**0.177x**
VWAP* 6 months	17.20	8.31	1.17	**0.198x**

VWAP* 12 months	16.52	9.35	1.18	**0.282x**
VWAP* 24 months	16.06	9.76	1.27	**0.344x**

**VWAP = Volume Weighted Average Price*

Source: Capital IQ

The exchange rate of the day before the announcement of the first ELIS offer, i.e., May 17, 2017, was 0.189x, i.e. 0.189 ELIS share for one BERENDSEN share reduced by the cash component.

The historical analysis of the exchange rate reveals a range comprised between 0.177x (3 month VWAP) and 0.344x (24 month VWAP).

2.4.3 Financial analysts' share price targets

ELIS and BERENDSEN are monitored by close to a dozen analysts, i.e., a sample deemed sufficient for implementing the criterion of the share price targets.

We have used the latest analysts' notes published between the announcement of the 2016 corporate earnings and the date of the publication of the 2.4 announcement ELIS which reports values between €17.30 and €22 for ELIS and between £6.45 and £10.70 [9] for BERENDSEN.

The exchange rate thus reported is between 0.071 and 0.375 ELIS share for one BERENDSEN share adjusted for the cash component.

2.4.4 Market multiples of comparable companies

The method of comparable markets consists of determining the value of a company by application of observed multiples in a sample of other listed companies in the same business sector in the financial aggregates deemed relevant.

The implementation of such an approach assumes the availability of a sample of comparable companies in terms of activity, operational characteristics, size and level of profitability.

Considering the growing part of the South American activity of ELIS, the geographic exposition is different for each one of its two companies and the analysis has therefore been implemented from the samples differentiated for ELIS and BERENDSEN:

The following companies were used:

[9] The JPMorgan note, advisory bank to BERENDSEN, which reports a target price of £12.49 was not used in the analysis.

- For ELIS: Rentokil Initial, Johnson Service Group, Berendsen, Unifirst Corporation (United States);
- For BERENDSEN: Rentokil Initial, Johnson Service Group, Elis.

The analysis was carried out based on the median of reported EBITDA multiples of these samples which were applied to the 2017 and 2018 aggregates of ELIS and BERENDSEN. Note that we did not find for these comparable companies a difference of accounting method that would result in a comparability problem for this aggregate.

On this basis, the relative ELIS share value ranged between €19.1 and €20.0, and that of BERENDSEN ranged between £12.2 £ and £12.6. The reported exchange ratio falls in a range between 0.412 and 0.422 of ELIS share compared to one BERENDSEN share adjusted for the cash component.

2.4.5 Multiples reported comparable transactions

The method of comparable transactions consists of determining the value of a company by application of multiples reported in the historical transactions taking place in the same business sector.

In the rental-maintenance sector, five transactions involving target European companies and two transactions involving target international companies comparable to ELIS and BERENDSEN were able to be identified.

Moreover, it is suitable to recall that the results reported based on this method must be taken with caution considering the particularities of each transaction (historical context of the transactions, premiums or discounts related to the percentage of acquired capital, expected synergies, etc.).

As for the criterion of multiples of comparable listed companies, distinct samples are used for each one of the companies. The use of the 2017 and 2018 "consensus" aggregates, the median of the multiples of EBITDA posted during the transactions used, produced relative values ranging between €17.5 and €20.1 for ELIS and between £11.3 and £12.1 for BERENDSEN.

The exchange rate range thus determined is between 0.390 and 0.392 of ELIS share for one BERENDSEN share adjusted by the cash component.

2.4.6 Discounting of future cash flows

The method of Discounted Cash-Flow (DCF) consists of determining the business value of a company by discounting projected cash flow. The value thus reported is strongly correlated with the assumptions used in the business plan used for the valuation.

Construction of business plans

As the companies did not communicate business plans, for the purposes of the relative valuation of the companies, the construction of the business plans has been prepared from the projected data from a consensus of analysts for the period 2017-2019 which were then extrapolated by the advisory banks.

Considering a sample of analysts deemed sufficient and the relatively constant and predictable business character of the two groups, we think this approach is relevant.

Appraisal of the main evaluation assumptions by the independent appraisers

In accordance with our procedures, we have reviewed the main assumptions used in the estimation of the future cash flows and have implemented our own assessment for which we detail the sensitivity analyses below.

In light of the documentation obtained and the work meetings set up with the respective advisors of ELIS and BERENDSEN, we do not think it is necessary to make significant corrections of the projected data supplied.

As part of the implementation of our DFC approach:

- we have positioned our valuation as of January 1, 2017 considering that the performance of the two companies as of June 30, 2017 is compliant with the expectation of the market and with the consensus, which has been confirmed to us by the management of the two companies;

- we have extrapolated the cash flows for the years 2020 and 2021 based on the cautious assumptions in terms of revenue growth and margin levels starting from our exchanges with the companies;

The position of net debt for ELIS and BERENDSEN was calculated based on the annual consolidated financial statements as of December 31, 2016 of the two companies.

Finally, the number of shares used for the calculation of the value per share was calculated based on the number of shares in circulation known as of June 30, 2017, restated by treasury shares and assignments of free shares in the money.

We used the average weighted cost of capital for the companies to discount the future cash flows, which resulted in 5.9% and 7% for ELIS and BERENDSEN.

We have carried out the sensitivity analyses relative to the (i) level of growth to infinity, (ii) the rate of discounting.

Based on our assessment by the DFC method, the relative share values of ELIS and BERENDSEN, stood respectively in the ranges[10] of €8.4 and €22.1 and £10.7 to £11.9.

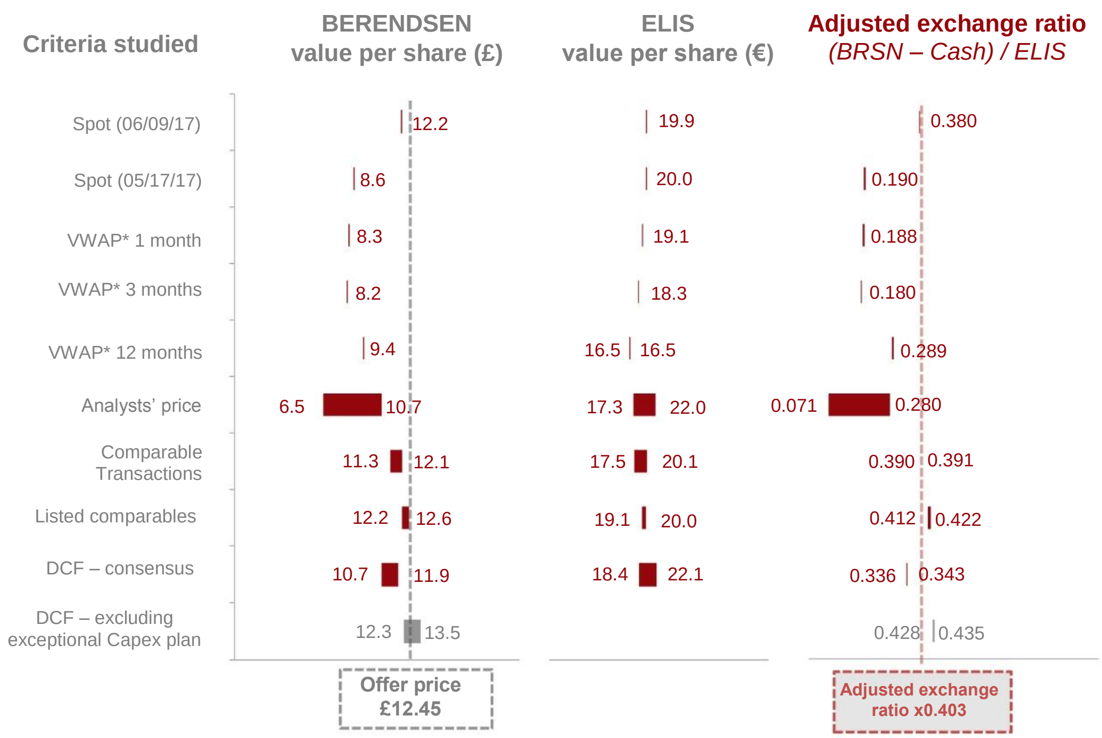
The exchange rate thus reported falls in a range between 0.336 and 0.343 of the ELIS share compared to one BERENDSEN share adjusted by the cash component.

For the sensitivity analyses, we also applied the DCF method based on the BERENDSEN business plan from the consensus by adjusting the investments envelope, the level of revenue growth and profitability, considering the exceptional and very significant character of the additional investment plan of £450m over three years announced by the management. Based on this method, the relative value of a hare for this latest would fall in a range of £12.3 £ and £13.5 i.e., an exchange rate between 0.428 and 0.435 ELIS share for one share of BERENDSEN adjusted by the cash component. This exchange rate range is only presented incidentally.

2.4.7 Summary of relative values and implicit exchange rate

Eventually, the relevant criteria which we think should be used to appraise the remuneration are the followings, according to our own analyses:

Summary Table



Source: Auditors' analysis

[10] Low ranges calculated from a change of +0.1% and from a discount rate of -0.1% of the growth rate *ad infinitum*.
High ranges calculated from a change of -0.1% and from a discount rate of +0.1% of the growth rate *ad infinitum*.

The relative share values of ELIS and of BERENDSEN are thus appraised on the basis of a multi-criteria approach. The criteria that we have used appears supplemental to us and allows reflecting the value of the entities in presence, with a relative relevance that is different for each among them in the context of the transaction and in function of the modes of their implementation.

Based on the exchange rates (€/£) described above, it follows that the implicit exchange ratios for one share of BERENDSEN fall in the range from 0.071 to 0.343 ELIS share.

It is suitable to note that the approaches expressing an intrinsic value or by analogy post exchange rate ranges that are more elevated than those reported based on the recent share prices, strongly affected by BERENDSEN's recent profit warnings[11].

The implicit exchange ratio of the Offer of 0.403 ELIS share for one BERENDSEN share appears in the high part of the exchange ratio range determined by our multi-criteria approach.

[11] On October 27, 2016 and March 3, 2017

3. Appraisal of the equitable character of the proposed exchange ratio

3.1 Procedures implemented

We have implemented the following main procedures:

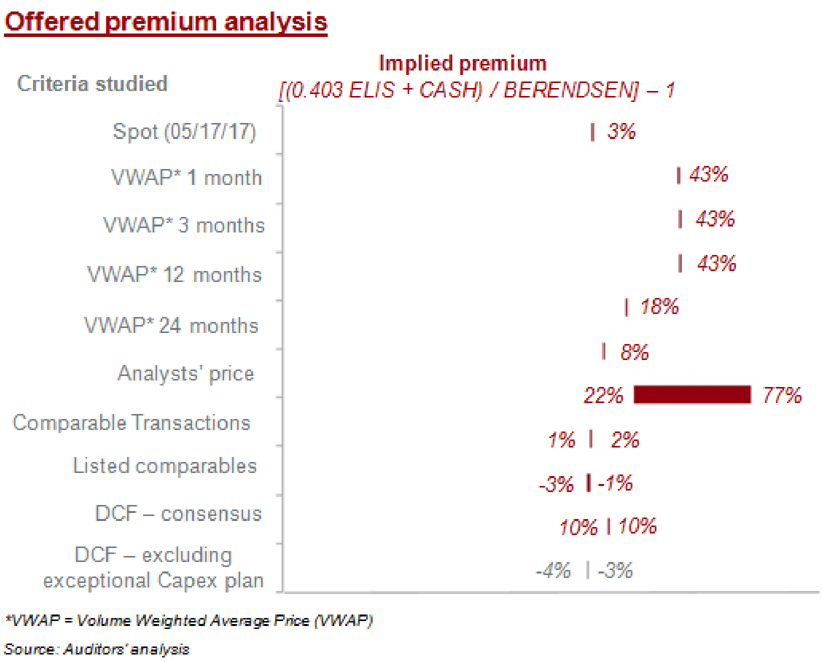
- we have analyzed the positioning of the remuneration with respect to the values deemed relevant;
- we have also assessed the incidence of the remuneration on the future situation of the ELIS shareholders.

3.2 Appraisal of the remuneration

Based on the Offer providing for a remuneration in shares for 56.6% of the share capital of Berendsen, the relative values determined from the criteria that we will consider relevant, would lead to the issue of a number of ELIS shares between 49.5 and 75.3 million.

According to the elements of appraisal of the Offer, the exchange ratio is one BERENDSEN share compared to 0.403 ELIS shares increased by the cash component of £5.40.

This exchange ratio results in the following premiums or discounts by reference to the relative values determined by each of the criteria below:



As part of the appraisal of the equity of this remuneration, it is suitable to recall the interest and the incidence of this transaction for the various shareholder groups:

For BERENDSEN's shareholders, the valuation used for the BERENDSEN share results in a significant premium according to the valuation used. The component in cash allows them to access the liquidity with a significant premium in particular over the latest share price. The shareholders will benefit moreover from the detachment of a provisional dividend of £0.11 per share detached on August 3, 2017.

The component in shares will allow the shareholders of Berendsen to hold the shares of an international group among the leaders in its markets. They will benefit from the synergies generated by the Transaction and the favorable outlook of Elis. As part of this Transaction, the component in shares represents about 32% of the total number of shares issued by ELIS, which enjoys strong liquidity, and whose value could appreciate in the near future considering the status of leader of the new combined group.

As for ELIS' shareholders, the consideration of the premium control granted resides in the opportunity to become the pan-European leader in the rental-maintenance sector of textile articles and hygiene and to grow the presence of the group in Germany, a market deemed to have strong potential.

This transaction constitutes a value creation opportunity for ELIS, relying notably on the complementary geographic nature of the two groups and the favorable positions in the markets where they operate, allowing them to accelerate the growth of their businesses, an improvement engine of the margin level in this sector.

The synergies of operational costs at the level of €35 M and of investment expenses at the level of €5 M have been identified by the operational teams of ELIS. The assumptions and the determination of the amount of these synergies have been confirmed by the Deloitte firm, in accordance with Rule 28.1 of the City Code.

These synergies concern mainly the following domains:

- Synergies of productivity: they are made up of gains of productivity from which the two groups profit thanks to the optimization of the processes and the economies of scale, particularly in purchases and supplies;

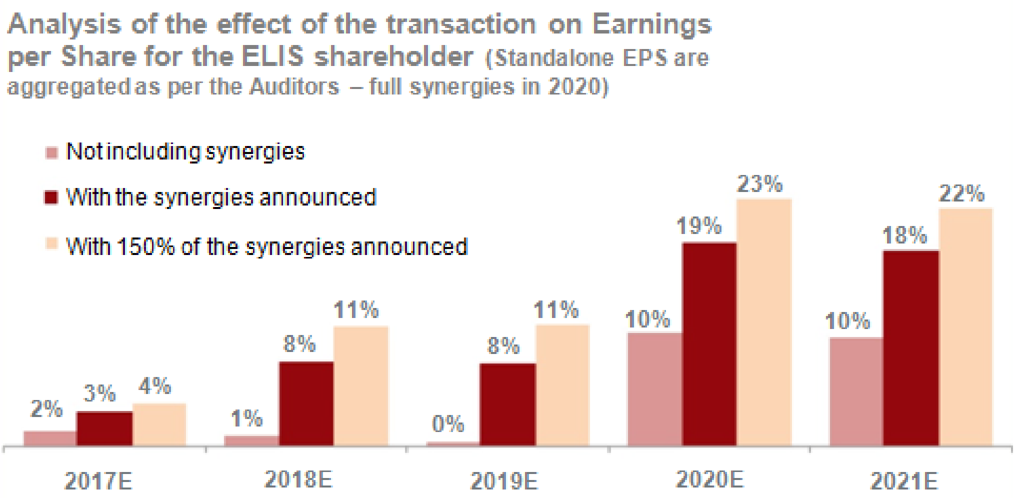
- Synergies of administrative costs and of governance/management: they are made up of economies of costs of structure related to the sharing of certain common resources;

- Negative synergies: these consist mainly of acquisition costs and post-combination integration costs and the implementation of the above-mentioned synergies.

The complementary nature of the trades and geographic areas covered by the two groups should not, based on the preliminary analyses in progress, pose difficulties before the competition Authorities and affect the implementation of the synergies.

3.3 Profit per share for the ELIS shareholder

It appears that thanks to the synergies announced, by using the costs of implementation at the level of €40 M as announced by the companies, this transaction should be accretive on the Profit per Share of the ELIS shareholder in 2017.



Source: Auditors' analysis

This level of synergies being considered as "conservative" by some analysts[12] with regard to the savings realized by the ELIS group during the preceding integrations, we have also simulated an alternative scenario based on the level of superior synergies.

For information, even though it is considered by Elis management as highly improbable, we have also presented the impact on the Profit per Share for the ELIS shareholder, a scenario where no calculated synergies are generated.

[12] Société Générale (06/02/17); Midcap Partners (06/13/17)

3.4 Analysis of the creation of value per share

Considering the cash portion predicted by the Offer, the analysis of the profit per share for the BERENDSEN shareholder is not very relevant since the share of the combined result from which the BERENDSEN shareholders will profit is less than the contribution from the company to the new combined group

Thus, for each shareholder group, it appears relevant to proceed with a creation of value analysis by comparison between the share price as of May 17, 2017 of the shares of the company and the share value of the new group determined by the application of a multiple of Enterprise Value/EBIDTA comprised of between 5.6x and 9.6x[13].

It thus appears that the ELIS shareholder would benefit from a creation of value if the share prices of the new group were reported as multiples of the Enterprise Value/EBITDA 2018 greater than 7.0x For example, based on the EBITDA 2020 which integrates the full operational synergies of €35 M and of a multiple of 7.1x, the creation of value would be 21% with respect to the share price of May 17, 2017 for the ELIS shareholder.

Considering the cash portion received in payment by the BERENDSEN shareholder, the creation of value would be immediate even if the market valued the new group on the basis of a multiple of Enterprise Value/EBITDA 5.6x (multiple posted by the BERENDSEN share price on 05/17/17)

[13] 5.6x and 9.6x corresponding respectively to the multiples of Enterprise Value/EBITDA reported based on the share prices of BERENDSEN and ELIS as of May 17, 2017 (the day before the announcement of the first ELIS offer).

4. Summary

This acquisition is a strategic transaction which aims to create a pan-European leader based on the strong geographic complementary nature of the two groups, as well as to consolidate the positioning of the ELIS Group in Germany, an attractive market for the rental-maintenance groups of textile and hygiene.

The ratio of 0.403 ELIS share and of £5.40 in cash for one BERENDSEN share results in a final Offer of ELIS for the acquisition of 100% of the BERENDSEN shares and expresses significance premiums with respect to the share price before the Offer announcement by ELIS.

After the transaction and the capital reserve increase in the CPPIB fund, the ELIS shareholders will be diluted in the capital of the new group at the level of around 32%.

These financial terms call up the following remarks:

- The exchange ratio used appears greater than the exchange rate reported based on the recent share prices of the two companies, strongly affected by the recent announcements by the management of BERENDSEN on the results of the company and on the additional investment plan.

- The levels of significant premiums communicated have been determined by reference in the single share price;

- The intrinsic analyses or the analogical approaches result in exchange parities close to the exchange ratio used;

These criteria reflect the relevant manner according to us of the perspectives of the two groups in presence.

Based on the sole synergies of costs such as identified and calculated by the management of the two groups, the transaction would be accretive in terms of profit per share in 2017 for the two shareholder groups. The synergies of revenue, not calculated on this day and not taken into consideration in our analyses, could also contribute to an improvement of the future results of the new group.

Because of the differences of multiples of valuation between the two groups, the transaction could have a negative effect on the creation of value for the ELIS shareholder of the new group came to be valued on the basis of actual multiple of BERENDSEN, which would not appear very probable with regard to the synergies in this transaction.

This observation does not challenge the equitable character of the exchange ratio used, when the two shareholder groups could profit from an improvement of the valuation multiple because of the combined profile of the new group, and of the receipt of of £5.40 in cash by the BERENDSEN shareholders allowing them to compensate for their dilution within the new group.

Also and considering the preceding developments, we have not identified items likely to challenge the exchange ratio proposed appraised according to the valuation criteria adapted to the context of this Transaction.

5. Conclusion

Based on our work and as at the date of the present report, we believe the proposed consideration for the contribution resulting in the issuance of a maximum number of 69,052,152 Elis shares, is fair.

Paris, July 27, 2017

Olivier Peronnet Dominique Mahias

Statutory Auditors
Member of the Regional Company of Paris

ANNEX 3

BERENDSEN CONSOLIDATED ACCOUNTS AND INDEPENDENT AUDITORS REPORT FOR FINANCIAL YEARS 2016, 2015, 2014

(EXTRACTS FROM BERENDSEN'S ANNUAL REPORTS FOR FINANCIAL YEARS 2016, 2015, 2014)

Berendsen consolidated accounts
and Independent Auditors report
for financial year 2016

(Pages 112 to 181 of Berendsen's Annual report and accounts 2016)

Directors' report

The directors present their Annual Report and audited financial statements for the year ended 31 December 2016.

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

The Directors' report of the Group for the financial year ended 31 December 2016 is set out on pages 112 to 114 inclusive. Additional information which is incorporated by reference into this Directors' report, including information required in accordance with the Companies Act 2006 and Listing Rule 9.8.4R of the Financial Conduct Authority's Listing Rules, can be located as follows:

Disclosure	Location
Future business developments	Throughout the Strategic report (pages 1 to 59)
Employee involvement	Our people (page 35)
Financial risk management objectives and policies (including hedging policy and use of financial instruments)	Note 17 to the financial statements (pages 154 to 161)
Details of long-term incentive schemes	Note 21 to the financial statements (pages 165 to 168)
Directors' responsibilities statement	Page 115
Greenhouse gas emissions	Corporate responsibility report (page 39)

Both the Directors' report and the Strategic report have been drawn up and presented in accordance with, and in reliance upon, applicable English company law. The liabilities of the directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

Branches outside the UK

The Group has a branch in Finland.

Results and dividends

The financial statements set out the results of the Group for the financial year ended 31 December 2016 and are shown on page 136. The directors recommend a final dividend of 22.5 pence per ordinary share which, together with the interim dividend of 10.5 pence per ordinary share paid in October 2016, makes a total dividend for the year of 33.0 pence (2015: 31.5 pence) per ordinary share. Subject to approval by shareholders of the recommended final dividend, the dividend award to shareholders for 2016 will total £54.8 million. If approved, the company will pay the final dividend on 5 May 2017 to shareholders on the register of members at 7 April 2017.

Directors

The current directors of the company, including their biographical details, are set out on pages 66 and 67. Each director served throughout the financial year ended 31 December 2016.

Copies of Executive Directors' service contracts are available to shareholders for inspection at the company's registered office and at the Annual General Meeting (AGM). Details of the directors' remuneration and service contracts and their interests in the shares of the company are included in the Directors' remuneration report which is set out on pages 88 to 111.

Powers of the directors

The Board of directors is responsible for the management of the business of the company and may exercise all the powers of the company, subject to the company's Articles of Association (the 'Articles'), the Companies Act 2006 and any directions given by the shareholders by special resolution. The Articles may be amended by a special resolution of the company's shareholders.

Appointment and replacement of directors

Directors may be appointed by the shareholders by ordinary resolution or by the Board. A director appointed by the Board holds office only until the following AGM of the company and is then eligible for election by the members. The Board or any Committee authorised by the Board may from time to time appoint one or more directors to hold any employment or executive office for such period and on such terms as they may determine and may also unanimously revoke or terminate any such appointment.

The shareholders may, by special resolution, remove any director before the expiration of that director's period of office.

At every AGM of the company, any of the directors who have been appointed by the Board since the last AGM shall seek election by the members. Notwithstanding provisions in the company's Articles in respect of the retirement by rotation of directors, the Board has agreed, in accordance with the UK Corporate Governance Code, and in line with previous years, that all of the directors wishing to continue will offer themselves for re-election by the shareholders at the 2017 AGM.

Directors' indemnity

Article 131 of the Articles provides, among other things that, insofar as permitted by law, every director of the company or any associated company may be indemnified by the company against any liability.

Deed polls, which include the grant of indemnities constituting qualifying third party indemnity provisions (as defined by Section 234 of the Companies Act 2006), were in force during the year for each of the Chairman, Executive and Non-Executive Directors of the company and its wholly-owned subsidiaries.

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

Share capital

As at 2 March 2017, the company's issued share capital equalled an amount of £51,785,326 divided into 172,617,754 ordinary shares of 30 pence each (no shares are held in treasury). Details of the movements in the company's issued share capital in the year are set out in note 20 to the financial statements.

Rights and obligations attaching to shares

Subject to the Articles, the Companies Act 2006 and other shareholders' rights: shares in the company may be issued with such rights and restrictions as the shareholders may by ordinary resolution decide, or if there is no such resolution, as the Board may decide provided it does not conflict with any resolution passed by the shareholders.

The rights attached to any class of shares can be amended if approved, either by 75% of shareholders holding the issued shares in that class by amount, or by special resolution passed at a separate meeting of the holders of the relevant class of shares.

Every member and every duly appointed proxy present at a general meeting or class meeting has, upon a show of hands, one vote and every member present in person or by proxy has, upon a poll, one vote for every share held by him or her.

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

Restrictions on transfer of securities in the company

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

- That certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws)
- Pursuant to the Listing Rules of the Financial Conduct Authority, whereby certain employees of the company require the approval of the company to deal in the company's ordinary shares

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

Restrictions on voting

No shareholder shall be entitled to vote at any general meeting or upon a poll or exercise any other right conferred by membership (unless the directors decide otherwise) in respect of any share held by him or her if any call or other sum then payable by him or her in respect of that share remains unpaid or if a shareholder has been served with a restriction notice (as defined in the Articles) after failure to provide the company with information concerning interests in those shares required to be provided under the Financial Conduct Authority's Listing Rules.

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

Rights under the employee share scheme

As at 31 December 2016, Estera Trust (Jersey) Limited ('Estera'), as trustee of the Berendsen Employee Benefit Trust, held 1,390,393 shares in trust for the benefit of the Executive Directors and employees of the Group. A dividend waiver is in place in respect of Estera's shareholding and Estera currently abstains from voting but Estera may, upon the recommendation of the company and having taken into account all relevant matters including the interests of beneficiaries, accept or reject any offer relating to the shares in any way it sees fit, without incurring any liability and without being required to give reasons for its decision.

Authority to purchase own shares

At the AGM held on 28 April 2016, shareholders authorised the company to purchase in the market up to 10% of its issued share capital (17,257,992 ordinary shares) and, as at 31 December 2016, the full extent of this authority remained in force and unused. This authority is renewable annually, and a special resolution will be proposed at the 2017 AGM to renew it. The directors will only purchase the company's shares in the market if they believe it is in the best interests of shareholders generally.

Substantial shareholdings

The table below shows the holdings in the company's issued share capital which had been notified to the company pursuant to the Financial Conduct Authority's Disclosure Guidance and Transparency Rules. The information below was correct at the date of notification. It should be noted that these holdings are likely to have changed since the company was notified. However, notification of any change is not required until the next notifiable threshold is crossed.

	31 December 2016			2 March 2017*		
	Direct/indirect	No. of shares (m)	%	Direct/indirect	No. of shares (m)	%
Prudential plc	Direct	14.4	8.33	Direct	14.4	8.33
Ameriprise Financial Inc and its group	Direct	8.67	5.03	Direct	8.67	5.03
Fidelity Management & Research Company (FMR)	Direct	8.65	5.01	Direct	8.65	5.01
BlackRock	Direct	8.64	5.00	Direct	8.64	5.00
Royal London Asset Management	Direct	5.18	3.00	Direct	5.18	3.00

* Being the latest practicable date prior to publication of the Annual Report.

Directors' report (continued)

Significant agreements

There are a number of agreements that take effect, alter or terminate upon a change of control of the company, such as commercial contracts, bank loan agreements, property lease arrangements and employees' share plans. None of these are deemed to be significant in terms of their potential impact on the business of the Group as a whole, except for the following: US Private Placement Note Agreements US$100 million dated 25 May 2006, US$229 million and £25 million dated 24 November 2009, €80 million and DKK655 million dated 15 December 2015 and the €510 million Multicurrency Revolving Credit Facility dated 19 March 2016. These agreements contain change of control provisions which, if triggered, could limit future utilisations, require the repayment of existing utilisations or lead to a renegotiation of terms.

Employees

The Board recognises the importance of attracting, developing and retaining the right people, as well as maintaining a safe working environment for our existing employees. Please refer to page 35 for further details about Group policies and procedures on how employees' skills, communication and engagement are strengthened; go to page 36 for health and safety policies and procedures.

In accordance with best practice, the company has employment policies in place which provide equal opportunities for all employees, irrespective of sex, age, race, colour, disability, sexual orientation, religious beliefs or marital status, educational and professional background. The company gives full and fair consideration to applications for employment from applicants with disabilities where they have the appropriate skills and potential.

Appropriate arrangements are made for the continued employment and training, career development and promotion of persons with disabilities employed by the Group. If there were to be any instance of an employee becoming disabled during their employment with us, every effort would be made to make sure that their employment with us continues and that, where needed, appropriate retraining is arranged.

Political donations

There were no political donations during 2016 (2015: nil).

Auditors and disclosure of information to auditors

The company's auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution to reappoint them will be proposed at the AGM.

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 1 to 59. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 42 to 51. In addition, note 17 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives and policies; details of its financial instruments and hedging activities; and its exposures to price, credit, liquidity and cash flow risk.

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

Having assessed the principal risks, and other matters discussed in connection with the viability statement, the directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Annual General Meeting

The Notice of the AGM to be held at 11.00 am on Thursday 27 April 2017 is being sent separately to shareholders with this report. The venue for the meeting is The Athenaeum Hotel at 116 Piccadilly, Mayfair, London, W1J 7BJ.

The Directors' report has been approved by the Board of directors and is signed on its behalf by:

David Lawler
Company Secretary
2 March 2017

Directors' responsibilities for the financial statements

The directors are responsible for preparing the Annual Report and Accounts, the report on directors' remuneration and the audited financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the company and of the profit or loss of the Group and the company for that period.

In preparing these financial statements, the directors are required to:

- → Select suitable accounting policies and then apply them consistently
- → Make judgements and accounting estimates that are reasonable and prudent
- → State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements
- → For the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements
- → Notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements
- → Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for ensuring that the company keeps adequate accounting records which are sufficient to show and explain the company's and the Group's transactions, disclose with reasonable accuracy, at any time, the financial position of the company and the Group and enable them to ensure that the financial statements and the report on directors' remuneration comply with the Companies Act 2006 and, as regards to the Group financial statements, Article 4 of the International Financial Reporting Standards (IFRS). The directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and company and hence to prevent and detect fraud and other irregularities.

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

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

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

i) The financial statements of the Group, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group

ii) The Strategic report (on pages 1 to 59) and the Directors' report contained in this Annual Report, include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties they face

In accordance with the provisions of the UK Corporate Governance Code, the directors confirm that, to the best of their knowledge, the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the performance, business model and strategy of the company and the Group.

Each director who holds office at the date of approval of this Directors' report confirms that:

(a) so far as each such director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) the directors have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The current directors and their responsibilities are listed on pages 66 and 67.

This statement has been approved by the Board of directors and signed on its behalf by:

David Lawler
Company Secretary
2 March 2017

Independent auditors' report to the members of Berendsen plc

Report on the group financial statements

Our opinion

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

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

What we have audited

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

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

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

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

Our audit approach

Context

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

Overview

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

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

Exceptional items.

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

Contingent liabilities.

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

Goodwill impairment assessment.

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

Misstatement in textile fixed asset valuation.

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

The scope of our audit and our areas of focus

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

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

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

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

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

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

How we tailored the audit scope

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

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

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

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

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

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

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

Materiality

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

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

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

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

Going concern

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

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

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

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

Consistency of other information and compliance with applicable requirements

Companies Act 2006 reporting

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

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

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

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

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

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

ISAs (UK & Ireland) reporting

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

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

We have no exceptions to report.

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

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

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

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

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

Adequacy of information and explanations received

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

Directors' remuneration

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

Corporate governance statement

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

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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

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

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

What an audit of financial statements involves

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

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

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

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

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

Other matter

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

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

2 March 2017

Notes:

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

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

Consolidated income statement

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

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

Consolidated statement of comprehensive income

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

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

Consolidated balance sheet

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

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

James Drummond
Chief Executive Officer

Kevin Quinn
Chief Financial Officer

2 March 2017

Consolidated cash flow statement

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

Free cash flow	23	**47.0**	102.5

Consolidated statement of changes in equity

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

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

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

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

Accounting policies to the consolidated financial statements

Basis of preparation

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

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

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

Going concern

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

Changes in accounting policies and disclosures

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

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

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

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

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

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

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

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

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

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

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

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

Consolidation

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

Business combinations

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

Current assets held for sale

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

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

Segment reporting

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

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

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

Accounting policies to the consolidated financial statements (continued)

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

(c) Group companies

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

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

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

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

Pre-contract/bid costs

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

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

Property, plant and equipment

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

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

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

(a) Land and buildings

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

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

(b) Plant and machinery

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

(c) Textile assets and washroom equipment

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

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

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

Intangible assets

(a) Goodwill

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

Goodwill has an indefinite useful life.

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

(b) Computer software

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

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

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

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

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

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

(c) Other intangible assets

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

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

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

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

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

(d) Customer contracts

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

Impairment of non-financial assets

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

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

Accounting policies to the consolidated financial statements (continued)

Financial assets

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

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

Derivative financial instruments and hedging activities

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

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

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

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

(a) Fair value hedge

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

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

(b) Net investment hedge

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

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

(c) Cash flow hedge

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

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

(d) Derivatives that do not qualify for hedge accounting

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

(e) Energy contracts and textile procurement

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

Inventories

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

Trade and other receivables

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

Cash and cash equivalents

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

Share capital

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

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

Trade payables

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

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

Borrowings

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

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

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

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

Current and deferred income tax

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

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

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

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

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

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

Employee benefits

(a) Pension obligations

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

Accounting policies to the consolidated financial statements (continued)

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

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

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

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

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

(b) Share-based payment plans

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

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

(c) Termination benefits

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

(d) Holiday pay

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

Provisions

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

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

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

Revenue recognition

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

(a) Service income

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

(b) Sale of goods revenue

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

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

Leases

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

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

Dividend distribution

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

Income statement presentation

(a) Exceptional items

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

(b) Amortisation of customer contracts

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

(c) Other operating expenses

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

Key assumptions and sources of estimation uncertainty

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

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

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

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

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

(b) Pensions and other post-employment benefits

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

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

(c) Income taxes

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

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

(d) Share-based payments

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

(e) Provisions

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

Notes to the consolidated financial statements

1 Segmental information

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

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

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

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

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

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

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

1 Segmental information (continued)

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

1 Segmental information (continued)

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

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

Unallocated assets include operating assets relating to corporate segments.

Unallocated liabilities include operating liabilities for corporate segments.

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

2 Net finance costs

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

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

3 Expenses by nature

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

Notes to the consolidated financial statements (continued)

4 Exceptional items

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

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

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

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

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

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

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

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

5 Taxation

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

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

5 Taxation (continued)

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

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

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

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

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

Notes to the consolidated financial statements (continued)

6 Dividends

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

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

7 Earnings per share

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

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

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

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

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

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

8 Goodwill

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

Composition of CGUs

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

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

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

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

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

Notes to the consolidated financial statements (continued)

8 Goodwill (continued)

Impairment testing of goodwill

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

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

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

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

9 Other intangible assets

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

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

All amortisation charges have been charged through other operating expenses.

10 Property, plant and equipment

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

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

10 Property, plant and equipment (continued)

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

11 Inventories

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

Notes to the consolidated financial statements (continued)

12 Trade and other receivables

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

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

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

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

Provision for impairment of trade receivables

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

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

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

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

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

13 Cash and cash equivalents

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

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

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

14 Trade and other payables

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

15 Borrowings

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

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

Notes to the consolidated financial statements (continued)

15 Borrowings (continued)

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

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

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

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

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

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

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

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

15 Borrowings (continued)

Fair value of financial assets and liabilities

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

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

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

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

Maturity of financial liabilities

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

Borrowing facilities

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

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

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

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

Notes to the consolidated financial statements (continued)

16 Derivative financial instruments

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

→ the fair value of forward foreign exchange contracts are calculated by discounting the contracted forward values and translating at the balance sheet rates; and

→ the fair value of cross-currency interest rate swaps are calculated by discounting expected future principal and interest cash flows derived from appropriate yield curves.

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

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

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

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

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

16 Derivative financial instruments (continued)

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

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

Background

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

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

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

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

Cash flow hedges

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

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

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

16 Derivative financial instruments (continued)

Net investment hedges

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

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

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

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

17 Financial risk management
17.1 Financial risk factors

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

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

a) Market risk

i) Foreign exchange risk

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

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

17.1 Financial risk factors (continued)

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

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

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

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

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

ii) Price risk

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

iii) Cash flow and fair value interest rate risk

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

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

Notes to the consolidated financial statements (continued)

17.1 Financial risk factors (continued)

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

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

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

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

(i) Excludes the forward foreign exchange contract derivatives.

b) Credit risk

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

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

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

Treasury related credit risk

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

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

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

c) Liquidity risk

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

17.1 Financial risk factors (continued)

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

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

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

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

d) Sensitivity analysis

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

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

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

Notes to the consolidated financial statements (continued)

17.1 Financial risk factors (continued)

The following assumptions were made in calculating the sensitivity analysis:

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

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

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

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

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

17.2 Capital management

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

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

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

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

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

17.3 Fair value estimation

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

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

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

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

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

Notes to the consolidated financial statements (continued)

17.3 Fair value estimation (continued)

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

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

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

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

Specific techniques used to value financial instruments include:

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

17.4 Offsetting financial assets and financial liabilities

a) Financial assets

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

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

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

17.4 Offsetting financial assets and financial liabilities (continued)

b) Financial liabilities

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

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

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

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

18 Provisions

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

Restructuring

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

Regulatory and legal

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

Notes to the consolidated financial statements (continued)

19 Deferred tax

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

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

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

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

Balance sheet presentation

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

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

Deferred tax liabilities

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

19 Deferred tax (continued)

Deferred tax assets

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

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

Deferred tax assets have not been recognised as follows:

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

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

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

20 Share capital

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

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

Potential issues of ordinary shares

Share options

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

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

Notes to the consolidated financial statements (continued)

20 Share capital (continued)

Share awards

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

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

21 Share-based payments

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

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

Share options

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

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

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

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

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

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

Berendsen Sharesave Plan 2006

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

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

Notes to the consolidated financial statements (continued)

21 Share-based payments (continued)

Share awards

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

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

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

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

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

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

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

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

21 Share-based payments (continued)

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

Performance Share Plan

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

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

Co-Investment Plan

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

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

Deferred Bonus Share Plan

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

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

Notes to the consolidated financial statements (continued)

21 Share-based payments (continued)

Berendsen Long-term Incentive Plan

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

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

22 Principal subsidiary undertakings

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

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

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

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

Notes to the consolidated financial statements (continued)

23 Cash flow from operating activities

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

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

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

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

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

24 Reconciliation of net cash flow to movement in net debt

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

25 Acquisitions and disposals

a) Acquisitions

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

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

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

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

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

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

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

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

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

25 Acquisitions and disposals (continued)

b) Disposal of a subsidiary

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

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

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

(c) Details of the sale of the subsidiary

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

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

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

26 Employees and directors

Staff costs for the group during the year:

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

Average monthly number of people (including directors) employed

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

Key management compensation

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

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

Directors

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

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

27 Pension commitments

Defined contribution schemes

Pension costs for defined contribution schemes are as follows:

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

i Total included within staff costs (note 26).

Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

27 Pension commitments (continued)

Mortality rate

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

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

27 Pension commitments (continued)

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

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

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

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

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

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

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

27 Pension commitments (continued)

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

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

Cumulative actuarial gains and losses recognised in equity

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

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

Sensitivities

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

Defined benefit schemes

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

Unfunded schemes

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

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

Notes to the consolidated financial statements (continued)

28 Operating lease commitments – minimum lease payments

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

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

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

29 Capital commitments

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

30 Contingent liabilities

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

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

31 Related parties

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

32 Non-principal subsidiary undertakings

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

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

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

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

Notes to the consolidated financial statements (continued)

32 Non-principal subsidiary undertakings (continued)

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

32 Non-principal subsidiary undertakings (continued)

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

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

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

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

Berendsen consolidated accounts and Independent Auditors report for financial year 2015

(Pages 105 to 181 of Berendsen's Annual report and accounts 2015)

The directors present their Annual Report and audited financial statements for the year ended 31 December 2015.

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

The Directors' report of the group for the year ended 31 December 2015 is set out on pages 105 to 108 inclusive. Additional information which is incorporated by reference into this Directors' report, including information required in accordance with the Companies Act 2006 and the Listing Rule 9.8.4R of the UK Financial Conduct Authority's Listing Rules, can be located as follows:

Disclosure	Location
Future business developments	Throughout the Strategic report (pages 01 to 51)
Employee involvement	Our people (page 47)
Financial risk management objectives and policies (including hedging policy and use of financial instruments)	Note 17 to the financial statements (pages 151 to 159)
Details of long-term incentive schemes	Note 21 to the financial statements (pages 163 to 169)
Directors' responsibilities statement	Page 109

Both the Directors' report and the Strategic report have been drawn up and presented in accordance with, and in reliance upon, applicable English company law. The liabilities of the directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

Branches outside the UK

The group has branches in Finland.

Results and dividends

The financial statements set out the results of the group for the year ended 31 December 2015 and are shown on page 118. The directors recommend a final dividend of 21.5 pence per ordinary share which, together with the interim dividend of 10.0 pence per ordinary share paid in October 2015, makes a total dividend for the year of 31.5 pence (2014: 30 pence) per ordinary share. Subject to approval by shareholders of the recommended final dividend, the dividend award to shareholders for 2015 will total £53.8 million. If approved, the company will pay the final dividend on 6 May 2016 to shareholders on the register at 8 April 2016.

Changes in composition of the group

During the year, the group acquired a number of textile maintenance businesses. The total consideration including net financial liabilities assumed and deferred consideration payable for these acquisitions was £8.9 million.

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

Directors

The current directors of the company, including their biographical details, are set out on pages 56 and 57. Each served throughout the year ended 31 December 2015 except James Drummond who was appointed to the board on 1 August 2015 and Peter Ventress who resigned from the board on 31 July 2015.

In accordance with the UK Corporate Governance Code, the company is continuing to follow the recommendation that all directors seek their election or re-election, as relevant, at the AGM this year.

Copies of executive directors' service contracts are available to shareholders for inspection at the company's registered office and at the AGM. Details of the directors' remuneration and service contracts and their interests in the shares of the company are included in the Directors' remuneration report which is set out on pages 78 to 104.

Directors' indemnity

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

Deed polls, which include the grant of indemnities constituting qualifying third party indemnity provisions (as defined by Section 234 of the Companies Act 2006), were updated during the year and were in force for each of the Chairman, executive and non-executive directors of the company and its wholly-owned subsidiaries.

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

Share capital

As at 25 February 2016, the company's issued share capital consisted of £51,773,561 divided into 172,578,539 ordinary shares of 30 pence each (no shares are held in treasury).

During the 12 months to 31 December 2015, 12,695 ordinary shares of 30 pence each in the company were issued in satisfaction of the exercise of employee share options under the terms of the Berendsen Sharesave Plan 2006 for a total consideration of £57,650.

The share price on 31 December 2015 was 1,079 pence. Details of the movements in the year are set out in note 20 to the financial statements.

Rights and obligations attaching to shares

Subject to the Articles, the Companies Act 2006 and other shareholders' rights: (i) shares in the company may be issued with such rights and restrictions as the shareholders may by ordinary resolution decide or, if there is no such resolution or so far as it does not make specific provision, as the board may decide; and (ii) unissued shares in the company are at the disposal of the board.

Variation of rights

Subject to the Companies Act 2006, rights attached to any class of shares may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class (calculated excluding any shares held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares.

Securities carrying special rights

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

Restrictions on transfer of securities in the company

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

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

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

Voting

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

Restrictions on voting

No member shall be entitled to vote at any general meeting or class meeting in respect of any share held by him or her if any call or other sum then payable by him or her in respect of that share remains unpaid or if a member has been served with a restriction notice (as defined in the Articles) after failure to provide the company with information concerning interests in those shares required to be provided under the Companies Act 2006.

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

Authority to allot new shares, disapply pre-emption rights and purchase own shares

At the AGM held on 30 April 2015, shareholders authorised the company to purchase in the market up to 10% of its issued share capital (17,256,784 ordinary shares) and, as at 31 December 2015, the full extent of this authority remained in force and unused. This authority is renewable annually, and a special resolution will be proposed at the 2016 AGM to renew it. The directors will only purchase the company's shares in the market if they believe it is in the best interests of shareholders generally.

The directors were also granted authority at the 2015 AGM to allot shares up to approximately two-thirds of the company's issued ordinary share capital (in accordance with guidelines issued by the ABI on 31 December 2012). The additional one-third authority, above the one-third authority which can be used for general purposes, may only be used for rights issues.

At 25 February 2016, the company had an unexpired authority to allot up to 115,045,226 shares with a nominal value of £34,513,568. The authority granted at the 2015 AGM will apply until the conclusion of the 2016 AGM, at which shareholders will be asked to grant the directors renewed authority to allot shares up to approximately two-thirds of the company's issued ordinary share capital. The renewed authority will apply until the conclusion of the 2017 AGM. The directors have no present intention to exercise this authority, and no issue will be made which would effectively alter the control of the company without the prior approval of shareholders in general meeting.

A special resolution will be proposed at the 2016 AGM to authorise the directors to allot ordinary shares (or sell any ordinary shares which the company elects to hold in treasury), representing up to 5% of the company's issued ordinary share capital, for cash on a non-pre-emptive basis. The directors confirm that, in any rolling three-year period, the company will not issue non-pre-emptively for cash equity securities that represent more than 7.5% of the company's issued ordinary share capital, in accordance with the Pre-Emption Group Statement of Principles. The directors have decided not to seek the authority to issue non-pre-emptively for cash equity securities representing an additional 5% of the company's issued share capital for use only in connection with an acquisition or a specified capital investment, in accordance with the Pre-Emption Group Statement of Principles, as updated in March 2015. The directors will keep this under review during 2016.

Substantial shareholdings

The table below shows the holdings in the company's issued share capital which had been notified to the company pursuant to the Financial Conduct Authority's Disclosure and Transparency Rules. The information below was correct at the date of notification; however, the date received may not have been within the current financial year. It should be noted that these holdings are likely to have changed since the company was notified. However, notification of any change is not required until the next notifiable threshold is crossed.

	31 December 2015			25 February 2016*		
	Direct/ indirect	No. of shares (m)	%	Direct/ indirect	No. of shares (m)	%
Prudential plc	Direct	16.41	9.51	Direct	14.39	8.33
Fidelity Management & Research Company (FMR)	Direct	8.65	5.01	Direct	8.65	5.01
BlackRock, Inc	–	–	–	Direct	8.64	5.00

* Being the latest practicable date prior to publication of the Annual Report.
Notifications were also received from Silchester International Investors Limited and Sanderson Asset Management Limited during the year to disclose that they no longer held a notifiable interest.

Rights under the employee share scheme

As at 31 December 2015, Appleby Trust (Jersey) Limited, as trustee of the Berendsen Employee Benefit Trust, held 1,715,142 shares in trust for the benefit of the executive directors and employees of the group. A dividend waiver is in place in respect of Appleby's shareholding and Appleby currently abstains from voting the shares but it may, upon the recommendation of the company and having taken into account all relevant matters including the interests of beneficiaries, accept or reject any offer relating to the shares in any way it sees fit, without incurring any liability and without being required to give reasons for its decision.

Amendment of Articles of Association

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

Appointment and replacement of directors

Directors may be appointed by the shareholders by ordinary resolution or by the board. A director appointed by the board holds office only until the following AGM of the company and is then eligible for election by the members. The board or any committee authorised by the board may from time to time appoint one or more directors to hold any employment or executive office for such period and on such terms as they may determine and may also revoke or terminate any such appointment.

At every AGM of the company, any of the directors who have been appointed by the board since the last AGM shall seek their re-election by the members. Notwithstanding provisions in the company's Articles in respect of the retirement by rotation of directors, the board has agreed, in accordance with the UK Corporate Governance Code, and in line with previous years, that all of the directors wishing to continue will offer themselves for re-election by the shareholders at the 2016 AGM.

The shareholders may, by special resolution, remove any director before the expiration of that director's period of office.

Powers of the directors

Subject to the Articles, the Companies Act 2006 and any directions given by the shareholders by special resolution, the business of the company will be managed by the board who may exercise all the powers of the company, whether relating to the management of the business of the company or not. In particular, the board may exercise all the powers of the company to borrow money, to mortgage or charge any of its undertakings, property, assets (present and future) and uncalled capital, to issue debentures and other securities and to give security for any debt, liability or obligation of the company or of any third party.

Significant agreements

There are a number of agreements that take effect, alter or terminate upon a change of control of the company, such as commercial contracts, bank loan agreements, property lease arrangements and employees' share plans. None of these are deemed to be significant in terms of their potential impact on the business of the group as a whole, except for the following: US Private Placement Note Purchase Agreements US$200 million dated 25 May 2006, US$259 million and £25 million dated 24 November 2009, €80 million and DKK655 million dated 15 December 2014 and the €510 million Multicurrency Revolving Credit Facility dated 19 March 2015. These agreements contain change of control provisions which, if triggered, could limit future utilisations, require the repayment of existing utilisations or lead to a renegotiation of terms.

Employees

The board recognises the importance of attracting, developing and retaining the right people, as well as maintaining a safe working environment for our existing employees. Please refer to page 47 for further details about group policies and procedures on how employee's skills, communication and engagement are strengthened; and to pages 48 to 50 for health and safety policies and procedures.

In accordance with best practice, we have employment policies in place which provide equal opportunities for all employees, irrespective of sex, race, colour, disability, sexual orientation, religious beliefs or marital status. We give full and fair consideration to applications for employment from applicants with disabilities where they have the appropriate skills and potential. Appropriate arrangements are made for the continued employment and training, career development and promotion of persons with disabilities employed by the group. If there were to be any instance of an employee becoming disabled during their employment with us, every effort would be made to make sure that their employment with us continues and that, where needed, appropriate retraining is arranged.

Greenhouse gas emissions

Disclosures concerning the group's greenhouse gas emissions are contained within the Corporate responsibility report, which forms part of the Strategic report, on page 51.

Political donations

There were no political donations during 2015 (2014: nil).

Auditors and disclosure of information to auditors

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

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

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 1 to 51. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the Financial Director's review on pages 36 to 43. In addition, note 17 to the financial statements includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives and policies; details of its financial instruments and hedging activities; and its exposures to price, credit, liquidity and cash flow risk.

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

Having assessed the principal risks, and other matters discussed in connection with the viability statement, the directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Annual General Meeting

The notice of the AGM to be held at 11.00 am on Thursday 28 April 2016 is being sent separately to shareholders with this report. The venue for the meeting is the Royal Aeronautical Society, 4 Hamilton Place, London W1J 7BQ.

David Lawler
Company Secretary
25 February 2016

The directors are responsible for preparing the Annual Report and Accounts, the report on directors' remuneration and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

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

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

i) The financial statements of the group and the company, 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 contained in this Annual Report, include a fair review of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties they face.

In accordance with the provisions of the UK Corporate Governance Code, the directors confirm that, to the best of their knowledge, the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the performance, business model and strategy of the company and the group.

The current directors and their functions are listed on pages 56 and 57.

By order of the board,

David Lawler
Company Secretary
25 February 2016

Independent auditors' report on the group financial statements

Our opinion

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

- give a true and fair view of the state of the Group's affairs as at 31 December 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

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

- the Consolidated balance sheet as at 31 December 2015;
- the Consolidated income statement and Consolidated statement of comprehensive income for the year then ended;
- the Consolidated cash flow statement for the year then ended;
- the Consolidated statement of changes in equity for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

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

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

Our audit approach

Context

Berendsen plc is listed on the London Stock Exchange. The Group provides services across Europe and the structure of our audit continues to reflect this, with a considerable amount of time spent directing, communicating with and visiting component audit teams. The business involves a very large number of relatively low value items, and the accounting for these in inventory and fixed assets is an area of focus as a result. In terms of developments in the business affecting our audit, the performance of the German and Austrian Healthcare business was a focus of our work on the carrying value of goodwill.

Overview

Overall group materiality: £5.9 million which represents 5% of profit before tax and exceptional items.

- Overall group materiality: £5.9 million (2014:£5.8 million) which represents 5% of profit before tax and exceptional items.

- We performed an audit of the complete financial information of eight operating reporting units and specified procedures at Sweden Sourcing, using a number of overseas component audit teams.

Goodwill impairment assessment:
- The carrying value of goodwill is deemed to be an area of focus due to the judgements involved in estimating future cash flows and applying appropriate assumptions. This is particularly relevant to the German and Austrian Healthcare cash generating unit given the impairment taken in the year.

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

- The existence and valuation of inventory due to the number of locations where inventory is held, especially at third party locations and the absorption of freight costs and duty affecting the value at which the inventory is held.

Environmental liabilities:
- The appropriateness of provisions recognised and the contingent liabilities disclosed in relation to historical environmental liabilities in a number of locations.

The scope of our audit and our areas of focus

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

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

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

Area of focus	How our audit addressed the area of focus
Goodwill impairment assessment	
We focused on this area due to the size of the goodwill balance (£367m as at 31 December 2015) and because the directors' assessment of the "value in use" of the Group's cash generating units (CGUs) involves judgement about the future results of the business and the discount rates applied to future cash flow forecasts. In particular we focused our audit effort on the goodwill recognised in relation to the German and Austrian Healthcare CGU due to the impairment charge of £6.4m recognised in the current year. Refer also to note 8 to the financial statements, page 70 (Audit Committee report) and page 131 (critical accounting estimates).	We evaluated the directors' future cash flow forecasts, and the process by which they were drawn up, including comparing them to the latest Board approved budgets and testing the underlying calculations. We found that management had followed a clear process for drawing up the future cash flow forecasts, which were subject to timely oversight and challenge by the directors and which were consistent with the Board approved budgets. We found no material misstatements in the calculations performed. We challenged the directors' key assumptions for long term growth rates in the cash flows by comparing them to historical results and economic forecasts. We compared the current year actual results to the FY15 figures included in the prior year forecasts to consider whether any forecasts included assumptions that, with hindsight, had been optimistic. For the discount rate we assessed the cost of capital for the company and comparable organisations by performing a benchmark analysis and found it to be in line with our expectations. We performed sensitivity analysis around the key drivers of the cash flow forecasts, being: → the growth rates; → the operating profit applied for the first three years; and → the discount rate. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired for all CGUs, we considered the likelihood of such a movement in those key assumptions arising. Management reassessed the market conditions in German and Austrian Healthcare and updated the forecats accordingly, leading to an impairment of the goodwill for this CGU. We found the revised assumptions to be supported by the evidence management provided, although note than any change in these assumptions would have a direct impact on the value of the impairment charge. We were also able to obtain sufficient evidence to support management's views on the key assumptions in the other CGUs, where no impairment charge was recognised. We considered the appropriateness of the related disclosures in note 8 to the financial statements. We found that they appropriately explain the impairment in German and Austrian Healthcare and describe the inherent degree of subjectivity in the estimates and the potential impact on future periods of revisions to these estimates.

Area of focus	How our audit addressed the area of focus
Misstatement in textile fixed asset and inventory	
Textile fixed asset Linen and workwear textiles are sold by the UK and Sweden Sourcing businesses to the operating units within the Group as textile fixed assets and depreciated over their useful economic lives. Other than in certain businesses which have introduced the individual tagging of garments in order to trace their day-to-day use, textile assets are homogeneously depreciated by textile category over their estimated useful economic lives (currently between 20% and 40% per annum as stated in the accounting policies on page 126). These textiles are significant assets on the balance sheet (£221.9 million as at 31 December 2015). Therefore, an over or understatement of the useful economic lives could lead to a material misstatement of depreciation for the year, affecting both the charge to the income statement and the valuation of the assets on the balance sheet.	In each of the eight operating units where an audit of the complete financial information was performed, we carried out: → a comparison between asset classes of the carrying value and depreciation charge for the year as a percentage of the revenue they generate; → a substantive analytical review of the depreciation charge by asset class (ensuring depreciation is in line with group policy); and → a comparison of additions in the year to additions in the prior year, within each asset class to check they were reasonably consistent. Within the additions testing, we also tested that linen asset additions were allocated to the correct linen asset class and depreciated in line with other assets of a similar nature and in line with their useful life expectancy. Additionally, at group level, we performed a reasonableness test by comparing additions between 2012 and 2015 to depreciation over the period to understand whether the assets are being replaced over a similar timeframe. We found that capital expenditure on textile assets was materially in line with depreciation where there had been no major change in the scale and nature of the business. Taken together, these procedures gave us the evidence we needed in relation to the economic lives and depreciation of the relevant assets.
Inventory The group holds inventory at many locations, including a number that are owned by third parties. There is a risk that inventory quantities will be misstated at one or more locations, particularly where inventory is not under the direct control of the group. Inventory largely comes into the group through the UK and Sweden Sourcing businesses. The allocations of freight and duty costs in the standard costing system are reviewed regularly but there is a risk that the standard cost of inventory items could be misstated.	We performed audit procedures for operating reporting units with material inventory balances. *Existence* – we attended the year-end stock counts that were performed by management at six locations and traced the stock count results to the inventory system, checking that these were accurately recorded in the year-end inventory balance. We obtained a sample of confirmations of inventory held directly by third parties at the balance sheet date and successfully reconciled these to the year-end inventory balance. Where stock counts were not performed at the balance sheet date, we tested the records of these counts to the year-end inventory balance via a sample of goods in/outwards reports between the date of the count and the balance sheet date without noting any significant issues. *Valuation* – to address the risk of misstatement in the valuation of inventory, a sample of stock items held by the group was traced from the inventory system to third party purchase invoices. We also tested the absorption of freight and duty costs to check they were incurred and appropriately allocated.

Area of focus	How our audit addressed the area of focus
Environmental liabilities	
The group operates from laundries across Europe, at which historic environmental liabilities may exist. Though the group has indemnities from third parties and expects to have the warranties confirmed in full so as to incur no significant loss, it is currently defending legal claims in respect of certain sites acquired. Judgement is required to assess the likelihood of these liabilities crystallising, in order to assess whether a provision should be recognised and, if so, the amount of that provision. The total potential liability is uncertain and would be affected by improvements in environmental clean-up technology and the future use of the sites. In Sweden, no amounts have been provided in the balance sheet with respect to any future environmental liability as the value and the timing of any cost to Berendsen is still unable to be determined. As such, a contingent liability continues to be disclosed within the financial statements of the group. In the Netherlands, management have recognised a provision on a specific site that is subject to a constructive obligation to incur environmental clean-up costs. The amount recognised is the best estimate of the expenditure that will be incurred before any related recovery. We focused on this area due to the judgement associated with assessing the level of provision to cover the future obligation. Under the terms of its share purchase agreement with a third party on the acquisition of the site, the company expects to have this amount reimbursed under the terms of its warranties and has consequently accounted for the estimated receivable at fair value. There is no change to the treatment in the current year compared to the prior year and therefore there has been no impact to the income statement. Refer also to notes 18 and 30 to the financial statements, page 70 (Audit Committee report) and page 131 (critical accounting estimates).	We examined the group's latest assessment of the status of the legal claims and obtained confirmation from their external legal advisors of the likelihood of the group successfully defending its position. In Sweden we checked that the situation remains unchanged from the prior year and determined that the accounting for any potential environmental remediation as a contingent liability remains appropriate. We read and were satisfied with the level of disclosure in note 30 to the financial statements. In the Netherlands, we re-evaluated and challenged management's rationale for maintaining the level of provision consistent with the prior year with respect to clean up of the site. From the evidence obtained we consider the level of provision to be acceptable in the context of materiality and on the basis that the situation remains consistent with the prior year. We obtained confirmations from external legal counsel and read other correspondence supporting the recoverability of the asset recognised from third parties under historical warranties. From the evidence obtained, we consider the current value of the asset recognised to be supportable.

How we tailored the audit scope

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

The Group's accounting process is structured around a local finance function in each of the 26 operating reporting units under which the Group operates. These functions maintain their own accounting records and controls and report to the head office finance function in London through an integrated consolidation system.

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

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

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

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

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

Materiality

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

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

- → Overall group materiality
  £5.9 million (2014: £5.8 million);
- → How we determined it
  5% of profit before tax and exceptional items; and
- → Rationale for benchmark applied
  Profit before tax and exceptional items provides a more consistent basis for the audit year on year.

We agreed with the audit committee that we would report to them misstatements identified during our audit above £0.3 million (2014: £0.3 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 108, in relation to going concern. We have nothing to report having performed our review.

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

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

Other required reporting

Consistency of other information

Companies Act 2006 opinions

In our opinion:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate governance statement set out on pages 59 to 77 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

ISAs (UK & Ireland) reporting

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

- information in the Annual Report is:
  - materially inconsistent with the information in the audited financial statements; or
  - apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
  - otherwise misleading.

We have no exceptions to report.

- the statement given by the directors on page 77, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.

We have no exceptions to report.

- the section of the Annual Report on page 70, as required by provision C.3.8 of the Code, describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee.

We have no exceptions to report.

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

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

- the directors' confirmation on page 26 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

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

- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.

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

- the directors' explanation on page 27 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

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

Adequacy of information and explanations received

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

Directors' remuneration

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

Corporate governance statement

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

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' responsibilities for the financial statements set out on page 109, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose.

We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

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

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

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the parent company financial statements of Berendsen plc for the year ended 31 December 2015 and on the information in the Directors' remuneration report that is described as having been audited.

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

25 February 2016

Notes:

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

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

Consolidated income statement

For the year ended 31 December 2015	Notes	Year to 31 December 2015 £m	Year to 31 December 2014 £m
Revenue	1	1,006.0	1,038.6
Cost of sales		(504.0)	(517.7)
Gross profit		502.0	520.9
Other income		4.6	4.3
Distribution costs		(187.0)	(193.3)
Administrative expenses		(161.3)	(168.5)
Other operating expenses		(26.2)	(26.2)
Operating profit	1	132.1	137.2
Analysed as:			
Operating profit before exceptional items and amortisation of customer contracts	1	153.8	158.7
Exceptional items	4	(7.3)	–
Amortisation of customer contracts	9	(14.4)	(21.5)
Operating profit	1	132.1	137.2
Finance costs	2	(20.7)	(23.1)
Finance income	2	2.0	2.9
Profit before taxation	3	113.4	117.0
Taxation	5	(24.5)	(27.1)
Profit for the year		88.9	89.9
Analysed as:			
Profit attributable to non-controlling interest		0.2	0.3
Profit attributable to owners of parent company		88.7	89.6
Earnings per share expressed in pence per share			
– Basic	7	51.9	52.6
– Diluted	7	51.8	52.4

The notes on pages 124 to 181 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2015	Notes	Year to 31 December 2015 £m	Year to 31 December 2014 £m
Profit for the year		88.9	89.9
Other comprehensive income /(expense):			
Items that may be subsequently reclassified into profit or loss:			
Currency translation differences		(24.1)	(46.9)
Gain/(loss) on cash flow hedges	16	3.5	(4.9)
		(20.6)	(51.8)
Items that cannot be subsequently reclassified into profit or loss:			
Actuarial gains/(losses)		7.7	(12.5)
Other comprehensive (expense) for the year, net of tax		(12.9)	(64.3)
Total comprehensive income for the year		76.0	25.6
Attributable to:			
Non-controlling interest		0.2	–
Owners of parent company		75.8	25.6

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

Consolidated balance sheet

As at 31 December 2015	Notes	As at 31 December 2015 £m	As at 31 December 2014 Restated (notes 10,11) £m
Assets			
Intangible assets:			
– Goodwill	8	367.0	390.2
– Other intangible assets	9	25.9	37.1
Property, plant and equipment	10	477.1	480.8
Deferred tax assets	19	6.9	8.1
Derivative financial instruments	16	51.4	40.4
Pension scheme surplus	27	44.6	35.7
Total non-current assets		972.9	992.3
Assets classified as held for sale		–	0.2
Inventories	11	50.2	49.7
Income tax receivable		3.3	1.3
Derivative financial instruments	16	16.3	0.1
Trade and other receivables	12	169.9	163.5
Cash and cash equivalents	13	126.7	96.9
Total current assets		366.4	311.7
Liabilities			
Borrowings	15	(88.1)	(2.5)
Derivative financial instruments	16	(5.3)	(0.6)
Income tax payable		(16.5)	(12.5)
Trade and other payables	14	(196.8)	(200.3)
Provisions	18	(2.9)	(3.1)
Total current liabilities		(309.6)	(219.0)
Net current assets		56.8	92.7
Borrowings	15	(409.5)	(468.8)
Derivative financial instruments	16	(5.9)	(17.3)
Pension scheme deficits	27	(28.8)	(34.7)
Deferred tax liabilities	19	(65.4)	(57.6)
Trade and other payables	14	(1.1)	(1.2)
Total non-current liabilities		(510.7)	(579.6)
Net assets		519.0	505.4
Equity			
Share capital	20	51.8	51.8
Share premium		99.5	99.4
Other reserves		1.4	(2.4)
Capital redemption reserve		150.9	150.9
Retained earnings		211.3	200.5
Total equity attributable to owners of parent company		514.9	500.2
Non-controlling interest		4.1	5.2
Total equity		519.0	505.4

The financial statements on pages 118 to 181 were approved by the board and signed on its behalf by:

James Drummond
Chief Executive Officer
25 February 2016

Kevin Quinn
Chief Financial Officer

Consolidated cash flow statement

For the year ended 31 December 2015	Notes	Year to 31 December 2015 £m	Year to 31 December 2014 Restated (note 23) £m
Cash flows from operating activities			
Cash generated from operations	23	308.9	329.8
Interest paid		(19.7)	(22.2)
Interest received		2.0	2.9
Income tax paid		(18.0)	(18.2)
Net cash generated from operating activities		273.2	292.3
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	25	(9.2)	(12.4)
Purchases of property, plant and equipment	10	(181.5)	(180.5)
Proceeds from the sale of property, plant and equipment	23	13.3	10.4
Purchases of intangible assets	9	(6.2)	(4.6)
Net cash used in investing activities		(183.6)	(187.1)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		0.1	0.2
Purchase of own shares by the Employee Benefit Trust		(14.2)	(11.2)
Payment of loan issue costs		(2.1)	–
Drawdown of borrowings		199.8	130.1
Repayment of borrowings		(172.7)	(146.6)
Repayment of finance leases/hire purchase liabilities		(5.7)	(2.7)
Acquisition of minority interest in a subsidiary	25	(0.9)	–
Dividends paid to owners of parent company	6	(52.1)	(48.8)
Dividends paid to non-controlling interest		(0.1)	(0.1)
Net cash used in financing activities		(47.9)	(79.1)
Net increase in cash	24	41.7	26.1
Cash and cash equivalents at beginning of year	13	96.9	89.2
Exchange losses on cash		(11.9)	(18.4)
Cash and cash equivalents at end of year	13	126.7	96.9
Free cash flow	23	102.5	122.6

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 2014	51.8	99.2	2.5	150.9	221.8	526.2	5.3	531.5
Comprehensive income:								
Profit for the year	–	–	–	–	89.6	89.6	0.3	89.9
Other comprehensive income:								
Actuarial losses (note 27)	–	–	–	–	(16.5)	(16.5)	–	(16.5)
Cash flow hedges	–	–	(6.2)	–	–	(6.2)	–	(6.2)
Currency translation	–	–	–	–	(36.7)	(36.7)	(0.3)	(37.0)
Tax on items taken to equity (note 5)	–	–	1.3	–	(5.9)	(4.6)	–	(4.6)
Total other comprehensive income	–	–	(4.9)	–	(59.1)	(64.0)	(0.3)	(64.3)
Total comprehensive income/(expense)	–	–	(4.9)	–	30.5	25.6	–	25.6
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	–	–	–	–	(10.5)	(10.5)	–	(10.5)
Dividends (note 6)	–	–	–	–	(48.8)	(48.8)	(0.1)	(48.9)
Value of employee service in respect of share option schemes and share awards (note 21)	–	–	–	–	7.5	7.5	–	7.5
Total transactions with owners	–	0.2	–	–	(51.8)	(51.6)	(0.1)	(51.7)
At 31 December 2014	51.8	99.4	(2.4)	150.9	200.5	500.2	5.2	505.4

	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 2015	51.8	99.4	(2.4)	150.9	200.5	500.2	5.2	505.4
Comprehensive income:								
Profit for the year	–	–	–	–	88.7	88.7	0.2	88.9
Other comprehensive income/(expense):								
Actuarial gains (note 27)	–	–	–	–	8.9	8.9	–	8.9
Cash flow hedges	–	–	4.3	–	–	4.3	–	4.3
Currency translation	–	–	–	–	(19.7)	(19.7)	–	(19.7)
Tax on items taken to equity (note 5)	–	–	(0.8)	–	(5.6)	(6.4)	–	(6.4)
Total other comprehensive income/(expense)	–	–	3.5	–	(16.4)	(12.9)	–	(12.9)
Total comprehensive income	–	–	3.5	–	72.3	75.8	0.2	76.0
Transactions with owners:								
Issue of share capital in respect of share option schemes	–	0.1	–	–	–	0.1	–	0.1
Purchase of own shares by the Employee Benefit Trust	–	–	–	–	(14.2)	(14.2)	–	(14.2)
Dividends (note 6)	–	–	–	–	(52.1)	(52.1)	(0.1)	(52.2)
Value of employee service in respect of share option schemes and share awards (note 21)	–	–	–	–	4.8	4.8	–	4.8
Acquisition of non-controlling interest (note 25b)	–	–	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

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 2015, the Trust held 1,715,142 (2014: 1,870,186) shares.

Included within retained earnings is an amount of £37.6 million loss (2014: £17.9 million loss) which relates to currency translation.

Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed on page 131.

During the year the group reclassified stocks of textile rental garments awaiting delivery to customers from property, plant and equipment to inventories. Textile asset additions at cost include purchases of textile garments held at central warehouse reclassified to finished goods inventories of £0.4 million in 2015. 2014 comparatives have been restated to reflect the same position; £10.4 million has been reclassified from property, plant and equipment to inventories. Of this balance £2.7 million related to purchases in 2014.

Going concern

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

Changes in accounting policies and disclosures

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2015:

- → Annual Improvements to IFRS 2010-2012 cycle
- → Annual Improvements to IFRS 2011-2013 cycle

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the group, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010 and it is not yet endorsed by the EU. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments and is effective for accounting periods commencing 1 January 2018. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess IFRS 9's full impact and the group will also consider the impact of the remaining phases of IFRS 9 when this assessment has been completed by the board.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted subject to EU endorsement. The group is assessing the impact of IFRS 15.

In January 2016 IFRS 16 – Leases was issued. The group is assessing the impact of this IFRS which is mandatory for accounting periods commencing 1 January 2019.

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

Consolidation

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

Business combinations

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

Current assets held for sale

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

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

Segment reporting

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

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. The group's internal reporting structure is aligned on the same basis and segmental information is presented on a basis consistent with this reporting structure.

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

(c) Group companies

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

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

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

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

Pre-contract/bid costs

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

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

Property, plant and equipment

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

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

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

(a) Land and buildings

Depreciated at a rate of 2% per annum on an estimate of the buildings value of freehold properties and leasehold properties with 50 or more years unexpired at the balance sheet date. This rate has been determined having regard to the group's practice to maintain these assets in a continual state of sound repair and to extend and make improvements from time to time. Freehold land is not depreciated. Short leasehold land and buildings are depreciated by equal instalments over the period of the lease.

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

(b) Plant and machinery

Depreciated at rates of 10% to 50% per annum, depending on the class of the asset.

(c) Textile assets and washroom equipment

Depreciated at rates of 20% to 40% per annum, depending on the class of the asset, and augmented where necessary by amounts to cover wastage, obsolescence and loss.

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

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

Intangible assets

(a) Goodwill

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

Goodwill has an indefinite useful life.

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

(b) Computer software

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

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

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

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

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

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

(c) Other intangible assets

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

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

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

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

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

(d) Customer contracts

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

Impairment of non-financial assets

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

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

Financial assets

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

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

Derivative financial instruments and hedging activities

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

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

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

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

(a) Fair value hedge

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

The group has no fair value hedges at 31 December 2015 (2014: nil).

(b) Net investment hedge

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

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

(c) Cash flow hedge

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

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

(d) Derivatives that do not qualify for hedge accounting

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

(e) Energy contracts and textile procurement

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out (FIFO) method. The cost of finished goods comprises of raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Full provision is made for obsolete, defective and slow moving stock. During the year the group reclassified stocks of textile rental garments awaiting delivery to customers from property, plant and equipment to inventories. (See note 10).

Trade and other receivables

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

Cash and cash equivalents

Cash and cash equivalents are stated net of bank overdrafts, where the group has a legal right of set off and includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Share capital

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

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

Trade payables

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

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

Borrowings

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

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

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

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

Current and deferred income tax

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

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

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

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

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

Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Employee benefits

(a) Pension obligations

The group operates various pension schemes. The schemes are funded through payments to insurance companies or a trustee administered fund, determined by periodic actuarial calculations. The group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The net asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The group recognises the surplus arising on its deferred benefit schemes to the extent that it has a legal right to do so under the scheme rules.

Current and past service costs, to the extent they have vested, are recognised in operating costs in the income statement together with interest costs on plan liabilities and the expected return on plan assets.

Cumulative actuarial gains and losses arising from experience adjustments and change in actuarial assumptions are credited or charged to the statement of comprehensive income and expense net of deferred tax.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance or trustee administered plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Share-based payment plans

The group's management awards employees share options, from time to time, both on a discretionary and non-discretionary basis which are subject to vesting conditions. The economic cost of awarding the share options to its employees is recognised as an employee benefit expense in the income statement equivalent to the fair value of the benefit awarded. The fair value is determined by reference to the Black-Scholes option pricing model. The charge is recognised in the income statement over the vesting period of the award.

The proceeds received are credited to share capital (nominal value) and share premium when the options are exercised.

(c) Termination benefits

Termination benefits are payable when an employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is shown to be committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(d) Holiday pay

Paid holidays are regarded as an employee benefit and as such are charged to the income statement as the benefits are earned. An accrual is made at the balance sheet date to reflect the fair value of holidays earned but not yet taken.

Provisions

Provisions for vacant properties, restructuring costs, legal and environmental claims are recognised when the group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Revenue recognition

Group revenue comprises the fair value for the rendering of services, net of value added tax and other similar sales based taxes, rebates and discounts and after eliminating sales within the group. Revenue is recognised as follows:

(a) Service income

Income received or receivable in respect of service income is credited to revenue as and when services are rendered in respect of mats, linen, washroom and decontamination services. Revenue is recognised on a per item basis for delivery of laundered textiles to hotels and hospitals. Revenue for supply and laundering of workwear is recognised on a regular, periodic basis in accordance with the terms of the contract.

(b) Sale of goods revenue

For non-contract based business, revenue represents the value of goods delivered.

Accrued income comprises revenue contractually earned for services performed that are invoiced to the customer primarily in the following month.

Leases

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Dividend distribution

Final dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders. Interim dividends are recognised when paid.

Income statement presentation

(a) Exceptional items

Items that are non-recurring and material in size or non-operating in nature are presented as exceptional items in the income statement. The directors are of the opinion that separate recording of exceptional items provides helpful information about the group's underlying business performance. Examples of events, which may give rise to the classification of items as exceptional include, inter alia, restructuring of businesses, gains and losses on disposal of properties, strategy related costs, acquisition costs, impairment of goodwill and non-recurring income.

(b) Amortisation of customer contracts

These are presented separately in the income statement as they arise from acquisitions.

(c) Other operating expenses

These comprise the group's intangible asset amortisation and exceptional items.

Key assumptions and sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and related disclosures. The estimates and underlying assumptions are based on historical experience and other relevant factors. This approach forms the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based, or as a result of new information. Such changes are recognised in the period in which the estimate is revised.

The key assumptions about the future and key sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying value of assets and liabilities within the next 12 months are described below.

(a) Property, plant and equipment and intangible assets, including goodwill

The group has property, plant and equipment with a carrying value of £477.1 million (note 10), goodwill with a carrying value of £367.0 million (note 8) and intangible assets with a carrying value of £25.9 million (note 9). These assets are reviewed annually for impairment by comparing the carrying value of the assets with the higher of the value in use or the sales values less costs of disposal. Under the value in use method estimates are made of the future cash flows expected to result from the use. If the carrying value of the assets exceeds the higher of the value in use or fair value less costs of disposal then any impairment is taken to the income statement. Actual outcomes could vary from such estimates of discounted future cash flows. Factors such as changes in the planned use of buildings, machinery or equipment, or closure of facilities, the presence of competition, or lower than anticipated sales could result in shortened useful lives or impairment.

(b) Pensions and other post-employment benefits

The group operates a number of defined benefit schemes within the UK and Europe (note 27). As at 31 December 2015 the present value of the group's defined benefit obligation for funded plans was a surplus of £44.6 million and a deficit of £28.8 million for unfunded plans. The calculations of the recognised assets and liabilities from such plans are based upon statistical and actuarial calculations. In particular the present value of the defined benefit obligation is impacted by assumptions on discount rates used to arrive at the present value of future pension liabilities, and assumptions on future increases in salaries and benefits. Furthermore, the group's independent actuaries use statistically based assumptions covering areas such as future withdrawals of participants from the plan and estimates on life expectancy. The actuarial assumptions used may differ materially from actual results due to changes in market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants and other changes in the factors being assessed. These differences could impact the assets or liabilities recognised in the balance sheet in future periods. The last triennial valuation of the main UK pension scheme took place in February 2013 and a further valuation will be carried out during 2016.

(c) Income taxes

At 31 December 2015, the net liability for current income taxes is £13.2 million and the net liability for deferred income taxes is £58.5 million (note 19). Estimates may be required in determining the level of current and deferred income tax assets and liabilities, which management believes are reasonable and adequately recognises any income tax related uncertainties.

Various factors may have favourable or unfavourable effects on the income tax assets and liabilities. These include changes in tax laws in the jurisdiction we operate in, tax rates, interpretations of existing tax laws, future levels of spending and in overall levels of future earnings.

(d) Share-based payments

The economic cost of awarding shares and share options to employees is reflected by recording a charge in the income statement equivalent to the fair value of the benefit awarded over the vesting period. The fair values of the awards are determined by use of the Black-Scholes model.

(e) Provisions

Provisions for vacant properties, restructuring costs, legal and environmental claims are recognised when the group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

1 Segmental information

The results for the year ended 31 December 2015 under the business line structure are as follows:

	Core Growth				Manage for Value				
	Workwear £m	Facility £m	UK Flat Linen £m	Total Core Growth £m	Flat Linen outside UK £m	Clinical Solutions and Decontamination £m	Total Manage for Value £m	Unallocated £m	Group £m
Total segment revenue	306.3	225.2	210.1	741.6	197.3	75.8	273.1	–	1,014.7
Inter-segment revenue	(1.7)	(0.9)	–	(2.6)	(2.3)	(3.8)	(6.1)	–	(8.7)
Revenue from external customers	304.6	224.3	210.1	739.0	195.0	72.0	267.0	–	1,006.0
Operating profit before exceptional items and amortisation of customer contracts	65.3	58.1	22.8	146.2	13.7	5.2	18.9	(11.3)	153.8
Exceptional items	(0.2)	–	–	(0.2)	(6.4)	–	(6.4)	(0.7)	(7.3)
Amortisation of customer contracts	(0.5)	(13.7)	–	(14.2)	(0.2)	–	(0.2)	–	(14.4)
Segment result	64.6	44.4	22.8	131.8	7.1	5.2	12.3	(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	44.4	156.6	42.0	3.3	45.3	(3.9)	198.0
Depreciation (note 10)	63.0	28.3	38.9	130.2	34.8	4.2	39.0	(3.8)	165.4
Amortisation (note 9)	2.3	14.1	1.5	17.9	0.6	0.1	0.7	0.1	18.7

From 1 January 2015 the Workwear element of the group's Irish Manage for Value businesses is reported under the core Workwear Business Line. In addition, from 1 January 2015 the group's internally focused procurement activities have been reported within central operations. Central operations also include the cost of the group's marketing and communication functions. Consequently, in accordance with IFRS 8, the 2015 segmental analysis, as set out below, has been adjusted to reflect the position had these changes been in place throughout the year ended 31 December 2014.

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.

Sales between business line segments are carried out at arms-length. The company is domiciled in the UK.

Flat linen outside the UK comprises, Germany and Austria Healthcare, Direct sale, Scandinavia flat linen and Ireland excluding workwear.

1 Segmental information (continued)

The results for the year ended 31 December 2014 under the business line structure are as follows:

	Core Growth				Manage for Value				
	Workwear £m	Facility £m	UK Flat Linen £m	Total Core Growth £m	Flat Linen outside UK £m	Clinical Solutions and Decontamination £m	Total Manage for Value £m	Unallocated £m	Group £m
Total segment revenue	342.6	238.4	207.5	788.5	209.8	75.0	284.8	0.3	1,073.6
Inter-segment revenue	(28.2)	(0.7)	–	(28.9)	(2.6)	(3.5)	(6.1)	–	(35.0)
Revenue from external customers	314.4	237.7	207.5	759.6	207.2	71.5	278.7	0.3	1,038.6
Operating profit before exceptional items and amortisation of customer contracts	65.7	61.6	26.5	153.8	13.1	5.5	18.6	(13.7)	158.7
Exceptional items	–	–	–	–	–	–	–	–	–
Amortisation of customer contracts	(1.1)	(20.1)	–	(21.2)	(0.1)	(0.1)	(0.2)	(0.1)	(21.5)
Segment result	64.6	41.5	26.5	132.6	13.0	5.4	18.4	(13.8)	137.2
Net finance costs									(20.2)
Profit before taxation									117.0
Taxation									(27.1)
Profit for the year									89.9
Profit attributable to non-controlling interest									0.3
Profit attributable to owners of parent company									89.6
Capital expenditure	65.0	49.2	41.3	155.5	50.1	3.5	53.6	(4.7)	204.4
Depreciation (note 10)	58.6	29.2	38.5	126.3	45.1	4.5	49.6	(3.3)	172.6
Amortisation (note 9)	2.9	20.8	1.4	25.1	0.7	0.3	1.0	0.2	26.3

1 Segmental information (continued)

The changes by business line, to the disclosures previously made for the year ended 31 December 2014 may be summarised as follows:

	Core Growth				Manage for Value				
	Workwear £m	Facility £m	UK Flat Linen £m	Total Core Growth £m	Flat Linen outside UK £m	Clinical Solutions and Decontamination £m	Total Manage for Value £m	Unallocated £m	Group £m
Total segment revenue	19.1	–	–	19.1	(19.4)	–	(19.4)	0.3	–
Revenue from external customers	19.1	–	–	19.1	(19.4)	–	(19.4)	0.3	–
Operating profit before exceptional items and amortisation of customer contracts	3.4	–	–	3.4	(2.6)	–	(2.6)	(0.8)	–
Segment result	3.4	–	–	3.4	(2.6)	–	(2.6)	(0.8)	–
Capital expenditure	1.4	–	–	1.4	3.8	–	3.8	(5.2)	–
Depreciation	0.3	–		0.3	3.3	–	3.3	(3.6)	–

The segment assets and liabilities at 31 December 2015 under the business line structure are as follows:

	Core Growth				Manage for Value				
	Workwear £m	Facility £m	UK Flat Linen £m	Total Core Growth £m	Flat Linen outside UK £m	Clinical Solutions and Decontamination £m	Total Manage for Value £m	Unallocated £m	Group £m
Operating assets	368.6	301.6	156.8	827.0	185.6	61.4	247.0	16.1	1,090.1
Operating liabilities	(65.3)	(39.4)	(38.1)	(142.8)	(28.0)	(15.5)	(43.5)	(14.5)	(200.8)

The segment assets and liabilities at 31 December 2014 under the business line structure are as follows:

	Core Growth				Manage for Value				
	Workwear £m	Facility £m	UK Flat Linen £m	Total Core Growth £m	Flat Linen outside UK £m	Clinical Solutions and Decontamination £m	Total Manage for Value £m	Unallocated £m	Group £m
Operating assets	364.1	345.3	146.2	855.6	190.6	59.7	250.3	15.4	1,121.3
Operating liabilities	(62.5)	(38.8)	(39.7)	(141.0)	(34.2)	(14.9)	(49.1)	(14.5)	(204.6)

The changes by business line, to the disclosures previously made for the year ended 31 December 2014 may be summarised as follows:

	Core Growth				Manage for Value				
	Workwear £m	Facility £m	UK Flat Linen £m	Total Core Growth £m	Flat Linen outside UK £m	Clinical Solutions and Decontamination £m	Total Manage for Value £m	Unallocated £m	Group £m
Operating assets	11.9	–	(6.8)	5.1	(18.2)	(0.4)	(18.6)	13.5	–
Operating liabilities	(1.3)	–	0.5	(0.8)	4.5	–	4.5	(3.7)	–

1 Segmental information (continued)

Business line operating assets consist primarily of property, plant and equipment, intangible assets, inventories and trade and other receivables.

Business line operating liabilities consist primarily of trade and other payables and provisions.

Unallocated assets include operating assets relating to corporate segments.

Unallocated liabilities include operating liabilities for corporate segments.

	Year to 31 December 2015 £m	Year to 31 December 2014 Restated (note 10) £m
Analysis of external revenue by category:		
Sale of goods	42.8	41.8
Provision of services	963.2	996.8
	1,006.0	1,038.6
Analysis of external revenue by country:		
UK	396.9	391.8
Sweden	148.6	159.1
Germany	131.6	135.2
Denmark	125.4	133.2
Holland	75.9	83.3
Norway	47.4	57.2
Other	80.2	78.8
	1,006.0	1,038.6
Analysis of non-current assets other than financial instruments, deferred tax assets and retirement benefit assets by country are:		
UK	220.2	216.9
Sweden	116.0	120.0
Germany	135.2	149.0
Denmark	93.1	93.5
Holland	35.3	39.2
Norway	19.4	24.3
Other	250.8	265.2
	870.0	908.1

2 Net finance costs

	Year to 31 December 2015 £m	Year to 31 December 2014 £m
Interest payable on bank borrowings	(19.1)	(20.7)
Interest payable on finance leases	–	(0.1)
Interest payable on other borrowings	(0.6)	(1.3)
Amortisation of issue costs of bank loans (note i)	(1.0)	(1.0)
Fair value loss on interest rate swaps (fair value hedge)	–	(0.5)
Fair value adjustment of bank borrowings attributable to interest rate risk	–	0.5
Finance costs	(20.7)	(23.1)
Finance income	2.0	2.9
Net finance costs	(18.7)	(20.2)

(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.

3 Expenses by nature

	Year to 31 December 2015 £m	Year to 31 December 2014 £m
The following items have been included in arriving at operating profit before exceptional items:		
Staff costs (note 26)	390.1	399.5
Depreciation of property, plant and equipment (note 10):		
– Owned assets	163.9	170.0
– Under finance leases	1.5	2.6
Amortisation of intangible assets (included within other operating expenses) (note 9):		
– Customer contracts	14.4	21.5
– Computer software	4.3	4.8
Profit on sale of property, plant and equipment	(2.8)	(3.3)
Cost of inventories recognised as an expense in 'cost of sales'	8.8	7.9
Net cost of inventories written off/(back)	0.1	(0.2)
Other operating lease rentals payable:		
– Plant and machinery	16.5	13.4
– Property	8.1	7.6
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	0.7	0.7
– Tax advisory services	0.2	0.2
– Tax compliance services	0.1	0.2
Total services	1.2	1.3

4 Exceptional items

Included within operating profit are the following items which the group consider to be exceptional:

	Year to 31 December 2015 £m	Year to 31 December 2014 £m
Goodwill impairment (note 8)	6.4	–
Strategy implementation costs	0.9	–
Total	7.3	–

The goodwill impairment charge is in relation to the German Healthcare business. The tax credit on this is £1.9 million (See note 8).

The group incurred £0.9 million costs associated with the implementation of its strategic review announced in November 2015. This includes £0.2 million restructuring costs incurred in the Swedish Workwear business to realign with the new strategic priorities. The tax credit on these costs is £0.2 million.

5 Taxation

	Year to 31 December 2015 £m	Year to 31 December 2014 £m
Analysis of tax charge for the year		
Current tax:		
Tax on profits for the current year	22.6	23.5
Adjustments in respect of previous years	(0.2)	0.7
	22.4	24.2
Deferred tax (note 19):		
Origination and reversal of temporary differences	4.0	4.5
Changes in statutory tax rates	(1.7)	(0.5)
Adjustments in respect of previous years	(0.2)	(1.1)
	2.1	2.9
Total tax charge	24.5	27.1

The amount of overseas tax included in the total tax charge is £22.4 million (2014: £23.8 million).

The tax charge for the year is different from the effective UK statutory rate of 20.25% (2014: 21.5%). The difference is explained below:

	Year to 31 December 2015 £m	Year to 31 December 2014 £m
Profit before taxation	113.4	117.0
Multiplied by the effective rate of corporation tax in the UK of 20.25% (2014: 21.5%)	23.0	25.2
Effects of:		
Items not deductible for tax purposes	0.7	0.7
Non-taxable income	(0.9)	(1.0)
Taxable profit different to profit on disposal of assets	(0.1)	(0.2)
Overseas tax rate differences	2.6	2.2
Changes in statutory tax rates	(1.7)	(0.5)
Unrecognised tax gains/(losses)	–	0.2
Other	1.3	0.9
Adjustments in respect of prior years	(0.4)	(0.4)
Total tax charge	24.5	27.1

5 Taxation (continued)

The main rate of corporation tax as at 31 December 2015 was 20%. Legislation to reduce the main rate of corporation tax by 1% to 19% from 1 April 2017, and by a further 1% to 18% from 1 April 2020 was substantively enacted on 26 October 2015.

The tax (charge) relating to components of other comprehensive income and equity is as follows:

	Year to 31 December 2015 £m	Year to 31 December 2014 £m
Currency translation differences	(4.4)	(9.9)
Actuarial (gains)/losses	(1.2)	4.0
Cash flow hedges	(0.8)	1.3
Total (charged) to comprehensive income	(6.4)	(4.6)
Tax credit relating to share-based payments	0.2	1.9
Total (charged) to equity	(6.2)	(2.7)
Analysed as:		
Current tax	2.1	3.3
Deferred tax (note 19)	(8.3)	(6.0)
	(6.2)	(2.7)

6 Dividends

	Year to 31 December 2015 £m	Year to 31 December 2014 £m
Equity dividends paid during the year		
Final dividend for the year ended 31 December 2014 of 20.5 pence per share (2013: 19.2 pence)	35.0	32.6
Interim dividend for the year ended 31 December 2015 of 10.0 pence per share (2014: 9.5 pence)	17.1	16.2
	52.1	48.8
Proposed final equity dividend for approval at the AGM		
Proposed final dividend for the year ended 31 December 2015 of 21.5 pence per share (2014: 20.5 pence)	36.7	35.0

The directors recommend a final dividend for the financial year ended 31 December 2015 of 21.5 pence per ordinary share to be paid on 6 May 2016 to shareholders who are on the register at 8 April 2016. This dividend is not reflected in these financial statements as it does not represent a liability at 31 December 2015.

7 Earnings per share

Basic earnings per ordinary share are based on the group profit for the year and a weighted average of 170,852,995 (2014: 170,250,581) 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 2015 Number of shares	31 December 2014 Number of shares
In issue	170,852,995	170,250,581
Dilutive potential ordinary shares arising from unexercised share options	429,842	588,063
	171,282,837	170,838,644

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 2015		Year to 31 December 2014	
	£m	Earnings per share pence	£m	Earnings per share pence
Profit attributable to owners of parent company for basic earnings per share calculation	88.7	51.9	89.6	52.6
Exceptional items – goodwill impairment (after taxation)	4.5	2.6	–	–
Exceptional items – strategy costs (after taxation)	0.7	0.4	–	–
Amortisation of customer contracts (after taxation)	11.1	6.5	16.6	9.8
Impact of tax rate reductions: UK, Sweden and other tax items	(1.7)	(1.0)	(0.5)	(0.3)
Adjusted earnings	103.3	60.4	105.7	62.1
Diluted basic earnings		51.8		52.4
Diluted adjusted earnings		60.3		61.9

8 Goodwill

	2015 £m	2014 £m
Cost		
At 1 January	460.0	496.4
Acquisitions (note 25)	0.8	–
Currency translation	(19.5)	(36.4)
At 31 December	441.3	460.0
Accumulated amortisation and impairment		
At 1 January	69.8	73.0
Impairment	6.4	–
Currency translation	(1.9)	(3.2)
At 31 December	74.3	69.8
Net book amount at 31 December	367.0	390.2

Composition of CGUs

The group's 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 reflects this business line structure. Management monitors goodwill at operating segment level and goodwill has been allocated 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 of the time of the change of composition of CGUs in 2012.

Under the existing business line structure, we have 23 CGUs which represent the smallest identifiable group of assets that generate independent cash flows from other groups of assets. For the purpose of a goodwill impairment review, acquired goodwill has been allocated to nine groups of CGUs being the operating segments. The operating segments are Workwear, Facility, UK Flat Linen, Scandinavian Flat Linen, Germany & Austria Healthcare, Ireland, Direct Sales, Clinical Solutions and Decontamination.

For reporting purposes, the goodwill has been allocated to the operating segments as outlined below:

	2015		2014	
	Impairment charge £m	Net book amount of goodwill £m	Impairment charge £m	Net book amount of goodwill £m
Core Growth:	–			
Workwear	–	137.6	–	144.9
Facility	–	152.4	–	160.4
UK Flat Linen	–	19.9	–	19.9
Manage for Value:				
Scandinavian Flat Linen	–	36.5	–	37.5
Germany and Austria Healthcare	(6.4)	–	–	6.8
Ireland	–	2.1	–	2.2
Direct Sales	–	4.5	–	4.5
Clinical Solutions	–	14.0	–	14.0
Decontamination	–	–	–	–
Total	(6.4)	367.0	–	390.2

8 Goodwill (continued)

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. 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 +2%;
- Continued margin improvement; and
- Strong underlying cash flow reflecting the group target range of 75%-90% cash conversion after targeted investments.

Cash flows beyond the three-year period have been extrapolated using an estimated growth rate of 2% (2014: 2%) and are appropriate because these are long-term businesses. The growth rate of 2% (2014: 2%) does not exceed long-term GDP estimates for countries that the group operates within. Projected cash flows have been discounted using pre-tax discount rates of 11% (2014: 11%) except in respect of Germany and Austria Healthcare as referred to below where a rate of 13.75% has been used. 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 except as set out below because the remaining CGU's have clear headroom under the modelling assumptions.

Impairment tests are carried out annually or when indicators show that assets may be impaired. As part of our Strategy Update we reviewed the market structure of each of our businesses and the opportunities for growth and profit improvement. We characterised the market structure in Germany Healthcare to be aggressively competitive and, while we have a good management and are making significant progress in our growth and profit improvement plans, there remains substantial free capacity within our plants, which we believe will take some time to fill. Following this review we announced at the beginning of 2016, the closure of one of our German Healthcare plants where the services provided did not meet the requirements of our core portfolio and profit improvement agenda. Accordingly, in evaluating the goodwill related to this business for impairment for 2015, we applied a higher risk factor, via an increased discount rate resulting in an impairment charge of £6.4 million, after which the goodwill in this part of the business has been fully written down. No other class of assets has been impaired as their value is supported by their value in use calculation. The key assumptions used for the value in use calculation are:

- Modest revenue growth on a like-for-like basis in excess of the long-term growth rate, 2%, for each of the next three years;
- Continued margin improvement to higher single digits over the next three years; and
- More than 75% of profit converting to operating cash flow over the next three years.

If the above revenue and margin assumptions are not achieved then an impairment of other assets may become necessary.

The value of the goodwill impairment in the year is £6.4 million (2014:£nil) and is shown within the income statement as part of exceptional items – see note 4.

9 Other intangible assets

	Computer software £m	Other intangible assets £m	Customer contracts £m	Total £m
Cost				
At 1 January 2015	42.9	1.4	184.8	229.1
Acquisitions (note 25)	–	–	2.8	2.8
Additions at cost	5.1	1.1	–	6.2
Disposals	(0.1)	–	–	(0.1)
Currency translation	(1.5)	–	(9.5)	(11.0)
At 31 December 2015	46.4	2.5	178.1	227.0
Accumulated depreciation				
At 1 January 2015	33.2	1.4	157.4	192.0
Charge for the year	4.3	–	14.4	18.7
Disposals	–	–	–	–
Currency translation	(1.3)	–	(8.3)	(9.6)
At 31 December 2015	36.2	1.4	163.5	201.1
Net book amount at 31 December 2015	10.2	1.1	14.6	25.9
Net book amount at 31 December 2014	9.7	–	27.4	37.1

	Computer software £m	Other intangible assets £m	Customer contracts £m	Total £m
Cost				
At 1 January 2014	40.3	1.4	189.0	230.7
Acquisitions	–	–	11.0	11.0
Additions at cost	4.5	–	0.1	4.6
Disposals	(0.1)	–	–	(0.1)
Reclassified from plant and machinery	0.2	–	–	0.2
Currency translation	(2.0)	–	(15.3)	(17.3)
At 31 December 2014	42.9	1.4	184.8	229.1
Accumulated depreciation				
At 1 January 2014	30.2	1.4	148.6	180.2
Charge for the year	4.8	–	21.5	26.3
Disposals	(0.1)	–	–	(0.1)
Currency translation	(1.7)	–	(12.7)	(14.4)
At 31 December 2014	33.2	1.4	157.4	192.0
Net book amount at 31 December 2014	9.7	–	27.4	37.1
Net book amount at 31 December 2013	10.1	–	40.4	50.5

All amortisation charges have been charged through other operating expenses.

10 Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Textile assets and washroom equipment Restated* £m	Total £m
Cost				
At 1 January 2015	238.7	462.8	674.6	1,376.1
Additions at cost	6.2	32.7	144.5	183.4
Acquisitions (note 25)	2.0	3.6	–	5.6
Disposals	(8.0)	(34.7)	(253.2)	(295.9)
Reclassified to inventories*	–	–	(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

	2015 £m	2014 £m
Plant and machinery net book amount includes:		
Assets held under finance leases	1.2	5.3
Finance lease additions	1.5	2.2
Split of depreciation:		
Owned assets	(163.9)	(170.0)
Leased assets	(1.5)	(2.6)
	(165.4)	(172.6)

* As set out in the Accounting policies – Basis of preparation, during the year the group reclassified stocks of textile rental garments awaiting delivery to customers from property, plant and equipment to inventories. Textile asset additions at cost include purchase of textile garments held at central warehouse reclassified to finished goods inventories of £0.4 million in 2015. In 2014, £10.4 million was reclassified from property, plant and equipment to inventories, of this balance £2.7 million related to purchases in 2014.

10 Property, plant and equipment (continued)

	Land and buildings £m	Plant and machinery £m	Textile assets and washroom equipment Restated* £m	Total £m
Cost				
At 1 January 2014	249.1	482.1	660.8	1,392.0
Additions at cost	4.8	30.7	149.9	185.4
Acquisitions	1.7	0.1	1.6	3.4
Disposals	(1.6)	(21.8)	(86.8)	(110.2)
Reclassified to computer software	–	(0.2)	–	(0.2)
Reclassified to inventories*	–	–	(10.4)	(10.4)
Currency translation	(15.3)	(28.1)	(40.5)	(83.9)
At 31 December 2014	238.7	462.8	674.6	1,376.1
Accumulated depreciation				
At 1 January 2014	105.9	341.5	436.6	884.0
Charge for the year	7.4	31.1	134.1	172.6
Disposals	(0.5)	(18.6)	(86.1)	(105.2)
Currency translation	(7.5)	(20.4)	(28.2)	(56.1)
At 31 December 2014	105.3	333.6	456.4	895.3
Net book amount at 31 December 2014	133.4	129.2	218.2	480.8
Net book amount at 31 December 2013	143.2	140.6	224.2	508.0

11 Inventories

	As at 31 December 2015 £m	As at 31 December 2014 Restated* £m
Raw materials	12.0	12.3
Finished goods*	38.2	37.4
	50.2	49.7

The cost of inventories recognised as an expense in ‘cost of sales’ during the year amounted to £8.8 million (2014: £7.9 million). During the year a net cost of £0.1 million of inventories was written off (2014: £0.2 million written back).

* 2014 inventories have been restated for the reclassification of textile garment stocks from property, plant and equipment to finished goods as set out in note 10 and Accounting policies – Basis of preparation.

12 Trade and other receivables

	As at 31 December 2015 £m	As at 31 December 2014 £m
Current:		
Trade receivables	129.9	127.1
Less: Provision for impairment of trade receivables	(3.2)	(3.4)
	126.7	123.7
Other receivables	3.9	5.5
Prepayments	13.5	12.7
Accrued income	25.8	21.6
	169.9	163.5

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 2015 £m	As at 31 December 2014 £m
Sterling	37.7	30.5
Euro	37.1	40.5
Swedish krona	27.5	28.6
Danish krone	16.8	17.2
Other	11.5	12.4
	130.6	129.2

Provision for impairment of trade receivables

	As at 31 December 2015 £m	As at 31 December 2014 £m
At 1 January	3.4	4.2
Currency translation	(0.1)	(0.2)
Charge for the year	0.4	0.9
Uncollectable amounts written off, net of recoveries	(0.5)	(1.5)
At 31 December	3.2	3.4

The charge for the year is recognised as an expense in administrative expenses.

12 Trade and other receivables (continued)

As at 31 December 2015, trade receivables of £46.4 million (2014: £45.2 million) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	As at 31 December 2015 £m	As at 31 December 2014 £m
Up to one month	36.7	35.4
One to three months	7.7	5.9
Over three months	2.0	3.9
	46.4	45.2

The other classes within trade and other receivables do not contain impaired assets.

13 Cash and cash equivalents

	As at 31 December 2015 £m	As at 31 December 2014 £m
Cash at bank and in hand	126.7	96.9
	126.7	96.9

Cash at bank and in hand earns interest at floating rates based on bank deposit rates.

14 Trade and other payables

	As at 31 December 2015 £m	As at 31 December 2014 £m
Non-current:		
Accruals	1.1	1.2
	1.1	1.2
Current:		
Trade payables	61.3	64.0
Other tax and social security payable	29.9	28.6
Other payables	8.7	8.8
Deferred consideration payable on acquisitions	0.1	0.5
Accruals	89.6	91.0
Deferred income	7.2	7.4
	196.8	200.3

15 Borrowings

	As at 31 December 2015 £m	As at 31 December 2014 £m
Current		
Private placement notes – unsecured	87.7	–
Bank loans – unsecured	–	1.2
	87.7	1.2
Finance lease obligations	0.4	1.3
	88.1	2.5
Non-current		
Private placement notes – unsecured	370.1	320.5
Bank loans – unsecured	38.7	144.0
	408.8	464.5
Finance lease obligations	0.7	4.3
	409.5	468.8

Bank loans are denominated in a number of currencies and bear interest based on LIBOR or foreign equivalents appropriate to the currency in which the borrowing is incurred together with a margin as appropriate.

The effective interest rates (EIR) for the group's bank borrowings (including interest rate swaps) by currency at the balance sheet date were as follows:

	As at 31 December 2015		As at 31 December 2014	
	£m	EIR %	£m	EIR %
Borrowings under the revolving credit facilities				
Euro	–	–	11.0	0.94
Danish krone	–	–	52.5	1.14
Swedish krona	40.1	0.18	79.8	1.11
	40.1	0.18	143.3	1.11
Borrowings under the private placement (2006)				
Euro	55.3	4.52	58.7	4.52
Danish krone	12.2	4.63	13.0	4.63
Swedish krona	56.5	4.49	58.1	4.49
Currency translation	11.1	–	(1.0)	–
	135.1	4.52	128.8	4.52
Borrowings under the private placement (2009)				
Sterling	25.0	5.74	25.0	5.74
Euro	127.3	5.22	135.2	5.22
Currency translation	47.6	–	31.5	–
	199.9	5.30	191.7	5.30
Borrowings under the private placement (2015)				
Euro	58.7	2.03	–	–
Danish krone	64.6	2.21	–	–
	123.3	2.12	–	–
Unamortised loan costs	(1.9)	–	(0.8)	–
Other bank borrowings				
Danish krone	–	–	0.6	3.45
Euro	–	–	0.8	5.25
Sterling	–	–	1.3	1.88
	496.5	3.72	465.7	3.68

15 Borrowings (continued)

On 19 March 2015, the group refinanced its existing revolving credit facility for €535 million to a new revolving credit facility for €510 million. This facility expires on 19 March 2020.

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 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.

For further details of the group's derivative financial instruments against its borrowings see note 16.

As underlying currencies have been swapped from US dollars via derivative contracts, the group has a gain on financial instruments (see note 16) which is offset by the currency translation loss on the underlying borrowings noted above. The borrowing under the US private placements (2006 and 2009) of £335.0 million reflects the £25 million and the US$459 million translated at the year end sterling to dollar rate.

Fair value of financial assets and liabilities

	As at 31 December 2015		As at 31 December 2014	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Long-term borrowings	(409.5)	(434.2)	(468.8)	(496.1)
Fair value of other financial assets and liabilities:				
Short-term borrowings	(88.1)	(88.1)	(2.5)	(2.5)
Trade and other payables (note 14)	(70.1)	(70.1)	(73.3)	(73.3)
Trade and other receivables (note 12)	130.6	130.6	129.2	129.2
Cash at bank and in hand (note 13)	126.7	126.7	96.9	96.9

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.

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 2015			As at 31 December 2014		
	Borrowings £m	Finance leases £m	Total £m	Borrowings £m	Finance leases £m	Total £m
Within one year	87.7	0.4	88.1	1.2	1.3	2.5
In more than one year but not more than two years	–	0.3	0.3	226.3	1.5	227.8
Over two years but not more than five years	218.4	0.4	218.8	173.1	2.8	175.9
Over five years	190.4	–	190.4	65.1	–	65.1
	496.5	1.1	497.6	465.7	5.6	471.3

15 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 2015 £m	As at 31 December 2014 £m
Expiring in more than one year but not more than two years	–	255.7
Expiring in over two years but not more than five years	335.6	–
	335.6	255.7

The minimum lease payments under finance leases fall due as follows:

	As at 31 December 2015 £m	As at 31 December 2014 £m
Not later than one year	0.5	1.5
Later than one year but not more than five	0.7	4.4
	1.2	5.9
Future finance charges on finance leases	(0.1)	(0.3)
Present value of finance lease liabilities	1.1	5.6

16 Derivative financial instruments

The derivatives the group has used qualify for one or more hedge type designations under IAS 39. The fair values of the group's derivatives have been determined based on available market information at the balance sheet date and the following methodologies:

- the fair value of forward foreign exchange contracts are calculated by discounting the contracted forward values and translating at the balance sheet rates; and
- the fair value of both interest rate swaps and cross-currency interest rate swaps are calculated by discounting expected future principal and interest cash flows derived from appropriate yield curves.

The fair value measurements of the derivatives are classified as Level 2 in the fair value hierarchy as defined by IFRS 13 'Fair value measurement':

The fair value and the notional amounts by designated hedge type are as follows:

	As at 31 December 2015			As at 31 December 2014		
	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	38.9	–	310.0	20.1	–	295.5
Forward foreign exchange contracts	0.6	–	31.7	0.4	–	21.9
	39.5	–		20.5	–	
Net investment hedges						
Cross-currency interest rate swaps	28.2	(11.2)	310.8	20.0	(17.9)	328.5
	28.2	(11.2)		20.0	(17.9)	
Total	67.7	(11.2)		40.5	(17.9)	

16 Derivative financial instruments (continued)

The maturity of all derivative financial instruments is as follows (excluding break clauses):

	As at 31 December 2015						As at 31 December 2014					
	In one year or less	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years	In one year or less	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years
Cash flow hedges												
Asset	13.1	–	11.6	8.3	–	6.5	0.4	8.7	–	8.3	2.2	0.9
Liability	–	–	–	–	–	–	–	–	–	–	–	–
Net investment hedges												
Asset	3.2	–	–	14.2	–	10.8	(0.3)	2.6	–	–	10.1	7.6
Liability	(5.3)	–	(5.9)	–	–	–	(0.6)	(8.2)	–	(9.1)	–	–
Total												
Asset	16.3	–	11.6	22.5	–	17.3	0.1	11.3	–	8.3	12.3	8.5
Liability	(5.3)	–	(5.9)	–	–	–	(0.6)	(8.2)	–	(9.1)	–	–

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 2015						As at 31 December 2014					
	In one year or less	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years	In one year or less	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years
Cash flow hedges												
Asset	24.8	3.1	–	11.1	–	0.5	0.4	16.9	0.6	–	2.1	0.5
Liability	–	–	–	–	–	–	–	–	–	–	–	–
Net investment hedges												
Asset	3.2	5.4	–	19.1	–	0.5	(0.3)	2.6	3.8	–	13.4	0.5
Liability	(11.2)	–	–	–	–	–	(0.6)	(17.3)	–	–	–	–
Total												
Asset	28.0	8.5	–	30.2	–	1.0	0.1	19.5	4.4	–	15.5	1.0
Liability	(11.2)	–	–	–	–	–	(0.6)	(17.3)	–	–	–	–

Background

At 31 December 2015, the group has in issue US$459 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. In December 2009 the group undertook a further placement of US$259 million at fixed rates for periods between seven and twelve years. In both placements the foreign currency amounts were immediately swapped into other currencies: Danish krone, Swedish krona and euros. This is to offset the foreign exchange rate exposure arising on the group's foreign currency assets.

The conversion from US dollars into currency was achieved in two stages. In the first stage swaps were taken out to convert US dollars to sterling. All of these swaps have been designated as cash flow hedges, with the exception of one swap from the 2006 placement, which has been designated as a fair value hedge, 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.

16 Derivative financial instruments (continued)

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 15 instruments is £38.9 million, of which the currency component is a gain of £14.5 million and a gain of £4.3 million taken to the hedging reserve.

The total exchange component of the cash flow hedge derivatives movement has been accounted for within the statement of comprehensive income (£14.5 million gain). The £4.3 million gain has been taken to the hedging reserve and will be continuously released to the income statement until the repayment of the private placement.

The forward foreign exchange contracts have resulted in the recognition of a derivative asset of £0.6 million (2014: derivative asset of £0.4 million). During the year a gain of £0.2 million (2014: gain of £1.1 million) was recognised in equity. This equity transfer will then be recognised in the income statement in line with the hedged transaction.

Net investment hedges

The second stage of the US private placement swaps results in sterling being exchanged into Danish krone, Swedish krona and euros. At 31 December 2015 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 (£14.9 million gain).

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 2015 was £40.1 million (2014: £143.3 million). The foreign exchange gain of £8.9 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 2015 was £123.3 million. The foreign exchange gain of £0.7 million on translation from inception is taken to reserves as a component part of currency translation.

Fair value hedges

The group had no fair value hedges in 2015.

17 Financial risk management
17.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk; fair value interest rate risk; cash flow interest rate risk and price risk); credit risk and liquidity risk. The group's overall risk management programmes focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the group finance team under the supervision of the Chief Financial Officer under policies approved by the board of directors. The Chief Financial Officer identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board approves written principles for foreign exchange risk, interest rate risk and credit risk, and the use of derivative financial instruments and non-derivative financial instruments, and receives regular reports on such matters.

a) Market risk

i) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro, Swedish krona and Danish krone. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The majority of operations in the group bill their revenues and incur their costs in the same functional currency. The group faces some currency exposure in respect of the procurement of textiles and capital equipment from Far East suppliers. The group policy is to enter forward contracts to purchase US dollars based upon the expected purchases. These derivatives are classified as cash flow hedges.

17.1 Financial risk factors (continued)

The group's policy is not to hedge foreign currency exposures on the translation of its overseas profit to sterling. Where appropriate, borrowings are effectively arranged in currencies so as to provide a natural hedge against the investment in overseas net assets.

During 2015 and 2014, derivative financial instruments were used to manage foreign currency risk as follows:

	As at 31 December 2015						
	Sterling £m	Euro £m	US dollar £m	Danish krone £m	Swedish krona £m	Other £m	Total £m
Cash and cash equivalents	104.0	70.3	–	12.6	51.1	17.6	255.6
Bank overdrafts	(125.0)	(2.0)	–	–	–	(1.9)	(128.9)
Net cash and cash equivalents (note 13)	(21.0)	68.3	–	12.6	51.1	15.7	126.7
Borrowings, excluding finance lease liabilities (note 15)	(23.1)	(64.6)	(310.0)	(58.7)	(40.1)	–	(496.5)
Finance lease liabilities (note 15)	(0.2)	(0.2)	–	–	(0.7)	–	(1.1)
Pre-derivative net debt position	(44.3)	3.5	(310.0)	(46.1)	10.3	15.7	(370.9)
Derivative effect (note 16)	0.6	(185.1)	310.0	(12.3)	(56.7)	–	56.5
Post-derivative net debt position	(43.7)	(181.6)	–	(58.4)	(46.4)	15.7	(314.4)

	As at 31 December 2014						
	Sterling £m	Euro £m	US dollar £m	Danish krone £m	Swedish krona £m	Other £m	Total £m
Cash and cash equivalents	37.4	72.5	–	19.1	95.2	38.1	262.3
Bank overdrafts	(120.4)	(43.6)	–	–	–	(1.4)	(165.4)
Net cash and cash equivalents (note 13)	(83.0)	28.9	–	19.1	95.2	36.7	96.9
Borrowings, excluding finance lease liabilities (note 15)	(25.5)	(11.8)	(295.5)	(53.1)	(79.8)	–	(465.7)
Finance lease liabilities (note 15)	(0.6)	(0.2)	–	–	(4.6)	(0.2)	(5.6)
Pre-derivative net debt position	(109.1)	16.9	(295.5)	(34.0)	10.8	36.5	(374.4)
Derivative effect (note 16)	0.3	(201.6)	295.5	(13.1)	(58.5)	–	22.6
Post-derivative net debt position	(108.8)	(184.7)	–	(47.1)	(47.7)	36.5	(351.8)

The exposure to euro, Swedish krona and Danish krone largely relate to our net investment hedge activities as described and shown in note 16.

ii) Price risk

The group is not exposed to any equity securities price risk. The group may from time to time be exposed to changes in the price of cotton. To mitigate against this risk the group may enter into forward contracts to buy cotton based textiles at a future date. Such contracts are not recognised as derivative financial instruments as they are held with the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements.

iii) Cash flow and fair value interest rate risk

The group's interest bearing assets include cash and cash equivalents which earn interest at floating rates. The group's income and operating cash flows are substantially independent of changes in market interest rates.

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. Group policy is to maintain a majority of its borrowings at fixed rate using interest rate swaps to achieve this when necessary. During 2015 and 2014, the group's borrowings at variable rate were denominated in sterling, euro, Swedish krona and Danish krone.

17.1 Financial risk factors (continued)

The following table sets out the carrying amount, by contractual repricing date (or maturity where there is no repricing), of fixed rate borrowings that are exposed to interest rate risk before taking into account interest rate swaps:

	As at 31 December 2015 £m	As at 31 December 2014 £m
Fixed interest rate borrowings		
In one year or less	88.1	2.5
In more than one year, but not more than two years	0.3	84.5
In more than two years but not more than five years	178.7	175.9
In more than five years	190.4	65.1
	457.5	328.0
Floating interest rate borrowings	40.1	143.3
Total borrowings	497.6	471.3

During 2015 and 2014, net debt was managed using derivative instruments to hedge interest rate risk as follows:

	As at 31 December 2015			As at 31 December 2014		
	Fixed-rate £m	Floating-rate £m	Total £m	Fixed-rate £m	Floating-rate £m	Total £m
Cash and cash equivalents	–	126.7	126.7	–	96.9	96.9
Borrowings	(457.5)	(40.1)	(497.6)	(328.0)	(143.3)	(471.3)
Pre-derivative net debt position	(457.5)	86.6	(370.9)	(328.0)	(46.4)	(374.4)
Derivative effect (note i)	55.9	–	55.9	22.2	–	22.2
Post-derivative net debt position	(401.6)	86.6	(315.0)	(305.8)	(46.4)	(352.2)

(i) Excludes the forward foreign exchange contract derivatives.

b) Credit risk

Credit risk is managed on a group or local basis as appropriate. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

The majority of banks and financial institutions accepted are independently rated parties with a minimum rating of 'A'. Trade receivables consist of a large number of customers spread across geographical areas. If there is no independent rating, management assesses the credit quality of the customer taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal ratings. Management monitors the utilisation of credit limits regularly.

Management believes there is no further credit risk provision required in excess of the normal provision for doubtful debts.

Treasury related credit risk

Counterparty risk arises from the investment of surplus funds and from use of derivative instruments.

As at 31 December 2015 and 31 December 2014, we had a number of exposures to individual counterparties. In accordance with our treasury policies and exposure management practices, counterparty credit exposure limits are continually monitored and no individual exposure is considered significant in the ordinary course of treasury management activity. Management does not expect any significant losses from non-performance by these counterparties.

The counterparty exposure under all financial assets including trade and other receivables, cash and cash equivalents and derivative financial contracts were £325.0 million (2014: £266.6 million). The group does not hold any collateral as security.

c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the group and is aggregated by group finance. Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 15) at all times so that the group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plans, covenant compliance, and compliance with internal balance sheet ratio targets.

17.1 Financial risk factors (continued)

The table below analyses the group's financial liabilities, excluding break clauses, which will be settled on a net basis into relative maturity groupings based on the remaining period at the balance sheet to the contract maturity date. The amounts disclosed in the table are contractual undiscounted cash flows using spot interest and foreign exchange rates at 31 December 2015. Balances due within 12 months equal their carrying balances as the impact of the discount is not significant.

	As at 31 December 2015				
	Due within one year £m	Due between one and two years £m	Due between two and five years £m	Due five years and beyond £m	Total £m
Non-derivative financial liabilities					
Borrowings, excluding finance lease liabilities	87.7	–	218.4	190.4	496.5
Interest payments on borrowings	4.1	4.1	10.9	10.8	29.9
Finance lease liabilities	0.4	0.3	0.4	–	1.1
Other non-interest bearing liabilities	165.4	–	–	–	165.4
Derivative financial liabilities					
Derivative contracts – payments	10.5	8.7	15.6	2.6	37.4
Total at 31 December 2015	268.1	13.1	245.3	203.8	730.3

	As at 31 December 2014				
	Due within one year £m	Due between one and two years £m	Due between two and five years £m	Due five years and beyond £m	Total £m
Non-derivative financial liabilities					
Borrowings, excluding finance lease liabilities	1.2	226.3	173.1	65.1	465.7
Interest payments on borrowings	3.0	2.3	4.3	–	9.6
Finance lease liabilities	1.3	1.5	2.8	–	5.6
Other non-interest bearing liabilities	170.2	–	–	–	170.2
Derivative financial liabilities					
Derivative contracts – payments	12.9	11.1	22.9	5.5	52.4
Total at 31 December 2014	188.6	241.2	203.1	70.6	703.5

d) Sensitivity analysis

Financial instruments affected by market risk include borrowings, deposits and derivative financial instruments. The following analysis is intended to illustrate the sensitivity to changes in market variables, being UK, euro, Swedish krona and Danish krone interest rates and sterling exchange rate on our financial instruments. We have excluded from this analysis the impact of movements in market variables on the carrying values of trade receivables and payables, since these are not exposed to risk from the market variables.

This analysis excludes the impact of movements in market variables on the carrying value of pension and other post-retirement obligations, provisions and on the non-financial assets and liabilities of overseas subsidiaries.

The sensitivity analysis has been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives portfolio and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2015 and 31 December 2014. As a consequence, this sensitivity analysis relates to the positions at those dates and is not representative of the years then ended, as all of these varied.

17.1 Financial risk factors (continued)

The following assumptions were made in calculating the sensitivity analysis:

- financial derivatives in net investment hedging relationship will not influence interest or foreign exchange sensitivity analysis;
- the sensitivity of accrued interest to movements in interest rates is calculated on net floating rate exposures on debt, deposits and derivative instruments;
- the sensitivity of accrued interest to movements in interest rates is recorded fully within the income statement; and
- changes in the carrying value of financial instruments from movements in exchange rates are recorded fully within equity.

The following table shows the group's exposure to foreign exchange risk as at 31 December 2015 and 31 December 2014, which is a result of increase/decrease of 10% movement in foreign exchange gains/losses on translation of foreign currency denominated borrowings. The foreign exchange risk is naturally hedged against the net assets of our operations in Continental Europe. All foreign exchange on both the borrowings and net assets is taken to reserves where it will offset.

	As at 31 December 2015 Equity £m	As at 31 December 2014 Equity £m
Euro exchange rate + 10%	16.5	16.8
Euro exchange rate –10%	(20.2)	(20.5)
Danish krone exchange rate +10%	5.3	4.3
Danish krone exchange rate –10%	(6.5)	(5.2)
Swedish krona exchange rate +10%	4.2	4.3
Swedish krona exchange rate –10%	(5.2)	(5.3)

The table below shows the sensitivity of post-tax profit to interest rates as at 31 December 2015 and 31 December 2014, due to an increase/decrease in interest rates of 100 basis points (bp) with all other variables held constant. Post-tax profit for the year would have been mainly affected through interest expense on floating rate cash and cash equivalents and borrowings.

	As at 31 December 2015 Income statement £m	As at 31 December 2014 Income statement £m
UK interest rates +100bp	(0.2)	(0.8)
UK interest rates –100bp	0.2	0.8
Euro interest rates +100bp	0.7	0.2
Euro interest rates –100bp	(0.7)	(0.2)
Danish krone interest rates +100bp	0.1	(0.3)
Danish krone interest rates –100bp	(0.1)	0.3
Swedish krona interest rates +100bp	0.1	0.2
Swedish krona interest rates –100bp	(0.1)	(0.2)

17.2 Capital management

The group's objectives when managing its capital structure are to safeguard the group's ability to continue as a going concern, to provide appropriate returns for shareholders and benefits for other stakeholders.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or take other steps to increase share capital or reduce debt.

The group manages its capital structure using a number of measures and taking into account its future strategic plans. Such measures include its net interest cover and leverage ratios, which are included in its banking covenants. The group continues to remain compliant with all its banking covenants.

Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents.

	As at 31 December 2015 £m	As at 31 December 2014 £m
Total borrowings	497.6	471.3
Less cash and cash equivalents	(126.7)	(96.9)
Net debt	370.9	374.4
Total equity	519.0	505.4
Total capital	889.9	879.8

17.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method (see notes 15 and 16). The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the group's financial assets and liabilities that are measured at fair value at 31 December 2015:

	Level 1	Level 2	Level 3	Total
Assets				
Derivatives used for hedging				
Cross-currency interest rate swaps	–	67.1	–	67.1
Forward foreign exchange contracts	–	0.6	–	0.6
Total assets	–	67.7	–	67.7

	Level 1	Level 2	Level 3	Total
Liabilities				
Derivatives used for hedging				
Cross-currency interest rate swaps	–	(11.2)	–	(11.2)
Forward foreign exchange contracts	–	–	–	–
Total liabilities	–	(11.2)	–	(11.2)

17.3 Fair value estimation (continued)

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2014:

	Level 1	Level 2	Level 3	Total
Assets				
Derivatives used for hedging				
Cross-currency interest rate swaps	–	40.1	–	40.1
Forward foreign exchange contracts	–	0.4	–	0.4
Total assets	–	40.5	–	40.5

	Level 1	Level 2	Level 3	Total
Liabilities				
Derivatives used for hedging				
Cross-currency interest rate swaps	–	(17.9)	–	(17.9)
Forward foreign exchange contracts	–	–	–	–
Total liabilities	–	(17.9)	–	(17.9)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar instruments;
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value; and
- other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

17.4 Offsetting financial assets and financial liabilities

a) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet: Financial instruments	Related amounts not set off in the balance sheet: Cash collateral received	Net amount
At 31 December 2015						
Derivative financial assets	67.7	–	67.7	(11.2)	–	56.5
Cash and cash equivalents	255.6	(128.9)	126.7	–	–	126.7
Total	323.3	(128.9)	194.4	(11.2)	–	183.2

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet: Financial instruments	Related amounts not set off in the balance sheet: Cash collateral received	Net amount
At 31 December 2014						
Derivative financial assets	40.8	–	40.8	(17.6)	–	23.2
Cash and cash equivalents	262.3	(165.4)	96.9	–	–	96.9
Total	303.1	(165.4)	137.7	(17.6)	–	120.1

b) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet: Financial instruments	Related amounts not set off in the balance sheet: Cash collateral received	Net amount
At 31 December 2015						
Derivative financial liabilities	(11.2)	–	(11.2)	11.2	–	–
Bank overdrafts	(128.9)	128.9	–	–	–	–
Total	(140.1)	128.9	(11.2)	11.2	–	–

17.4 Offsetting financial assets and financial liabilities (continued)

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet: Financial instruments	Related amounts not set off in the balance sheet: Cash collateral received	Net amount
At 31 December 2014						
Derivative financial liabilities	(17.6)	–	(17.6)	17.6	–	–
Bank overdrafts	(165.4)	165.4	–	–	–	–
Total	(183.0)	165.4	(17.6)	17.6	–	–

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. Per the terms of each agreement, an event of default includes failure by a party to make payment when due; failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within a period of 30 to 60 days after notice of such failure is given to the party; or bankruptcy.

18 Provisions

	Restructuring £m	Onerous contract provision £m	Other £m	Total £m
At 1 January 2015	0.9	0.2	2.0	3.1
Charged in the year	0.5	–	–	0.5
Released in the year	–	(0.2)	–	(0.2)
Utilised in the year	(0.3)	–	–	(0.3)
Currency translation	–	–	(0.2)	(0.2)
At 31 December 2015	1.1	–	1.8	2.9
Represented by:				
Non-current	–	–	–	–
Current	1.1	–	1.8	2.9
	1.1	–	1.8	2.9

Restructuring

Restructuring provisions comprise largely of employee termination payments and are not recognised for future operating losses.

Onerous contract provision

The group previously held a provision for future losses on two decontamination contracts which were considered to be onerous. The release of the provision in 2015 is shown as part of administrative expenses within the income statement.

Other

Other represents a provision for the historic environmental clean-up costs at a plant in Holland (see also note 30) which the group believes is covered by an indemnity from a 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 this site. The company expects to have this warranty confirmed in full and consequently has accounted for the receivable, at fair value, within other debtors. The charge and related income are shown within administrative expenses.

19 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using the tax rate applicable to the territory in which the difference arises.

(a) The movement on the net deferred tax account is as shown below:

	2015 £m	2014 £m
At 1 January	(49.5)	(42.0)
Acquisitions (note 25)	(0.2)	(1.7)
(Charged) to income (note 5)	(2.1)	(2.9)
(Charged) to equity (note 5)	(8.3)	(6.0)
Currency translation	1.6	3.1
At 31 December	(58.5)	(49.5)

The balance sheet presentation shown below is after the offsetting of deferred tax balances within the same tax jurisdiction. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Balance sheet presentation

	As at 31 December 2015 £m	As at 31 December 2014 £m
Deferred tax assets		
– due after more than one year	6.9	8.1
Deferred tax liabilities		
– due after more than one year	(65.4)	(57.6)
	(58.5)	(49.5)

(b) The individual movements in deferred tax assets and deferred tax liabilities, before the offsetting of balances within the same jurisdiction, are shown below:

Deferred tax liabilities

	Accelerated tax depreciation £m	Pensions £m	Derivatives £m	Other £m	Total £m
At 1 January 2015	(50.8)	(7.2)	(4.1)	(9.0)	(71.1)
Acquisition of subsidiary	(0.2)	–	–	–	(0.2)
Credited/(charged) to income	(2.9)	(0.5)	0.2	0.4	(2.8)
Credited to equity	–	(0.3)	(5.6)	–	(5.9)
Currency translation	2.5	–	–	0.2	2.7
At 31 December 2015	(51.4)	(8.0)	(9.5)	(8.4)	(77.3)

19 Deferred tax (continued)

Deferred tax assets

	Provisions £m	Pensions £m	Tax losses £m	Derivatives £m	Other £m	Total £m
At 1 January 2015	1.3	3.6	6.1	–	10.6	21.6
(Charged)/credited to income	(0.1)	(0.1)	(1.2)	–	2.1	0.7
(Charged) to equity	–	(1.0)	–	–	(1.4)	(2.4)
Currency translation	(0.1)	(0.1)	(0.3)	–	(0.6)	(1.1)
At 31 December 2015	1.1	2.4	4.6	–	10.7	18.8

Deferred tax assets have been recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets where it is considered probable that these assets will be recovered.

Deferred tax assets have not been recognised as follows:

	As at 31 December 2015 £m	As at 31 December 2014 £m
Unused tax losses	1.4	1.9

Included in unused tax losses is an amount of £0.4 million (2014: £0.6 million) which will expire between 2016 and 2025 if the relevant losses are not used.

No deferred tax is recognised on unremitted earnings from overseas subsidiaries.

20 Share capital

	Ordinary shares millions	Ordinary shares £m
Allotted and fully paid		
At 1 January 2015	172.6	51.8
Allotted in respect of share option schemes	–	–
At 31 December 2015	172.6	51.8

Fully paid ordinary shares have a par value of 30 pence.

Potential issues of ordinary shares

Share options

Options on 27,564 shares were exercised in 2015 (8,528 at an exercise price of £3.23, 15,360 at an exercise price of £3.47 and 3,271 at an exercise price of £7.26 and 405 at an exercise price of £7.92). For arrangements granted since October 2002, which were exercised in the year, the weighted average market price at the time of exercise was £10.38. The number of shares subject to options is given below:

	Not exercised at 31 December 2015	Not exercised at 31 December 2014	Price per share pence
Berendsen Sharesave Plan 2006			
Date of grant 29 October 2009	–	8,182	323.00
27 October 2011	78,900	99,737	347.00
24 October 2013	235,483	267,760	726.00
23 October 2014	321,266	362,548	792.00
Berendsen Irish SAYE Scheme 2009			
Date of grant 29 October 2009	–	346	323.00
	635,649	738,573	

20 Share capital (continued)

Share awards

As at 31 December 2015, the following conditional share awards granted to directors and staff remain outstanding:

	31 December 2015	31 December 2014
Performance Share Plan		
Date of grant 7 March 2012	–	450,639
7 March 2013	319,494	319,494
6 March 2014	222,004	222,004
9 March 2015	161,492	–
6 August 2015	50,700	–
Co-Investment Plan		
Date of grant 10 April 2012	–	707,572
9 April 2013	447,292	447,292
7 April 2014	310,816	310,816
7 April 2015	226,092	–
Deferred Bonus Share Plan		
Date of grant 7 March 2012	–	84,208
7 March 2013	92,726	92,726
6 March 2014	57,645	57,645
9 March 2015	51,548	–
Berendsen Long-term Incentive Plan (three years)		
Date of grant 7 March 2012	–	186,356
7 March 2013	143,894	143,894
6 March 2014	93,500	93,500
9 March 2015	76,500	–
Berendsen Long-term Incentive Plan (two years)		
Date of grant 7 March 2013	–	309,821
6 March 2014	174,800	186,400
9 March 2015	218,500	–
One-off Share award		
Date of grant 2 April 2012	–	19,730
	2,647,003	3,632,097

21 Share-based payments

The following share-based expenses charged in the year are included within administration expenses:

	Year to 31 December 2015 £m	Year to 31 December 2014 £m
Performance share plans	1.2	1.7
Executive incentive plan	–	0.1
Co-Investment plan	1.5	2.8
Berendsen Long-term Incentive Plans	1.5	0.6
Executive and Sharesave option schemes	0.4	0.4
	4.6	5.6

21 Share-based payments (continued)

Share options

During the year the group had eight share-based payment arrangements granted since October 2009, outstanding with employees to grant share options. The schemes are equity settled. The details of the arrangements are set out below:

	Number of options originally granted	Contractual life	Exercise price (pence)	Share price at date of grant	Number of employees at grant	Expected volatility	Expected remaining life	Risk free rate	Expected dividend yield	Fair value per option (pence)
Berendsen Sharesave Plan 2006										
29 October 2009	301,044	5.5 years	323.0	402.6	152	27%	0 years	2.0%	4.8%	65.32
27 October 2011	360,278	3.5 years	347.0	433.2	458	29%	0 years	0.6%	4.2%	75.26
27 October 2011	118,964	5.5 years	347.0	433.2	92	27%	1.5 years	1.2%	4.2%	74.02
24 October 2013	225,323	3.5 years	726.0	907.0	585	23%	1.5 years	0.8%	4.3%	1.70
24 October 2013	98,475	5.5 years	726.0	907.0	140	25%	3.5 years	1.5%	4.3%	1.89
23 October 2014	242,528	3.5 years	792.0	990.0	573	20%	2.5 years	1.0%	4.8%	1.64
23 October 2014	124,268	5.5 years	792.0	990.0	121	22%	4.5 years	1.5%	4.8%	1.70
Berendsen Irish SAYE Scheme 2009										
29 October 2009	20,639	5.5 years	323.0	418.0	11	27%	0.5 years	2.0%	4.8%	65.35

The group has used the Black-Scholes model to value its share option awards.

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the length of the option period.

The options granted under the Sharesave Plan are available to all UK employees. The options granted under the Irish scheme are available to all Republic of Ireland employees. The exercise price of the granted options is equal to the average market price of the shares less 20% at the date of invitation. Options are conditional on the employee completing three or five years service (the vesting period). There are no other conditions. The options are exercisable for a period of six months after vesting.

21 Share-based payments (continued)

A reconciliation of movements in the number of share options for the group can be summarised as follows:

Berendsen Sharesave Plan 2006

		Number of shares					
	1 January 2015	Granted	Exercised	Lapsed	31 December 2015	Exercise price (pence)	Exercise period
29 October 2009	8,182	–	(8,182)	–	–	323.0	Dec 2014 – May 2015
27 October 2011	10,810	–	(10,189)	(621)	–	347.0	Dec 2014 – May 2015
27 October 2011	88,927	–	(5,171)	(4,856)	78,900	347.0	Dec 2016 – May 2017
24 October 2013	185,245	–	(2,936)	(20,875)	161,434	726.0	Dec 2016 – May 2017
24 October 2013	82,515	–	(335)	(8,131)	74,049	726.0	Dec 2018 – May 2019
23 October 2014	239,045	–	(405)	(25,886)	212,754	792.0	Dec 2017 – May 2018
23 October 2014	123,503	–	–	(14,991)	108,512	792.0	Dec 2019 – May 2020

		Number of shares					
	1 January 2014	Granted	Exercised	Lapsed	31 December 2014	Exercise price (pence)	Exercise period
29 October 2009	230,793	–	(215,468)	(7,143)	8,182	323.0	Dec 2014 – May 2015
27 October 2011	274,907	–	(237,940)	(26,157)	10,810	347.0	Dec 2014 – May 2015
27 October 2011	98,914	–	(1,522)	(8,465)	88,927	347.0	Dec 2016 – May 2017
24 October 2013	223,067	–	(1,740)	(36,082)	185,245	726.0	Dec 2016 – May 2017
24 October 2013	98,475	–	(782)	(15,178)	82,515	726.0	Dec 2018 – May 2019
23 October 2014	–	242,528	–	(3,483)	239,045	792.0	Dec 2017 – May 2018
23 October 2014	–	124,268	–	(765)	123,503	792.0	Dec 2019 – May 2020

Berendsen Irish SAYE Scheme 2009

		Number of shares					
	1 January 2015	Granted	Exercised	Lapsed	31 December 2015	Exercise price (pence)	Exercise period
29 October 2009	346	–	(346)	–	–	323.0	Dec 2014 – May 2015

		Number of shares					
	1 January 2014	Granted	Exercised	Lapsed	31 December 2014	Exercise price (pence)	Exercise period
29 October 2009	9,810	–	(8,093)	(1,371)	346.0	323.0	Dec 2014 – May 2015

21 Share-based payments (continued)

Share awards

During the year the group had 21 conditional share awards granted to directors and staff. The schemes are equity settled. The details of the arrangements are set out below:

	Number of options originally granted	Contractual life	Share price at date of grant	Number of employees at grant	Expected volatility	Average correlation	Expected life	Risk free rate	Expected dividend yield	Fair value per option (pence)
Performance Share Plan										
Date of grant 7 March 2012	450,639	3 years	517.9	7	29%	n/a	3 years	0.6%	7.3%	416.56
7 March 2013	319,494	3 years	712.0	7	24%	n/a	3 years	0.4%	5.8%	598.16
6 March 2014	222,004	3 years	1035.0	7	23%	n/a	3 years	1.1%	4.4%	907.07
9 March 2015	212,392	3 years	1110.0	7	19%	n/a	3 years	1.0%	4.5%	971.27
6 August 2015	50,700	3 years	1035.5	1	19%	n/a	3 years	1.0%	4.8%	896.48
Deferred Bonus Share Plan										
Date of grant 7 March 2012	84,208	3 years	517.9	7	26%	n/a	3 years	0.6%	7.3%	44.01
7 March 2013	92,726	3 years	712.0	7	24%	n/a	3 years	0.4%	5.8%	60.91
6 March 2014	57,645	3 years	1035.0	7	23%	n/a	3 years	1.1%	4.4%	106.7
9 March 2015	51,548	3 years	1110.0	7	19%	n/a	3 years	1.0%	4.5%	88.22
Co-Investment Plan										
Date of grant 10 April 2012	707,572	3 years	518.0	11	25%	n/a	3 years	0.5%	7.3%	416.54
9 April 2013	447,292	3 years	768.0	7	24%	n/a	3 years	0.3%	5.4%	653.45
7 April 2014	310,816	3 years	1035.0	7	23%	n/a	3 years	1.1%	4.4%	907.07
7 April 2015	297,352	3 years	1124.0	7	19%	n/a	3 years	0.7%	4.4%	985.15
One-off Share Award										
Date of grant 2 April 2012	19,730	3 years	523.0	1	25%	n/a	3 years	0.6%	7.3%	421.53
Berendsen Long-term Incentive Plan										
Date of grant 7 March 2012	209,624	3 years	517.9	11	26%	n/a	3 years	0.6%	7.3%	416.56
7 March 2013	143,894	3 years	712.0	11	24%	n/a	3 years	0.4%	5.8%	598.16
7 March 2013	324,383	2 years	712.0	83	24%	n/a	2 years	0.2%	5.8%	633.92
6 March 2014	93,500	3 years	1035.0	11	23%	n/a	3 years	1.1%	4.4%	907.07
6 March 2014	191,400	2 years	1035.0	94	19%	n/a	2 years	0.7%	4.4%	948.07
9 March 2015	76,500	3 years	1110.0	9	19%	n/a	3 years	1.0%	4.5%	971.27
9 March 2015	230,700	2 years	1110.0	98	19%	n/a	2 years	0.6%	4.5%	1015.5

21 Share-based payments (continued)

The Performance Share Plan (PSP) provides for the grant of awards in the form of conditional free shares or nil costs options. Shares in relation to the award will be released to participants at the end of a three-year performance period, dependent upon the extent to which the performance conditions (adjusted EPS and ROIC) have been satisfied.

The Co-Investment Plan (CIP) provides for the grant of awards in the form of nil cost options. Under this scheme, certain senior executives can invest up to 35% of their salary in shares annually, which is then matched on a gross basis with a granted award. The awards will be released to participants at the end of a three-year performance period, dependent upon the extent to which the performance conditions (adjusted EPS and ROIC) have been satisfied. Awards granted before 2013 had a guaranteed match, where a proportion of the awards granted were not dependent upon performance conditions.

The Deferred Bonus Share Plan (DBSP) provides for the grant of awards that equal a quarter of an executive director's annual bonus. Awards are conditional free shares which are dependent on the employee completing three years' service from the date of the grant.

The Berendsen Long-Term Incentive Plan (BLTIP) provides for the grant of awards in the form of nil cost options which are conditional on the employee achieving relevant, stretching three or two-year performance targets which are business unit specific.

The Executive Incentive Plan (EIP) awards are conditional on the employee achieving relevant, stretching, three year performance targets. Awards are no longer granted under this scheme.

A one-off share award was granted on 2 April 2012 following the purchase of the Decontam business in Germany. The award is not performance related and vested on 1 April 2015.

The group has used the Black-Scholes model to value its share awards.

The volatility at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the length of the award period.

A reconciliation of movements in the number of share awards for the group can be summarised as follows:

Performance Share Plan

	1 January 2015	Number of shares Granted	Vested	Lapsed	31 December 2015	Vesting period/date
7 March 2012	450,639	–	(357,807)	(92,832)	–	7 March 2015 – 7 March 2019
7 March 2013	319,494	–	–	–	319,494	7 March 2016 – 7 March 2020
6 March 2014	222,004	–	–	–	222,004	6 March 2017 – 6 March 2021
9 March 2015	–	212,392	–	(50,900)	161,492	9 March 2018 – 9 March 2022
6 August 2015	–	50,700	–	–	50,700	6 August 2018 – 6 August 2022

	1 January 2014	Number of shares Granted	Vested	Lapsed	31 December 2014	Vesting period/date
3 March 2011	435,097	–	(337,197)	(97,900)	–	3 March 2014
7 March 2012	450,639	–	–	–	450,639	7 March 2015 – 7 March 2019
7 March 2013	319,494	–	–	–	319,494	7 March 2016 – 7 March 2020
6 March 2014	–	222,004	–	–	222,004	6 March 2017 – 6 March 2021

21 Share-based payments (continued)

Co-Investment Plan

	1 January 2015	Number of shares Granted	Vested	Lapsed	31 December 2015	Vesting period/date
10 April 2012	707,572	–	(597,750)	(109,822)	–	10 April 2015 – 10 April 2019
9 April 2013	447,292	–	–	–	447,292	9 April 2016 – 9 April 2020
7 April 2014	310,816	–	–	–	310,816	7 April 2017 – 7 April 2021
7 April 2015	–	297,352	–	(71,260)	226,092	7 April 2018 – 7 April 2022

	1 January 2014	Number of shares Granted	Vested	Lapsed	31 December 2014	Vesting period/date
12 April 2011	677,912	–	(563,509)	(114,403)	–	12 April 2014
10 April 2012	707,572	–	–	–	707,572	10 April 2015 – 10 April 2019
9 April 2013	447,292	–	–	–	447,292	9 April 2016 – 9 April 2020
7 April 2014	–	310,816	–	–	310,816	7 April 2017 – 7 April 2021

Deferred Bonus Share Plan

	1 January 2015	Number of shares Granted	Vested	Lapsed	31 December 2015	Vesting date
7 March 2012	84,208	–	(84,208)	–	–	7 March 2015
7 March 2013	92,726	–	–	–	92,726	7 March 2016
6 March 2014	57,645	–	–	–	57,645	7 March 2017
9 March 2015	–	51,548	–	–	51,548	9 March 2018

	1 January 2014	Number of shares Granted	Vested	Lapsed	31 December 2014	Vesting date
3 March 2011	81,179	–	(81,179)	–	–	3 March 2014
7 March 2012	84,208	–	–	–	84,208	7 March 2015
7 March 2013	92,726	–	–	–	92,726	7 March 2016
6 March 2014	–	57,645	–	–	57,645	6 March 2017

21 Share-based payments (continued)

Berendsen Long-term Incentive Plan

	1 January 2015	Number of shares Granted	Vested	Lapsed	31 December 2015	Vesting period/date
7 March 2012	186,356	–	(116,791)	(69,565)	–	7 March 2015
7 March 2013	143,894	–	–	–	143,894	7 March 2016
6 March 2013	309,821	–	(115,750)	(194,071)	–	7 March 2015
6 March 2014	93,500	–	–	–	93,500	6 March 2017
6 March 2014	186,400	–	–	(11,600)	174,800	6 March 2016
9 March 2015	–	76,500	–	–	76,500	9 March 2018
9 March 2015	–	230,700	–	(12,200)	218,500	9 March 2017

	1 January 2014	Number of shares Granted	Vested	Lapsed	31 December 2014	Vesting period/date
7 March 2012	186,356	–	–	–	186,356	7 March 2015
7 March 2012	396,848	–	(220,246)	(176,602)	–	7 March 2014
7 March 2013	143,894	–	–	–	143,894	7 March 2016
7 March 2013	324,383	–	–	(14,562)	309,821	7 March 2015
6 March 2014	–	93,500	–	–	93,500	6 March 2017
6 March 2014	–	191,400	–	(5,000)	186,400	6 March 2016

Executive Incentive Plan

	1 January 2014	Number of shares Granted	Vested	Lapsed	31 December 2014	Vesting date
4 March 2011	736,891	–	(415,654)	(321,237)	–	4 March 2014

One-off Share Award

	1 January 2015	Number of shares Granted	Vested	Lapsed	31 December 2015	Vesting date
2 April 2012	19,730	–	(19,730)	–	–	1 April 2015

	1 January 2014	Number of shares Granted	Vested	Lapsed	31 December 2014	Vesting date
2 April 2012	19,730	–	–	–	19,730	1 April 2015

22 Principal subsidiary undertakings

Company	Class of shares held	Country of incorporation
UK and Ireland		
Berendsen UK Limited[1]	Ordinary	England
Berendsen Ireland Limited	Ordinary	Republic of Ireland
Berendsen Northern Ireland Limited	Ordinary	Northern Ireland
IHSS Limited	Ordinary	England
Berendsen Finance Limited[1,2]	Ordinary	England
Berendsen Cleanroom Services Limited	Ordinary	England
Continental Europe		
Berendsen A/S[1,2]	Ordinary	Denmark
Berendsen Textil Service A/S[1]	Ordinary	Denmark
Berendsen Textil Service AB	Ordinary	Sweden
Berendsen Sourcing AB	Ordinary	Sweden
Berendsen Textil Service AB – Filial I Finland	Ordinary	Sweden
Berendsen Tekstil Service AS	Ordinary	Norway
AS 'Berendsen Tekstila Serviss'	Ordinary	Latvia
'Berendsen Textile Service', UAB	Ordinary	Lithuania
Berendsen Beteiligungs GmbH	Ordinary	Germany
Berendsen GmbH	Ordinary	Austria
Berendsen Textiel Service BV	Ordinary	Holland
Groene Team B.V.	Ordinary	Holland
Berendsen Textile Service Sp.z.o.o.	Ordinary	Poland
Berendsen Textile Servis s.r.o.	Ordinary	Czech Republic
Berendsen Textile Service A/S	Ordinary	Estonia
AS Svarmil	Ordinary	Estonia

1 Owned directly by Berendsen plc. All principal subsidiary undertakings are 100% owned and consolidated.

2 The principal activity of these companies is that of a holding company. The principal activity of all other companies is that of textile maintenance.

Details of non-principal group undertakings are set out in note 32.

23 Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:

Cash generated from operations	Year to 31 December 2015 £m	Year to 31 December 2014 Restated* £m
Profit for the year	88.9	89.9
Adjustments for:		
Taxation	24.5	27.1
Goodwill impairment	6.4	–
Amortisation of intangible assets	18.7	26.3
Depreciation of property, plant and equipment	165.4	172.6
Profit on sale of property, plant and equipment	(2.8)	(3.3)
Finance income	(2.0)	(2.9)
Finance costs	20.7	23.1
Special pension contribution payments (note 27)	(3.7)	(5.0)
Other movements	3.7	4.0
Changes in working capital (excluding effect of acquisitions, disposals and exchange differences on consolidation):		
Inventories*	(1.9)	(8.4)
Trade and other receivables	(11.5)	(5.8)
Trade and other payables	2.5	14.3
Provisions	–	(2.1)
Cash generated from operations*	308.9	329.8

In the cash flow statement, proceeds from sale of property, plant and equipment (including assets held for sale) comprise:

	Year to 31 December 2015 £m	Year to 31 December 2014 £m
Net book amount	10.5	7.1
Profit on sale of property, plant and equipment	2.8	3.3
Proceeds from sale of property, plant and equipment	13.3	10.4

	Year to 31 December 2015 £m	Year to 31 December 2014 Restated £m
Free cash flow	102.5	122.6
Analysis of free cash flow		
Net cash generated from operating activities	273.2	292.3
Add back special pension contribution payments	3.7	5.0
Purchases of property, plant and equipment*	(181.5)	(180.5)
Proceeds from the sale of property, plant and equipment	13.3	10.4
Purchases of intangible assets	(6.2)	(4.6)
Free cash flow	102.5	122.6

* In 2015, the group reclassified the carrying values of textile rental garments awaiting delivery to customers from property, plant and equipment to finished goods as part of inventory. Although the impact is not significant the following items have been reclassified in 2014 to aid comparison. Cash generated from operations, decrease of £2.7 million, and purchases of property, plant and equipment, reduction of £2.7 million, have been restated in 2014 to reflect this reclassification in the prior years also. There is no impact on total cash flows in 2014.

24 Reconciliation of net cash flow to movement in net debt

	Year to 31 December 2015 £m	Year to 31 December 2014 £m
Net increase in cash	41.7	26.1
Cash (inflow)/outflow from movement in debt and lease financing	(19.3)	19.2
Decrease in net debt resulting from cash flows	22.4	45.3
Net finance leases	(1.5)	(2.2)
Bank loans and lease obligations acquired with subsidiaries	–	(1.3)
Currency translation	(17.4)	(27.2)
Decrease in net debt during the year	3.5	14.6
Net debt at beginning of year	(374.4)	(389.0)
Net debt at end of year	(370.9)	(374.4)

25 Acquisitions and disposals

a) Acquisitions

During the year the group made a number of small acquisitions including a UK Flat Linen business in the hospitality sector, DelfinVask a Healthcare business in Denmark and Scott Tvatt AB a Workwear business in Sweden.

Details of the provisional fair values of the assets and liabilities are set out below:

	Total Provisional fair values £m
Intangible assets (note 9)	2.8
Property, plant and equipment (note 10)	5.6
Trade and other receivables	0.8
Cash and cash equivalents	0.3
Trade and other payables	(0.9)
Deferred tax liabilities (note 19)	(0.2)
Net assets acquired	8.4
Goodwill (note 8)	0.8
Consideration	9.2
Consideration satisfied by:	
Cash	9.1
Deferred consideration	0.1
	9.2

Acquisition related costs of £0.5 million (2014: £0.2 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.

	2015 £m
Revenue	4.2
Profit after tax	0.5

25 Acquisitions and disposals (continued)

From the date of acquisition to 31 December 2015, the above acquisitions contributed £2.0 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	8.8
Deferred consideration paid for previous acquisitions	0.4
	9.2

b) Acquisition of additional interest in a subsidiary

On 16 July 2015, the company acquired the remaining 10% of the issued shares of Frederiksborg Linnedservice A/S (FLS) for a purchase consideration of £0.9 million. The group now holds 100% of the equity share capital of FLS. The carrying amount of the non-controlling interests in FLS on the date of acquisition was £1.2 million. The group derecognised non-controlling interests of £1.2 million and recorded an increase in equity attributable to owners of the parent of £0.3 million. The effect of changes in the ownership interest of FLS on the equity attributable to owners of the company during the year is summarised as follows:

	2015 £m
Carrying amount of non-controlling interests acquired	1.2
Consideration paid to non-controlling interests	(0.9)
Deficit of consideration paid recognised in parent's equity	0.3

26 Employees and directors

Staff costs for the group during the year:

	Year to 31 December 2015 £m	Year to 31 December 2014 £m
Wages and salaries	328.1	334.6
Social security costs	44.0	46.1
Other pension costs	13.4	13.2
Share-based payment charges (note 21)	4.6	5.6
	390.1	399.5

Average monthly number of people (including directors) employed

	2015 Number	2014 Number
By business line:		
Workwear	3,479	3,497
Facility	2,251	2,116
UK Flat Linen	4,621	4,121
Total Core	10,351	9,734
Clinical Solutions and Decontamination	1,224	1,200
Flat Linen outside UK	3,425	3,308
Total Manage for Value	4,649	4,508
Central	667	390
Group	15,667	14,632

26 Employees and directors (continued)

Key management compensation

	Year to 31 December 2015 £m	Year to 31 December 2014 £m
Salaries and short-term employee benefits	5.6	5.3
Post-employment benefit contributions	0.6	0.5
Share-based payments	2.8	4.3
	9.0	10.1

The key management compensation above includes eight (2014: seven) Berendsen plc directors and five (2014: five) Executive Board members who are not Berendsen plc directors.

Directors

	Year to 31 December 2015 £m	Year to 31 December 2014 £m
Salaries and short-term employee benefits	2.3	2.2
Post-employment benefit contributions	0.3	0.2
Share-based payments	0.9	1.7
	3.5	4.1

As at 31 December 2015, three (2014: two) directors were accruing retirement benefits under money purchase schemes, in respect of their services to the company.

Further details of the directors' emoluments, including benefits received by the highest paid director, are disclosed in the Remuneration report on page 90.

27 Pension commitments

Defined contribution schemes

Pension costs for defined contribution schemes are as follows:

	Year to 31 December 2015 £m	Year to 31 December 2014 £m
Defined contribution schemes (note i)	12.2	12.5

i Total included within staff costs (note 26).

Defined benefit plans

The Group operates a number of defined benefit schemes and unfunded schemes. Of these, the principal schemes are the defined benefit plans in the UK and the unfunded scheme in Sweden.

Within the United Kingdom, the group now operates only the one registered defined benefit pension scheme (Berendsen DB (UK) Retirement Benefits Scheme (formerly known as the Davis Service Group Retirement Benefits Scheme)), following a merger with the one other smaller scheme on 1 February 2013. The triennial valuation of the newly merged scheme at that date required that, as well as the employer contributions for the 110 active members of the scheme, Berendsen continue contributions to cover the past service deficit, arising under the technical provisions, of £1.25 million per quarter until August 2015. A further triennial valuation is being carried out at 1 February 2016 and once finalised any further contributions required to be made by the Company will be assessed at that time. This valuation is expected to be completed in late 2016 and no additional contributions are expected to be made by the company in 2016.

27 Pension commitments (continued)

The level of benefits provided depends on each member's length of scheme membership and salary in the final years leading up to retirement. In the UK plan, the pensions in payment are generally increased by 5% in respect of pre-1 February 1999 membership, and by the retail price index for membership from that date. Benefit payments are made from trustee administered funds. Plan assets are governed by regulations in the UK, as is the nature of the relationship between the group and the trustees and their composition. Responsibility for governance of the plan, including investment decisions and contribution schedules, lies jointly with the company and the trustees. The trustees must comprise 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 surplus on the plans is £15.8 million of which £44.6 million surplus is in respect of the UK plan. There is a deficit of £28.8 million on other funded and unfunded plans, of which £25.4 million relates to Sweden.

Where a defined benefit scheme is administered by an insurance company with a collective of other companies and the insurance company is unable to assess the share of the group's pension obligation, the pension scheme has been accounted for as a defined contribution pension scheme.

At the last valuation date the present value of the defined benefit obligation was comprised of 588 active employees, 2,516 deferred members and 1,561 members in retirement.

Expected contributions, including special contributions, to post employment benefit schemes for the year ended 31 December 2016 are £1.0 million (2015: £6.4 million).

The weighted average duration of the defined benefit obligation across all schemes is 17.6 years (2014: 18.4 years).

The actuarial valuations of the UK scheme, together with the other defined benefit schemes operated by the group have been updated as at 31 December 2015 by qualified actuaries using revised assumptions that are consistent with the requirements of IAS19. The principal assumptions made by the actuaries were:

	2015 %	2014 %
Rate of increase in pensionable salaries	2.8	2.8
Rate of increase in pensions in payment and deferred pensions	2.8	2.8
Discount rate	3.8	3.5
Inflation rate – RPI	2.8	2.8
Inflation rate – CPI	1.8	2.0

Mortality rate

Assumptions regarding future mortality experience are set based on advice, published statistics and experience in each territory. The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date is as follows:

	2015	2014
Male	23.3	23.3
Female	24.3	24.2

The average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date, is as follows:

	2015	2014
Male	23.6	23.6
Female	26.2	26.1

27 Pension commitments (continued)

	As at 31 December 2015 £m	As at 31 December 2014 £m
The amounts recognised in the balance sheet are determined as follows:		
Present value of obligations	(319.2)	(338.1)
Fair value of plan assets	335.0	339.1
Net asset recognised in balance sheet	15.8	1.0
Analysed as:		
Pension scheme surplus	44.6	35.7
Pension scheme deficit and unfunded schemes	(28.8)	(34.7)
	15.8	1.0

The major categories of plan assets as a percentage of total plan assets are as follows:

	2015 %	2014 %
European equities	13	13
North American equities	5	5
Asia Pacific equities	5	5
European bonds	42	43
European gilts	3	3
Other	32	31
	100	100

Other assets consist principally of investments in managed multi-asset growth funds. In the case of the funded plans, the group ensures that the investment position is managed within a framework that considers the Scheme's liability profile, funding position, expected return of the various asset classes and the need for diversification. Within this framework, the group's objective is to ensure that sufficiently liquid assets are available to meet benefit payments and the Scheme's assets achieve a return that is consistent with the assumptions made by the Trustees in determining the funding of the Scheme.

A large portion of assets in 2015 consists of equities and bonds, although the Scheme also invests in diversified growth funds and a small amount of cash. The majority of equities are invested in a globally diversified portfolio of international blue chip entities with a target of 35% UK and 65% overseas. The other growth assets are the diversified growth funds which have a target of 32% of the overall portfolio. The remainder of the Scheme's assets are invested in corporated bonds.

The trustees sought the employer's agreement to implement a Liability Driven Investment portfolio. This will use specialist assets that employ leverage, to match more of the Scheme's liabilities, for a given asset value, than a conventional bond. This portfolio will be implemented when market conditions become more favourable.

The group agreed that it would aim to eliminate the deficit on a technical provisions basis by the end of 2015 and deficit contributions of £1.25 million per quarter have been made to achieve this. Funding levels are monitored on a quarterly basis and the current agreed contribution rate in respect of active members is 29.5% of pensionable salaries. These contribution rates were set following the completion of the latest triennial valuation of the scheme as at 1 February 2013. The next triennial valuation is due later in 2016 after which further contribution rates will be assessed.

	Year to 31 December 2015 £m	Year to 31 December 2014 £m
The amounts recognised in the income statement are as follows:		
Current service cost	1.7	1.8
Interest cost	11.6	12.9
Return on plan assets	(12.1)	(14.0)
Curtailment gain	–	–
Total included within staff costs (note 26)	1.2	0.7

27 Pension commitments (continued)

	2015 £m	2014 £m
Changes in the present value of the defined benefit obligation are as follows:		
Present value of obligations as at 1 January	338.1	302.2
Current service cost	1.7	1.8
Interest cost	11.6	12.9
Actuarial (gain)/loss	(17.9)	37.3
Benefits paid	(11.8)	(11.2)
Contributions by members	0.1	0.1
Currency translation	(2.6)	(5.0)
Present value of obligations as at 31 December	319.2	338.1

	2015 £m	2014 £m
Changes in the fair value of the plan assets are as follows:		
Fair value of plan assets as at 1 January	339.1	309.3
Return on plan assets	12.1	14.0
Employer special contributions	3.7	5.0
Contributions – employee and employer	1.1	1.4
Benefits paid	(10.9)	(10.2)
Actuarial (loss)/gain	(9.0)	20.8
Currency translation	(1.1)	(1.2)
Fair value of plan assets as at 31 December	335.0	339.1

Actuarial gains and losses in the year may be further analysed as follows:

	2015 £m	2014 £m
Return on plan assets	(9.0)	20.7
Gain from changes in demographic assumptions	–	9.0
Gain/(loss) from changes in financial assumptions	16.5	(47.1)
Experience gain	1.4	0.9
Net actuarial gain/(loss) recognised in the year	8.9	(16.5)

Cumulative actuarial gains and losses recognised in equity

	2015 £m	2014 £m
1 January	(121.2)	(104.7)
Net actuarial gain/(loss) recognised in the year	8.9	(16.5)
31 December	(112.3)	(121.2)

The actual return on plan assets was a gain of £3.1 million (2014: gain of £34.7 million).

The pension surplus is recognised in the balance sheet as the company has the right to any surplus after settlement of all liabilities under the terms of the trust deed.

Sensitivities

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is set out below for the defined benefit schemes and unfunded schemes. The tables set out the impact on the benefit obligation due to an increase or decrease in the key assumptions.

27 Pension commitments (continued)

Defined benefit schemes

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	(8)%	9%
Salary growth rate	0.5%	–	–
Pension growth rate	0.5%	2%	(2)%
Life expectancy	Change by 1 year	3%	(3)%

Unfunded schemes

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	(8)%	10%
Salary growth rate	0.5%	5%	(4)%
Pension growth rate	0.5%	7%	(7)%
Life expectancy	Change by 1 year	4%	(4)%

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit to significant actuarial assumptions the same method has been applied when calculating the pension liability recognised within the statement of financial position.

28 Operating lease commitments – minimum lease payments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2015		2014	
	Property £m	Vehicles, plant and equipment £m	Property £m	Vehicles, plant and equipment £m
Within one year	5.9	11.0	6.7	11.8
Later than one year and less than five years	18.4	19.6	16.9	22.7
After five years	10.0	0.5	10.7	0.9
	34.3	31.1	34.3	35.4

The group leases various offices and warehouses under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights.

29 Capital commitments

	As at 31 December 2015 £m	As at 31 December 2014 £m
Contracts placed for future capital expenditure not provided in the financial statements:		
Property, plant and equipment	31.7	19.1

30 Contingent liabilities

The group operates from a number of laundries across Europe. Some of the sites have operated as laundry sites for many years, and historic environmental liabilities may exist, although the group has indemnities from third parties in respect of a number of sites. The extent of these liabilities and the cover provided by the indemnities are reviewed where appropriate with the relevant third party. The company is currently defending a legal claim to the warranties received for any environmental damage that might have existed when it purchased laundry sites in Sweden. The company expects to have its warranties, which were contractually received in a clear and unequivocal manner, to be confirmed in full. The company does not expect to incur any significant loss in respect of these or any other sites.

31 Related parties

There have been no significant related party transactions in the year ended 31 December 2015 (2014: nil), except for key management compensation as set out in note 26.

32 Non-principal subsidiary undertakings

The following entities complete the full list of the company's subsidiary undertakings. See also note 22.

The following subsidiaries represent the company's non-principal subsidiary undertakings. All subsidiaries are 100% owned and consolidated, unless otherwise stated.

Company	Class of shares held	Country of incorporation
UK and Ireland		
Acorn Services (North West) Limited	Ordinary	England
Berendsen Finance (DKK) Limited**	Ordinary	England
Berendsen Finance (Euro 2) Limited	Ordinary	England
Berendsen Finance (Euro) Limited**	Ordinary	England
Berendsen Nominees Limited**	Ordinary	England
Camborne-Redruth Laundry Company Limited	Ordinary	England
Cavendish Laundry Limited	Ordinary	England
Charnwood Laundry Limited	Ordinary	England
Combined Linen Service Limited	Ordinary	England
Davis (BIM) Limited**	Ordinary	England
Davis (FH) Limited	Ordinary	England
Davis (JH) Limited**	Ordinary	England
Eamont Vale Laundry and Cleaners Limited	Ordinary	England
Fabricare Limited	Ordinary	England
Fakenham Laundry Services Limited	Ordinary	England
Guardline Newbury Ltd	Ordinary	England
Hall & Letts Limited	Ordinary	England
IH Decontamination Services (Cardiff) Limited	Ordinary	England
Lakeland Pennine Group Limited	Ordinary	England
Lakeland Pennine Limited	Ordinary	England
Laundrycraft Limited	Ordinary	England
Midland Laundry Group Holdings Limited	Ordinary	England

32 Non-principal subsidiary undertakings (continued)

Company	Class of shares held	Country of incorporation
UK and Ireland		
Midland Laundry Group Limited	Ordinary	England
Mitre Furnishing (Ireland) Limited	Ordinary	England
Mitre Furnishing Group Limited	Ordinary	England
National Sunlight Laundries Limited	Ordinary	England
Rocialle Limited	Ordinary	England
Salop Textile Solutions Limited	Ordinary	England
Society Linen Limited	Ordinary	England
Spring Grove Services Group Limited	Ordinary	England
Spring Grove Services Limited	Ordinary	England
St. Helens Laundry Limited	Ordinary	England
Sunlight (72078) Limited	Ordinary	England
Sunlight (Lyndale) Limited	Ordinary	England
Sunlight (New Era Linen) Limited	Ordinary	England
Sunlight (Newbury) Limited	Ordinary	England
Sunlight Clinical Solutions Limited	Ordinary	England
Sunlight Service Group (Shop Investments) Limited	Ordinary	England
Sunlight Services Limited	Ordinary	England
Sunlight Textile Services Limited	Ordinary	England
Sunlight Workwear Services Limited	Ordinary	England
The Lizard and District Hygienic Steam Laundry Company Limited	Ordinary	England
The Sunlight Group Limited	Ordinary	England
The Sunlight Service Group Limited	Ordinary	England
West Kent Laundry Limited	Ordinary	England
Berendsen Supply Chain (Northern Ireland) Limited	Ordinary	Northern Ireland
Berendsen Finance Ireland (DKK) Limited	Ordinary	Republic of Ireland
Berendsen Finance Ireland (Euro) Limited**	Ordinary	Republic of Ireland
Berendsen Finance Ireland (PLN) Limited**	Ordinary	Republic of Ireland
Berendsen Ireland Holdings Limited	Ordinary	Republic of Ireland
Nanoclean Limited	Ordinary	Republic of Ireland
Steri-tex Limited	Ordinary	Republic of Ireland
BDF Healthcare Ltd	Ordinary	Scotland
BDF Holdings Limited	Ordinary	Scotland
BDF Limited	Ordinary	Scotland
Dunfermline and West Fife Laundry Limited	Ordinary	Scotland
New Wave Laundries Limited	Ordinary	Scotland
Continental Europe		
Frederiksborg Linnedservice A/S	Ordinary	Denmark
Berendsen Textile Service Oy	Ordinary	Finland
Askulta Nord Textilpflege GmbH & Co KG	Ordinary	Germany
Berendsen GmbH	Ordinary	Germany
Berendsen GmbH Füssen	Ordinary	Germany
Berendsen GmbH Glückstadt	Ordinary	Germany

32 Non-principal subsidiary undertakings (continued)

Company	Class of shares held	Country of incorporation
Continental Europe		
Berendsen GmbH Meßkirch	Ordinary	Germany
Berendsen GmbH Nordost	Ordinary	Germany
Berendsen GmbH Schleswig	Ordinary	Germany
Berendsen GmbH West	Ordinary	Germany
Berendsen Group Services GmbH	Ordinary	Germany
Berendsen Textilservice GmbH	Ordinary	Germany
Decontam GmbH	Ordinary	Germany
Glückstadter Textilservice GmbH & Co oHG	Ordinary	Germany
Klarner-Textilservice GmbH	Ordinary	Germany
Mietex GmbH Berufsbekelidung und Schmutzmattenleasing	Ordinary	Germany
PTS Pinneberger Textil-Service GmbH	Ordinary	Germany
Saniwo Textil-Gesellschaft mbH	Ordinary	Germany
TSL Textilservice – und Logistik GmbH	Ordinary	Germany
S Berendsen (Netherlands) BV	Ordinary	Holland
S Berendsen AB	Ordinary	Sweden
Berendsen Textil Servis s.r.o	Ordinary	Slovakia
OOO Berendsen	Ordinary	Russian Federation

The following non-principal undertakings are not owned 100% but are included within the group's consolidated results unless otherwise stated.

Company	Class of shares held	% of shares held	Country of incorporation
UK and Ireland			
Guardline Technology Ltd	Ordinary	50%	England
Micronclean Ltd	Ordinary	50%	England
Micronclean Moss Ltd	Ordinary	50%	England
Guardtech Cleanrooms Ltd	Ordinary	15%	England
Continental Europe			
Jysk Linnedservice A/S	Ordinary	70%	Denmark
AKK-Service GmbH	Ordinary	10%	Germany
Jentex GmbH	Ordinary	49%	Germany
RK-Waschereinigung Süd GmbH i.L	Ordinary	50%	Germany
Westtex Textilservice und Logistik GmbH i.L	Ordinary	50%	Germany

** Owned directly by Berendsen Plc.

Berendsen consolidated accounts and Independent Auditors report for financial year 2014

(Pages 103 to 170 of Berendsen's Annual report and accounts 2014)

Directors' report

The directors present their Annual Report and audited financial statements for the year ended 31 December 2014.

This Annual Report contains forward-looking statements. These forward-looking statements are not guarantees of future performance. Rather they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors that may cause actual results to differ from any future results or developments expressed or implied from the forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement.

The Directors' report of the group for the year ended 31 December 2014 is set out on pages 103 to 106 inclusive and includes the sections of the Annual Report referred to in these pages. As permitted by legislation, some of the disclosures normally included in the Directors' report are instead included in the Strategic report (set out on pages 8 to 58) as follows:

- →Future business developments (throughout the Strategic report)
- →Employee involvement ('Our people' – pages 36 to 41)

Information on risk management objectives and policies, including the policy for hedging, and exposure of the company in relation to the use of financial instruments is set out in note 17 on pages 145 to 151.

In accordance with the UK Financial Conduct Authority's Listing Rules (LR 9.8.4C), the information to be included in the Annual Report and Accounts, where applicable, under LR 9.8.4, is set out in this Directors' report, with the exception of details of long-term incentive schemes which is set out on pages 155 to 161 (note 21 to the financial statements).

Both the Directors' report and the Strategic report have been drawn up and presented in accordance with, and in reliance upon, applicable UK company law. The liabilities of the directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

Branches outside the UK

The group has branches in Sweden and China.

Results and dividends

The financial statements set out the results of the group for the year ended 31 December 2014 and are shown on page 114. The directors recommend a final dividend of 20.5 pence per ordinary share which, together with the interim dividend of 9.5 pence per ordinary share paid in October 2014, makes a total dividend for the year of 30.0 pence (2013: 28 pence) per ordinary share. Subject to approval by shareholders of the recommended final dividend, the dividend award to shareholders for 2014 will total £51.2 million. If approved, the company will pay the final dividend on 8 May 2015 to shareholders on the register at 10 April 2015.

Changes in composition of the group

During the year the group acquired a cleanroom business in UK. The total consideration including net financial liabilities acquired and deferred consideration payable for the acquisition was £9.4 million.

Details of the fair value of net assets acquired and consideration paid are set out in note 25 to the financial statements.

Directors

The current directors of the company, including their biographical details, are set out on pages 62 and 63. Each served throughout the year ended 31 December 2014 except Maarit Aarni-Sirviö who was appointed to the board on 1 March 2014.

In accordance with the UK Corporate Governance Code all directors will retire at the 2015 Annual General Meeting and, being eligible, offer themselves for re-election.

Details of the directors' remuneration and service contracts and their interests in the shares of the company are included in the Directors' remuneration report which is set out on pages 84 to 96.

Directors' indemnity

Article 133 of the company's Articles of Association (the Articles) provides, among other things that, insofar as permitted by law, every director of the company or any associated company may be indemnified by the company against any liability.

Deed polls, which include the grant of indemnities constituting qualifying third party indemnity provisions (as defined by Section 234 of the Companies Act 2006), were in force during the year for each of the Chairman, executive and non-executive directors of the company and its wholly-owned subsidiaries.

In addition, the company has arranged appropriate insurance cover in respect of legal action against its directors and officers.

Share capital

As at 26 February 2015, the company's issued share capital consisted of 51,769,879 divided into 172,566,264 ordinary shares of 30 pence each (no shares are held in treasury).

During the 12 months to 31 December 2014, 57,839 ordinary shares of 30 pence each in the company were issued in satisfaction of the exercise of employee share options under the terms of the Berendsen Sharesave Plan 2006 for a total consideration of £200,975.

As at 31 December 2014, the authority granted to the company for the purchase of up to 17,250,789 ordinary shares in the company remained in force and unused.

Details of the movements in the year are set out in note 20 to the financial statements.

Rights and obligations attaching to shares

Subject to applicable statutes (in this Section the Companies Acts), any resolution passed by the company under the Companies Acts and other shareholders' rights, shares may be issued with such rights and restrictions as the company may by ordinary resolution decide, or (if there is no such resolution or so far as it does not make specific provision) as the board may decide. Subject to the Articles, the Companies Acts and other shareholders' rights, unissued shares are at the disposal of the board.

Variation of rights

Subject to the Companies Acts, rights attached to any class of shares may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class (calculated excluding any shares held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares.

Securities carrying special rights

No person holds securities in the company carrying special rights with regard to control of the company.

Authority to issue new shares and purchase own shares

At the AGM held on 24 April 2014, shareholders authorised the Company to purchase in the market up to 10% of its issued share capital. No shares have been repurchased by the Company under this authority during the year ended 31 December 2014. This authority is renewable annually, and a special resolution will be proposed at the 2015 AGM to renew it. The directors will only purchase the company's shares in the market if they believe it is in the best interests of shareholders generally.

If the company were to purchase any of its own shares, it may consider holding them as treasury shares as an alternative to cancelling them, provided that the total number of treasury shares does not at any one time exceed 10% of the company's issued share capital. This would allow the company to dispose of or transfer the shares held in treasury quickly and cost-effectively and would provide the company with additional flexibility in the management of its capital base. The share price on 31 December 2014 was 1,100 pence; the company currently holds no shares in treasury.

The directors were granted authority at the 2014 AGM to allot shares up to approximately two-thirds of the company's issued ordinary share capital (in accordance with guidelines issued by the ABI on 31 December 2012). The additional one-third authority, above the one-third authority which can be used for general purposes, may only be used for rights issues. At 26 February 2015, the Company had an unexpired authority to allot up to 115,005,259 shares with a nominal value of £34,501,578. The authority granted at the 2014 AGM will apply until the conclusion of the 2015 AGM, at which shareholders will be asked to grant the directors renewed authority to allot shares up to approximately two-thirds of the company's issued ordinary share capital. The renewed authority will apply until the conclusion of the 2016 AGM. The directors have no present intention of exercising this authority.

Restrictions on transfer of securities in the company

There are no restrictions on the transfer of securities in the company, except:

→ That certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws); and

→ Pursuant to the Listing Rules of the Financial Conduct Authority, whereby certain employees of the company require the approval of the company to deal in the company's ordinary shares.

The company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities.

Voting

Every member and every duly appointed proxy present at a general meeting or class meeting has, upon a show of hands, one vote and every member present in person or by proxy has, upon a poll, one vote for every share held by him or her. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder(s) and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

Restrictions on voting

No member shall be entitled to vote at any general meeting or class meeting in respect of any share held by him or her if any call or other sum then payable by him or her in respect of that share remains unpaid or if a member has been served with a restriction notice (as defined in the Articles) after failure to provide the company with information concerning interests in those shares required to be provided under the Companies Acts.

The company is not aware of any agreements between holders of securities that may result in restrictions on voting rights.

Substantial shareholdings

The table below shows the holdings in the company's issued share capital which had been notified to the company pursuant to the Financial Conduct Authority's Disclosure and Transparency Rules.

	31 December 2014			26 February 2015		
	Direct/indirect	No. of shares (m)	%	Direct/indirect	No. of shares (m)	%
Silchester International Investors Limited	Direct	17.20	9.97	Direct	8.61	4.99
Prudential plc	Direct	16.41	9.51	Direct	16.41	9.51
Sanderson Asset Management Limited	Direct	10.69	6.20	Direct	10.69	6.20
Royal London Asset Management	Direct	5.2	3.02	Direct	5.2	3.02

Rights under the employee share scheme

As at 31 December 2014, Appleby Trust (Jersey) Limited, as trustee of the Berendsen Employee Benefit Trust, held 1,909,646 shares in trust for the benefit of the executive directors and employees of the group. A dividend waiver is in place in respect of Appleby's shareholding and Appleby currently abstains from voting the shares but it may, upon the recommendation of the company, accept or reject any offer relating to the shares in any way it sees fit, without incurring any liability and without being required to give reasons for its decision. In exercising its trustee powers, Appleby may take all or any of the following matters into account:

- The long-term interests of beneficiaries;
- The interests of beneficiaries other than financial interests;
- The interests of beneficiaries in their capacity as employees or former employees or their dependants;
- The interests of persons (whether or not identified) who may become beneficiaries in the future; and
- Considerations of a local, moral, ethical, environmental or social nature.

Amendment of Articles of Association

Unless expressly specified to the contrary in the Articles, the Articles may be amended by a special resolution of the company's shareholders.

Appointment and replacement of directors

The directors shall be not less than two and there shall be a maximum of 12 directors.

The company may by ordinary resolution vary the minimum and/or maximum number of directors. Directors may be appointed by the company by ordinary resolution or by the board. A director appointed by the board holds office only until the next following Annual General Meeting of the company and is then eligible for reappointment. The board or any committee authorised by the board may from time to time appoint one or more directors to hold any employment or executive office for such period and on such terms as they may determine and may also revoke or terminate any such appointment.

At every Annual General Meeting of the company, any of the directors who have been appointed by the board since the last Annual General Meeting shall retire from office and may offer themselves for reappointment by the members. In addition, under the Articles, any of the directors who held office at the time of the two preceding Annual General Meetings and who did not retire at either of them, or who have held office with the company, other than employment or executive office, for a continuous period of nine years or more at the date of the meeting, shall retire from office and may offer themselves for reappointment by the members. However, the board has agreed, in accordance with the UK Corporate Governance Code, that all of the directors wishing to continue will retire and offer themselves for re-election by the shareholders at the 2015 Annual General Meeting.

The company may, by special resolution remove any director before the expiration of that director's period of office.

Powers of the directors

Subject to the Articles, the Companies Acts and any directions given by the company by special resolution, the business of the company will be managed by the board who may exercise all the powers of the company, whether relating to the management of the business of the company or not. In particular, the board may exercise all the powers of the company to borrow money, to mortgage or charge any of its undertakings, property, assets (present and future) and uncalled capital and to issue debentures and other securities and to give security for any debt, liability or obligation of the company or of any third party.

Copies of executive directors' service contracts are available to shareholders for inspection at the company's registered office and at the Annual General Meeting. Further details on directors' service contracts are included in the Remuneration policy report on page 101.

Significant agreements

There are a number of agreements that take effect, alter or terminate upon a change of control of the company, such as commercial contracts, bank loan agreements, property lease arrangements and employees' share plans. None of these are deemed to be significant in terms of their potential impact on the business of the group as a whole except for the following US Private Placement Note Purchase Agreements US$250 million dated 25 May 2006, US$259 million and £25 million dated 24 November 2009, €80 million and DKK655 million dated 15 December 2014 and the €510 million Multicurrency Revolving Credit Facility dated 15 July 2011. These agreements contain change of control provisions which, if triggered, could limit future utilisations, require the repayment of existing utilisations or lead to a renegotiation of terms.

Employees

The board recognises the importance of attracting, developing and retaining the right people, as well as maintaining a safe working environment for our existing employees. Please refer to pages 36 to 40 for further details about group policies and procedures on how employee's skills, communication and engagement are strengthened; and to page 41 for Health & Safety policies and procedures.

In accordance with best practice, we have employment policies in place which provide equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. We give full and fair consideration to applications for employment from applicants with disabilities where they have the appropriate skills and potential. Appropriate arrangements are made for the continued employment and training, career development and promotion of persons with disabilities employed by the group. If there were to be any instance of an employee becoming disabled during their employment with us, every effort would be made to make sure that their employment with us continues and that, where needed, appropriate retraining is arranged.

Greenhouse gas emissions

Disclosures concerning the group's greenhouse gas emissions are contained within the Corporate responsibility report which forms part of the Strategic report on page 45.

Political donations

There were no political donations during the year (2013: nil).

Auditors and disclosure of information to auditors

The company's auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they may be reappointed will be proposed at the Annual General Meeting.

As far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 8 to 58. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the Financial Director's review on pages 46 to 51. In addition, note 17 to the financial statements includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives and policies; details of its financial instruments and hedging activities; and its exposures to price, credit, liquidity and cash flow risk.

The group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the group is well placed to manage its business risks successfully.

After reviewing the above and making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report.

Directors' responsibilities

The directors' responsibilities for the financial statements contained within this Annual Report and the directors' confirmations required under the FSA Disclosure and Transparency Rules (DTR 4.1.12) are set out on page 107 but are deemed to be included in this Directors' report.

Annual General Meeting

The notice of the Annual General Meeting to be held at 11.00 am on Thursday 30 April 2015 is being sent separately to shareholders with this report. The venue for the meeting is the Royal Aeronautical Society, 4 Hamilton Place, London W1J 7BQ.

Electronic communication

In order to continue with our commitment to minimise our impact on the environment, we are offering our shareholders the ability to receive certain shareholder documents via our website (or email) rather than in printed hard copy. By downloading documents, such as our Annual Report and Accounts from our website, we are able to further reduce our impact on the environment, whilst reducing our costs and providing easier and quicker access to our documents.

By order of the board

David Lawler
Company Secretary
26 February 2015

Directors' responsibilities for the financial statements

The directors are responsible for preparing the Report and Accounts and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the company, the group and of the profit or loss of the company and group for that period.

The financial statements on pages 114 to 117 have been prepared on a going concern basis, suitable accounting policies have been used and applied consistently, reasonable and prudent judgements and estimates have been made and applicable accounting standards have been followed.

The directors are responsible for ensuring that the company keeps accounting records which show and explain the company's and the group's transactions, disclose with reasonable accuracy, at any time, the financial position of the group and the company which enable them to ensure that the financial statements and the report on directors' remuneration comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation and the parent company financial statements comply with the Companies Act 2006. The directors have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and company and to prevent and detect fraud and other irregularities.

This statement, which should be read in conjunction with the auditors' report, is made with a view to distinguishing for members the respective responsibilities of the directors and the auditors in relation to the financial statements.

A copy of the Annual Report and the financial statements of the company are on the company's website at www.berendsen.com. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website; the work carried out by the auditors does not involve consideration of these matters. Accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were placed on the website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with DTR 4.1.12, each of the directors confirms that, to the best of their knowledge:

i) The financial statements of the group, prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the financial statements of the company, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and

ii) The management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

In accordance with the provisions of the UK Corporate Governance Code, the directors confirm that, to the best of their knowledge, the report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the performance, business model and strategy of the company and the group.

The current directors and their functions are listed on pages 62 and 63.

By order of the board

David Lawler
Company Secretary
26 February 2015

Report on the group financial statements

Our opinion

In our opinion, Berendsen plc's group financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 31 December 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

Berendsen plc's financial statements comprise:

- the consolidated balance sheet as at 31 December 2014;
- the consolidated income statement and statement of comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

Our audit approach

Overview

Overall group materiality: £5.8 million (2013: £6.25 million) which represents 5% of profit before tax.

We performed an audit of the complete financial information of nine operating reporting units:

- Which accounted for 89% (2013: 88%) of group revenues and 85% (2013: 88%) of group profit before tax.
- The existence and valuation of inventory due to the number of locations that inventory is held at and the absorption of freight costs and duty.
- The valuation of textile fixed assets due to the difficulty in tracking individual items and verifying their useful economic lives.
- The carrying value of goodwill, particularly in the German and Austrian Healthcare businesses.
- The appropriateness of provisions recognised or contingent liabilities disclosed in relation to historical environmental liabilities in a number of locations.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland")).

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that may represent a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the outcome of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How the scope of our audit addressed the area of focus
Existence and valuation of inventory	
During the year, there was a change in the internal responsibilities within the Group, with the recruitment of a new procurement team and a renewed focus on the procurement process. These changes, together with the associated key risks and controls relating to textile inventory, were reviewed by the Audit Committee with the Finance Director of UK Flat Linen during 2014 (refer to page 78 of the Audit Committee report). We considered the implications of these changes for our audit and concluded that the existence and certain aspects of the valuation of inventory should be an area of focus this year. *Existence* – the Group holds inventory at many locations, including a number that are owned by third parties. There is a risk that inventory quantities will be misstated at one or more locations, particularly where inventory is not under the direct control of the Group. *Valuation* – inventory largely comes into the Group through the UK and Sweden Sourcing businesses. The allocations of freight and duty costs in the standard costing system are reviewed regularly but there is a risk that the standard cost of inventory items could be misstated for these cost elements.	We performed audit procedures for all operating reporting units with material inventory balances. *Existence* – we attended the year end inventory counts that were performed by management at 14 locations and traced the inventory count results to the inventory system, checking that they were accurately recorded in the year end inventory balance. We also obtained a sample of confirmations of inventory held directly by third parties at the balance sheet date and successfully reconciled these to the year end inventory balance. Where inventory counts were not performed at the balance sheet date, we tested the records of these counts to the year-end inventory balance via a sample of goods in/outwards reports between the date of the count and the balance sheet date without noting any significant issues. *Valuation* – to address the risk of misstatement in the valuation of inventory, a sample of stock items held by the Group was traced from the inventory system to third party purchase invoices. We also obtained and tested management's workings on the absorption of freight and duty costs to check that they had been accurately allocated.
Valuation of textile fixed assets	
Linen and workwear textiles are sold by the UK and Sweden Sourcing businesses to the operating units within the Group as textile fixed assets and depreciated over their useful economic lives. Other than in certain businesses which have introduced the individual tagging of garments in order to track their day-to-day use, textile assets are homogeneously depreciated by category over their estimated useful economic lives (currently between 20% and 40% per annum as stated in the accounting policies on page 122). These textiles are significant assets on the balance sheet (£228.6 million as at 31 December 2014). Therefore, an over or understatement of the useful economic lives could lead to a material misstatement of depreciation for the year, affecting both the charge to the income statement and the valuation of the assets on the balance sheet.	In each of the nine operating units where an audit of the complete financial information was performed, we carried out substantive analytical review over depreciation to test whether it was in line with group policy. We found the depreciation policy to have been applied consistently across the Group and to be in line with that detailed within the accounting policies note. We also compared the level of textile fixed asset additions between 2011 and 2014 to depreciation over the same period, finding that capital expenditure on textile assets was materially in line with depreciation where there had been no major change in the scale and nature of the business. We therefore considered the estimate of the useful economic lives of textile fixed assets to be acceptable.

Area of focus	How the scope of our audit addressed the area of focus
Goodwill impairment assessment	
We focused on this area due to the size of the goodwill balance (£390.2m as at 31 December 2014) and because the directors' assessment of the 'value in use' of the Group's cash generating units (CGUs) involves judgement about the future results of the business and the discount rates applied to future cash flows forecasts. Although the directors believe there is headroom between the value in use of the CGUs and their carrying value, this remained an area of focus for us as a result of the size of the related goodwill balance. Refer also to note 8 to the financial statements, page 78 (audit committee report) and page 126 (key assumptions and sources of estimation and uncertainty).	We evaluated the directors' future cash flow forecasts, and the process by which they were drawn up, including comparing them to the latest Board approved budgets and testing the underlying calculations. We found that management had followed a clear process for drawing up the future cash flow forecasts, which were subject to timely oversight and challenge by the directors and which were consistent with the Board approved budgets. We found no material misstatements in calculations performed. We challenged the directors' key assumptions for long-term growth rates in the cash flows by comparing them to historical results and economic forecasts. We compared the current year actual results to the FY14 figures included in the prior year forecasts to consider whether any forecasts included assumptions that, with hindsight, had been optimistic. Actual performance in the German and Austrian Healthcare CGU was below budgeted expectations and therefore management has reflected this in the current year future cash flow model. We agreed that this judgement was appropriate given the past performance of the business. For the discount rate we assessed the cost of capital for the company and comparable organisations and found it to be in line with our expectations. We performed a sensitivity analysis around the key drivers of the cash flow forecasts, being: →the growth rates; →the operating profit margins applied; and →the discount rate. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired, we considered the likelihood of such a movement in those key assumptions arising, concurring with management's view that the chances of this were low. We also considered the appropriateness of the related disclosures in note 8 to the financial statements. We found that they appropriately describe the inherent degree of subjectivity in the estimates and the potential impact on future periods of revisions to these estimates.

Area of focus	How the scope of our audit addressed the area of focus
Environmental liabilities	
The Group operates from laundries across Europe, at some of which historic environmental liabilities may exist. Though the Group has indemnities from third parties over a number of these sites and expects to have the warranties confirmed in full so as to incur no significant loss, it is currently defending legal claims in respect of certain acquired sites. Judgement is required to assess the likelihood of these liabilities crystallising, in order to assess whether a provision should be recognised and, if so, the amount of that provision. The total potential liability is uncertain and would be affected by improvements in environmental clean-up technology and the future use of the sites. In Sweden, no amounts have been provided in the balance sheet with respect to any future environmental liability as the value and the timing of any cost to the Group is still impossible to determine. As such, a contingent liability continues to be disclosed within the financial statements of the Group. In the Netherlands, management have recognised a provision on a specific site that is subject to a constructive obligation to incur environmental clean-up costs. The amount recognised is the best estimate of the expenditure that will be incurred before any related recovery. We focused on this area due to the judgement associated with assessing the level of provision to cover the future obligation. Under the terms of its share purchase agreement with a third party on the acquisition of the site, the company expects to have this amount reimbursed under its warranties and has consequently accounted for the estimated receivable at fair value. Refer also to notes 18 and 30 to the financial statements, page 78 (audit committee report) and page 126 (key assumptions and sources of estimation and uncertainty).	We examined the Group's latest assessment of the status of the legal claims and obtained confirmation from its external legal advisers of the likelihood of the Group successfully defending its position. In Sweden we checked the situation remains unchanged from the prior year and determined that the accounting for any potential environmental remediation as a contingent liability remains appropriate. We read and were satisfied with the level of disclosure in note 30 to the financial statements. In the Netherlands, we evaluated and challenged management's rationale for the provision held with respect to clean up of the site. We obtained and read third party advice quantifying the amount provided and from the evidence obtained we considered the level of provision to be acceptable in the context of materiality. We also obtained confirmations from external legal counsel and read other correspondence supporting the recoverability of the asset recognised from third parties under warranties. From the evidence obtained, we considered the current value of the asset to be supportable.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group's accounting process is structured around a local finance function in each of the 23 operating reporting units under which the Group operates. These functions maintain their own accounting records and controls and report to the head office finance team in London through an integrated consolidation system. In our view, due to their significance and/or risk characteristics, nine of these units required an audit of their complete financial information and we used component auditors from PwC network firms who are familiar with the local laws and regulations in each of the territories to perform this audit work. In addition, specific audit procedures on inventory were performed at the Sweden Sourcing reporting unit to address the risk identified in the existence and valuation of inventory area of focus.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those functions to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole.

The group engagement team visits the component teams on a rotational basis. In the current year the group engagement leader visited the Denmark, Sweden and United Kingdom operating locations. In addition, other members of the group engagement team visited Norway, Germany, Netherlands and the Sweden Sourcing operating locations.

The group consolidation, financial statement disclosures and a number of complex items were audited by the group engagement team at the head office. These included goodwill impairment, derivative financial instruments, hedge accounting, the Berendsen plc defined benefit pension scheme and share-based payments.

Taken together, the territories and functions where we performed audit procedures accounted for 89% of group revenues and 85% of group profit before tax.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

- Overall group materiality: £5.8 million (2013: £6.25 million);
- How we determined it: 5% of profit before tax (2013: 5% of adjusted profit before tax); and
- Rationale for benchmark applied: We applied this benchmark, a generally accepted auditing practice, in the absence of indicators that an alternative benchmark would be appropriate. The use of profit before tax this year instead of the adjusted profit before tax measure that we referred to last year had no impact in practice on either the scoping of our audit or the assessment of our audit findings.

We agreed with the audit committee that we would report to them misstatements identified during our audit above £300,000 (2013: £300,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 106, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the group's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinions

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 64 to 81 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- information in the Annual Report is:
  - materially inconsistent with the information in the audited financial statements; or
  - apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
  - is otherwise misleading

We have no exceptions to report arising from this responsibility.

- the statement given by the directors on page 107, in accordance with provision C.1.1 of the UK Corporate Governance Code (the Code), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's performance, business model and strategy is materially inconsistent with our knowledge of the group acquired in the course of performing our audit.

We have no exceptions to report arising from this responsibility.

- the section of the Annual Report on page 76, as required by provision C.3.8 of the Code, describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee.

We have no exceptions to report arising from this responsibility.

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the parent company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the parent company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 107, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the company financial statements of Berendsen plc for the year ended 31 December 2014 and on the information in the Directors' Remuneration Report that is described as being audited.

Christopher Burns (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

26 February 2015

Notes:

(a) The maintenance and integrity of the Berendsen plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement

For the year ended 31 December 2014	Notes	Year to 31 December 2014 £m	Year to 31 December 2013 £m
Revenue	1	1,038.6	1,054.2
Cost of sales		(517.7)	(523.1)
Gross profit		520.9	531.1
Other income		4.3	3.3
Distribution costs		(193.3)	(195.8)
Administrative expenses		(168.5)	(174.6)
Other operating expenses		(26.2)	(29.0)
Operating profit	1	137.2	135.0
Analysed as:			
Operating profit before exceptional items and amortisation of customer contracts	1	158.7	158.9
Exceptional items	4	–	1.8
Amortisation of customer contracts	9	(21.5)	(25.7)
Operating profit	1	137.2	135.0
Finance costs	2	(23.1)	(25.0)
Finance income	2	2.9	2.4
Profit before taxation	3	117.0	112.4
Taxation	5	(27.1)	(27.2)
Profit for the year		89.9	85.2
Analysed as:			
Profit attributable to non-controlling interest		0.3	0.5
Profit attributable to owners of parent company		89.6	84.7
Earnings per share expressed in pence per share			
– Basic	7	52.6	49.8
– Diluted	7	52.4	49.6

The notes on pages 120 to 170 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2014	Notes	Year to 31 December 2014 £m	Year to 31 December 2013 £m
Profit for the year		89.9	85.2
Other comprehensive income:			
Items that may be subsequently reclassified into profit or loss:			
Currency translation differences		(46.9)	(15.3)
(Loss)/gain on cash flow hedges	16	(4.9)	2.3
		(51.8)	(13.0)
Items that cannot be subsequently reclassified into profit or loss:			
Actuarial (losses)/gains		(12.5)	16.7
Other comprehensive income for the year, net of tax		(64.3)	3.7
Total comprehensive income for the year		25.6	88.9
Attributable to:			
Non-controlling interest		–	0.7
Owners of parent company		25.6	88.2

Items in the statement above are disclosed net of tax. The tax relating to each component of other comprehensive income is disclosed in note 5.

Consolidated balance sheet

As at 31 December 2014	Notes	As at 31 December 2014 £m	As at 31 December 2013 £m
Assets			
Intangible assets:			
– Goodwill	8	390.2	423.4
– Other intangible assets	9	37.1	50.5
Property, plant and equipment	10	491.2	508.0
Deferred tax assets	19	8.1	13.6
Derivative financial instruments	16	40.4	21.1
Pension scheme surplus	27	35.7	38.2
Total non-current assets		1,002.7	1,054.8
Assets classified as held for sale		0.2	2.5
Inventories	11	39.3	34.7
Income tax receivable		1.3	3.3
Derivative financial instruments	16	0.1	1.8
Trade and other receivables	12	163.5	165.6
Cash and cash equivalents	13	96.9	89.2
Total current assets		301.3	297.1
Liabilities			
Borrowings	15	(2.5)	(32.7)
Derivative financial instruments	16	(0.6)	(6.9)
Income tax payable		(12.5)	(12.7)
Trade and other payables	14	(200.3)	(195.8)
Provisions	18	(3.1)	(2.9)
Total current liabilities		(219.0)	(251.0)
Net current assets		82.3	46.1
Borrowings	15	(468.8)	(445.5)
Derivative financial instruments	16	(17.3)	(33.2)
Pension scheme deficits	27	(34.7)	(31.1)
Deferred tax liabilities	19	(57.6)	(55.6)
Trade and other payables	14	(1.2)	(1.5)
Provisions	18	–	(2.5)
Total non-current liabilities		(579.6)	(569.4)
Net assets		505.4	531.5
Equity			
Share capital	20	51.8	51.8
Share premium		99.4	99.2
Other reserves		(2.4)	2.5
Capital redemption reserve		150.9	150.9
Retained earnings		200.5	221.8
Total equity attributable to shareholders of the company		500.2	526.2
Non-controlling interest		5.2	5.3
Total equity		505.4	531.5

The financial statements on pages 114 to 170 were approved by the board and signed on its behalf.

Peter Ventress
Chief Executive Officer
26 February 2015

Kevin Quinn
Chief Financial Officer

Consolidated cash flow statement

For the year ended 31 December 2014	Notes	Year to 31 December 2014 £m	Year to 31 December 2013 £m
Cash flows from operating activities			
Cash generated from operations	23	332.5	345.2
Interest paid		(22.2)	(24.4)
Interest received		2.9	2.4
Income tax paid		(18.2)	(21.8)
Net cash generated from operating activities		295.0	301.4
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	25	(12.4)	(2.7)
Purchases of property, plant and equipment	10	(183.2)	(169.6)
Proceeds from the sale of property, plant and equipment	23	10.4	6.2
Purchases of intangible assets	9	(4.6)	(3.6)
Net cash used in investing activities		(189.8)	(169.7)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		0.2	0.9
Purchase of own shares by the Employee Benefit Trust		(11.2)	(12.2)
Drawdown of borrowings		130.1	25.0
Repayment of borrowings		(146.6)	(77.9)
Repayment of finance leases/hire purchase liabilities		(2.7)	(3.4)
Dividends paid to company's shareholders	6	(48.8)	(44.8)
Dividends paid to non-controlling interest		(0.1)	(0.1)
Net cash used in financing activities		(79.1)	(112.5)
Net increase in cash	24	26.1	19.2
Cash and cash equivalents at beginning of year	13	89.2	73.7
Exchange losses on cash		(18.4)	(3.7)
Cash and cash equivalents at end of year	13	96.9	89.2
Free cash flow	23	122.6	139.4

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 2013	51.7	98.4	0.2	150.9	188.0	489.2	4.7	493.9
Comprehensive income:								
Profit for the year	–	–	–	–	84.7	84.7	0.5	85.2
Other comprehensive income:								
Actuarial gains (note 27)	–	–	–	–	20.9	20.9	–	20.9
Cash flow hedges	–	–	2.9	–	–	2.9	–	2.9
Currency translation	–	–	–	–	(19.8)	(19.8)	0.2	(19.6)
Tax on items taken to equity (note 5)	–	–	(0.6)	–	0.1	(0.5)	–	(0.5)
Total other comprehensive income	–	–	2.3	–	1.2	3.5	0.2	3.7
Total comprehensive income	–	–	2.3	–	85.9	88.2	0.7	88.9
Transactions with owners:								
Issue of share capital in respect of share option schemes	0.1	0.8	–	–	–	0.9	–	0.9
Purchase of own shares by the Employee Benefit Trust	–	–	–	–	(12.2)	(12.2)	–	(12.2)
Dividends (note 6)	–	–	–	–	(44.8)	(44.8)	(0.1)	(44.9)
Value of employee service in respect of share option schemes and share awards (note 21)	–	–	–	–	4.9	4.9	–	4.9
Total transactions with owners	0.1	0.8	–	–	(52.1)	(51.2)	(0.1)	(51.3)
At 31 December 2013	51.8	99.2	2.5	150.9	221.8	526.2	5.3	531.5

	Attributable to shareholders of the company							
	Share capital £m	Share premium £m	Other reserves £m	Capital redemption reserve £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
At 1 January 2014	51.8	99.2	2.5	150.9	221.8	526.2	5.3	531.5
Comprehensive income:								
Profit for the year	–	–	–	–	89.6	89.6	0.3	89.9
Other comprehensive income:								
Actuarial losses (note 27)	–	–	–	–	(16.5)	(16.5)	–	(16.5)
Cash flow hedges	–	–	(6.2)	–	–	(6.2)	–	(6.2)
Currency translation	–	–	–	–	(36.7)	(36.7)	(0.3)	(37.0)
Tax on items taken to equity (note 5)	–	–	1.3	–	(5.9)	(4.6)	–	(4.6)
Total other comprehensive income	–	–	(4.9)	–	(59.1)	(64.0)	(0.3)	(64.3)
Total comprehensive income	–	–	(4.9)	–	30.5	25.6	–	25.6
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	–	–	–	–	(10.5)	(10.5)	–	(10.5)
Dividends (note 6)	–	–	–	–	(48.8)	(48.8)	(0.1)	(48.9)
Value of employee service in respect of share option schemes and share awards (note 21)	–	–	–	–	7.5	7.5	–	7.5
Total transactions with owners	–	0.2	–	–	(51.8)	(51.6)	(0.1)	(51.7)
At 31 December 2014	51.8	99.4	(2.4)	150.9	200.5	500.2	5.2	505.4

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 2014, the Trust held 1,870,186 (2013: 2,798,134) shares.

Included within retained earnings is an amount of £17.9 million loss (2013: £18.8 million gain) which relates to currency translation.

Basis of preparation

The consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRSIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through the profit and loss account. These policies have been consistently applied to all the years presented.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed on page 126.

Going concern

The group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the group's products; and (b) the availability of bank finance for the foreseeable future. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the group's borrowings is given in note 15.

Changes in accounting policies and disclosures

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2014 and have a material impact on the group:

IFRS10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. Acquisitions during the year are set out in note 25. The standard did not have a significant impact on the group financial statements in the year.

IFRS12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The standard did not have a significant impact on the group financial statements.

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The group's offsetting of financial assets and liabilities are set out in note 17. The amendment did not have a significant effect on the group financial statements.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the group, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost.
The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess IFRS 9's full impact and the group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted subject to EU endorsement. The group is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

Consolidation

The group financial statements consolidate the financial statements of the company and all its subsidiaries. Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the group and are de-consolidated from the date on which control ceases.

All intra-group transactions are eliminated as part of the consolidation process. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Business combinations

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and disclosed as exceptional items where significant. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Current assets held for sale

Current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair values less costs to sell.

Current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Berendsen plc Executive Board.

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. The group's internal reporting structure is aligned on the same basis and segmental information is presented on a basis consistent with this reporting structure.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in sterling, which is the company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within operating expenses.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in other reserves.

(c) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Pre-contract/bid costs

Pre-contract costs are expensed as incurred until the group is appointed preferred bidder. Preferred bidder status provides sufficient confidence that the conclusion of the contract is probable, the outcome can be reliably measured and is expected to generate sufficient net cash inflows to enable recovery. Pre-contract costs incurred subsequent to appointment as preferred bidder are capitalised onto the balance sheet under prepayments and accrued income. The prepayment is expensed to the income statement over the period of the contract. Costs, which have been expensed, are not subsequently reinstated when a contract award is achieved.

Property, plant and equipment

Land and buildings comprise mainly factories and offices. All property, plant and equipment are shown at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

Textile assets such as garments and linen and washroom equipment which are owned by the group entities where substantially all the risks and rewards of ownership of such equipment is retained by group entities are capitalised as non-current assets and depreciated over their estimated useful lives.

Depreciation of assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

(a) Land and buildings

Depreciated at a rate of 2% per annum on an estimate of the buildings value of freehold properties and leasehold properties with 50 or more years unexpired at the balance sheet date. This rate has been determined having regard to the group's practice to maintain these assets in a continual state of sound repair and to extend and make improvements from time to time. Freehold land is not depreciated. Short leasehold land and buildings are depreciated by equal instalments over the period of the lease.

Major renovations are depreciated over the remaining useful life of the related asset or to the scheduled date of the next major renovation, whichever is sooner.

(b) Plant and machinery

Depreciated at rates of 10% to 50% per annum, depending on the class of the asset.

(c) Textile assets and washroom equipment

Depreciated at rates of 20% to 40%, depending on class of asset, and augmented where necessary by amounts to cover wastage, obsolescence and loss.

When properties, plant or equipment are sold, the difference between the sales proceeds and net book value is included in the income statement.

Residual values and useful lives of assets are reviewed annually and amended where necessary.

Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill net of amortisation prior to 1 January 2005 in respect of business combinations made since 1 January 1998 is included within intangible assets. Goodwill in respect of business combinations made on or before 31 December 1997 remains eliminated against reserves.

Goodwill has an indefinite useful life.

Goodwill is tested annually for impairment or if there is an indication of impairment. Goodwill is allocated to groups of cash-generating units for the purpose of impairment testing. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold except for goodwill eliminated against reserves.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (not exceeding three years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed five years.

(c) Customer contracts

Intangible assets arising either from legal or contractual rights which have been purchased are required to be separately identified from goodwill and are stated at historical cost, or in the case of intangible assets acquired as part of a business combination, at fair value. The fair value attributable to the customer contracts is determined by discounting the expected future cash flows to be generated from that asset at the risk adjusted weighted average cost of capital for the entity. This amount is amortised over the period in which the company is expected to benefit from the contracts acquired, over periods ranging from two to five years.

Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill – are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets

The group classifies its non-derivative financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The group designates certain derivatives as either (i) hedges of the fair value of recognised assets or liabilities (fair value hedge); or (ii) hedges of a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction (cash flow hedge); or (iii) hedges of net investments in foreign operations (net investment hedge).

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items and its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in the hedging transactions are highly effective in offsetting changes in fair values of hedged items.

The fair values of various derivative instruments used for hedging purposes are shown in note 16. Movements on the hedging reserve are shown within the statement of changes in equity as part of other reserves. The group holds no trading derivatives.

(a) Fair value hedge

Changes in the fair value of the derivatives that are fully designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The group has no (2013: one) fair value hedge in respect of a cross currency fixed to floating interest rate swap. If the hedge no longer meets the criteria for hedge accounting, the exchange component of the derivative will continue to be taken to the income statement as part of operating expenses along with the exchange on the related borrowings. The interest component of the derivative item will be amortised to the income statement over the period to maturity.

(b) Net investment hedge

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly against reserves. The gain or loss relating to any ineffective portion is recognised immediately in the income statement.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

(c) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated to qualify as cash flow hedges are recognised in equity. The group's cash flow hedges which are in respect of cross-currency interest rate swaps, interest rate swaps and forward foreign exchange contracts result in recognition in either profit and loss, reflecting the foreign currency translation element, or in the hedging reserve which forms part of other reserves.

When a hedging instrument expires or is sold, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity at that time remains in equity and is recognised when the forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity will be transferred to the income statement.

(d) Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

(e) Energy contracts and textile procurement

The group occasionally takes out energy contracts in relation to the supply of gas and electricity. In addition, from time to time, the group may enter into forward contracts to buy cotton based textiles at a future date. Such contracts are not recognised as derivative financial instruments as they are held with the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out (FIFO) method. The cost of finished goods comprises of raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Full provision is made for obsolete, defective and slow moving stock.

Trade and other receivables

Trade receivables are recognised initially at fair value less provision for impairment. They are subsequently held at amortised cost less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the change in provision is recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents are stated net of bank overdrafts, where the group has a legal right of set off and includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Share capital

Ordinary shares are classified as equity and are recorded at par value of proceeds received, net of direct issue costs. Where shares are issued above par value, the proceeds in excess of par value are recorded in the share premium account.

Where any group company purchases the company's equity share capital, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the company's shareholders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental costs, is included in equity attributable to the company's shareholders.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) are capitalised as part of the cost of that asset, until such time as the assets are ready for their intended use or sale.

Commitment and borrowing fees are capitalised as part of the loan and amortised over the life of the relevant agreement. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Borrowings are classified as non-current liabilities where the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the group's subsidiaries operate and generate taxable income.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for, if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Employee benefits

(a) Pension obligations

The group operates various pension schemes. The schemes are funded through payments to insurance companies or a trustee administered fund, determined by periodic actuarial calculations. The group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The net asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The group recognises the surplus arising on its deferred benefit schemes to the extent that it has a legal right to do so under the scheme rules.

Current and past service costs, to the extent they have vested, are recognised in operating costs in the income statement together with interest costs on plan liabilities and the expected return on plan assets.

Cumulative actuarial gains and losses arising from experience adjustments and change in actuarial assumptions are credited or charged to the statement of comprehensive income and expense net of deferred tax.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance or trustee administered plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Share-based payment plans

The group's management awards employees share options, from time to time, both on a discretionary and non-discretionary basis which are subject to vesting conditions. The economic cost of awarding the share options to its employees is recognised as an employee benefit expense in the income statement equivalent to the fair value of the benefit awarded. The fair value is determined by reference to the Black-Scholes option pricing model. The charge is recognised in the income statement over the vesting period of the award.

The proceeds received are credited to share capital (nominal value) and share premium when the options are exercised.

(c) Termination benefits

Termination benefits are payable when an employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is shown to be committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(d) Holiday pay

Paid holidays are regarded as an employee benefit and as such are charged to the income statement as the benefits are earned. An accrual is made at the balance sheet date to reflect the fair value of holidays earned but not yet taken.

Provisions

Provisions for vacant properties, restructuring costs and legal claims are recognised when the group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Revenue recognition

Group revenue comprises the fair value for the rendering of services, net of value added tax and other similar sales based taxes, rebates and discounts and after eliminating sales within the group. Revenue is recognised as follows:

(a) Service income

Income received or receivable in respect of service income is credited to revenue as and when services are rendered in respect of mats, linen, washroom and decontamination services. Revenue is recognised on a per item basis for delivery of laundered textiles to hotels and hospitals. Revenue for supply and laundering of workwear is recognised on a regular, periodic basis in accordance with the terms of the contract.

(b) Sale of goods revenue

For non-contract based business, revenue represents the value of goods delivered.

Accrued income comprises revenue contractually earned for services performed that are invoiced to the customer primarily in the following month.

Leases

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Dividend distribution

Final dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders. Interim dividends are recognised when paid.

Income statement presentation

(a) Exceptional items

Items that are material in size or non-operating in nature are presented as exceptional items in the income statement. The directors are of the opinion that separate recording of exceptional items provides helpful information about the group's underlying business performance. Examples of events, which may give rise to the classification of items as exceptional include, inter alia, restructuring of businesses, gains and losses on disposal of properties, acquisition costs, impairment of goodwill and non-recurring income.

(b) Amortisation of customer contracts

These are presented separately in the income statement as they arise from acquisitions.

(c) Other operating expenses

These comprise the group's intangible asset amortisation and exceptional items.

Key assumptions and sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and related disclosures. The estimates and underlying assumptions are based on historical experience and other relevant factors. This approach forms the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based, or as a result of new information. Such changes are recognised in the period in which the estimate is revised.

The key assumptions about the future and key sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying value of assets and liabilities within the next 12 months are described below.

(a) Property, plant and equipment and intangible assets, including goodwill

The group has property, plant and equipment with a carrying value of £491.2 million (note 10), goodwill with a carrying value of £390.2 million (note 8) and intangible assets with a carrying value of £37.1 million (note 9). These assets are reviewed annually for impairment as described above. A value in use model is used. To assess if any impairment exists, estimates are made of the future cash flows expected to result from the use of the assets and their eventual disposal. Actual outcomes could vary from such estimates of discounted future cash flows. Factors such as changes in the planned use of buildings, machinery or equipment, or closure of facilities, the presence of competition, or lower than anticipated sales could result in shortened useful lives or impairment.

(b) Pensions and other post-employment benefits

The group operates a number of defined benefit schemes within the UK and Europe (note 27). As at 31 December 2014 the present value of the group's defined benefit obligation for funded plans was a surplus of £35.7 million and a deficit of £34.7 million for unfunded plans. The calculations of the recognised assets and liabilities from such plans are based upon statistical and actuarial calculations. In particular the present value of the defined benefit obligation is impacted by assumptions on discount rates used to arrive at the present value of future pension liabilities, and assumptions on future increases in salaries and benefits. Furthermore, the group's independent actuaries use statistically based assumptions covering areas such as future withdrawals of participants from the plan and estimates on life expectancy. The actuarial assumptions used may differ materially from actual results due to changes in market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants and other changes in the factors being assessed. These differences could impact the assets or liabilities recognised in the balance sheet in future periods. The last triennial valuation of the main UK pension scheme took place in February 2013.

(c) Income taxes

At 31 December 2014, the net liability for current income taxes is £11.2 million and the net liability for deferred income taxes is £49.5 million (note 19). Estimates may be required in determining the level of current and deferred income tax assets and liabilities, which management believes are reasonable and adequately recognises any income tax related uncertainties.

Various factors may have favourable or unfavourable effects on the income tax assets and liabilities. These include changes in tax laws in the jurisdiction we operate in, tax rates, interpretations of existing tax laws, future levels of spending and in overall levels of future earnings.

(d) Share-based payments

The economic cost of awarding shares and share options to employees is reflected by recording a charge in the income statement equivalent to the fair value of the benefit awarded over the vesting period. The fair values of the awards are determined by use of the Black-Scholes model.

(e) Provisions

Provisions for vacant properties, restructuring costs and legal claims are recognised when the group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Notes to the consolidated financial statements

1 Segmental information

The results for the year ended 31 December 2014 under the business line structure are as follows:

	Core Growth				Manage for Value				
	Workwear £m	Facility £m	UK Flat Linen £m	Total Core Growth £m	Flat Linen outside UK £m	Clinical Solutions and Decontamination £m	Total Manage for Value £m	Unallocated £m	Group £m
Total segment revenue	323.5	238.4	207.5	769.4	229.2	75.0	304.2	–	1,073.6
Inter-segment revenue	(28.2)	(0.7)	–	(28.9)	(2.6)	(3.5)	(6.1)	–	(35.0)
Revenue from external customers	295.3	237.7	207.5	740.5	226.6	71.5	298.1	–	1,038.6
Operating profit before exceptional items and amortisation of customer contracts	62.3	61.6	26.5	150.4	15.7	5.5	21.2	(12.9)	158.7
Exceptional items	–	–	–	–	–	–	–	–	–
Amortisation of customer contracts	(1.1)	(20.1)	–	(21.2)	(0.1)	(0.1)	(0.2)	(0.1)	(21.5)
Segment result	61.2	41.5	26.5	129.2	15.6	5.4	21.0	(13.0)	137.2
Net finance costs									(20.2)
Profit before taxation									117.0
Taxation									(27.1)
Profit for the year									89.9
Profit attributable to non-controlling interest									0.3
Profit attributable to owners of parent company									89.6
Capital expenditure	63.6	49.2	41.3	154.1	46.3	3.5	49.8	0.5	204.4
Depreciation (note 10)	58.3	29.2	38.5	126.0	41.8	4.5	46.3	0.3	172.6
Amortisation (note 9)	2.9	20.8	1.4	25.1	0.7	0.3	1.0	0.2	26.3

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 arms-length. The company is domiciled in the UK.

1 Segmental information (continued)

The results for the year ended 31 December 2013 under the business line structure are as follows:

	Core Growth				Manage for Value				
	Workwear £m	Facility £m	UK Flat Linen £m	Total Core Growth £m	Flat Linen outside UK £m	Clinical Solutions and Decontamination £m	Total Manage for Value £m	Unallocated £m	Group £m
Total segment revenue	332.2	243.9	204.6	780.7	233.4	71.9	305.3	–	1,086.0
Inter-segment revenue	(26.4)	(0.6)	–	(27.0)	(2.2)	(2.6)	(4.8)	–	(31.8)
Revenue from external customers	305.8	243.3	204.6	753.7	231.2	69.3	300.5	–	1,054.2
Operating profit before exceptional items and amortisation of customer contracts	60.5	62.5	27.3	150.3	18.2	4.5	22.7	(14.1)	158.9
Exceptional items	–	–	–	–	–	1.8	1.8	–	1.8
Amortisation of customer contracts	(3.1)	(21.9)	(0.1)	(25.1)	(0.1)	(0.3)	(0.4)	(0.2)	(25.7)
Segment result	57.4	40.6	27.2	125.2	18.1	6.0	24.1	(14.3)	135.0
Net finance costs	–	–	–	–	–	–	–	–	(22.6)
Profit before taxation	–	–	–	–	–	–	–	–	112.4
Taxation	–	–	–	–	–	–	–	–	(27.2)
Profit for the year	–	–	–	–	–	–	–	–	85.2
Profit attributable to non-controlling interest	–	–	–	–	–	–	–	–	0.5
Profit attributable to owners of parent company	–	–	–	–	–	–	–	–	84.7
Capital expenditure	60.2	31.6	40.3	132.1	40.6	3.6	44.2	0.5	176.8
Depreciation (note 10)	61.7	30.0	36.2	127.9	40.5	4.2	44.7	0.5	173.1
Amortisation (note 9)	4.7	22.7	1.7	29.1	0.8	0.7	1.5	0.2	30.8

The segment assets and liabilities at 31 December 2014 under the business line structure are as follows:

	Core Growth				Manage for Value				
	Workwear £m	Facility £m	UK Flat Linen £m	Total Core Growth £m	Flat Linen outside UK £m	Clinical Solutions and Decontamination £m	Total Manage for Value £m	Unallocated £m	Group £m
Operating assets	352.2	345.3	153.0	850.5	208.8	60.1	268.9	1.9	1,121.3
Operating liabilities	(61.2)	(38.8)	(40.2)	(140.2)	(38.7)	(14.9)	(53.6)	(10.8)	(204.6)

The segment assets and liabilities at 31 December 2013 under the business line structure are as follows:

	Core Growth				Manage for Value				
	Workwear £m	Facility £m	UK Flat Linen £m	Total Core Growth £m	Flat Linen outside UK £m	Clinical Solutions and Decontamination £m	Total Manage for Value £m	Unallocated £m	Group £m
Operating assets	382.6	353.1	153.5	889.2	230.6	61.1	291.7	1.3	1,182.2
Operating liabilities	(63.5)	(39.4)	(37.1)	(140.0)	(37.1)	(15.3)	(52.4)	(10.3)	(202.7)

1 Segmental information (continued)

Business line operating assets consist primarily of property, plant and equipment, intangible assets, inventories and trade and other receivables.

Business line operating liabilities consist primarily of trade and other payables and provisions.

Unallocated assets include operating assets relating to corporate segments.

Unallocated liabilities include operating liabilities for corporate segments.

	Year to 31 December 2014 £m	Year to 31 December 2013 £m
Analysis of external revenue by category:		
Sale of goods	41.8	42.2
Provision of services	996.8	1,012.0
	1,038.6	1,054.2
Analysis of external revenue by country:		
UK	391.8	389.4
Sweden	159.1	163.0
Germany	135.2	140.5
Denmark	133.2	136.3
Holland	83.3	88.1
Norway	57.2	62.0
Other	78.8	74.9
	1,038.6	1,054.2
Analysis of non-current assets other than financial instruments, deferred tax assets and retirement benefit assets by country are:		
UK	216.9	219.1
Sweden	124.5	140.7
Germany	149.0	162.2
Denmark	96.2	104.1
Holland	41.2	47.2
Norway	25.5	35.8
Other	265.2	272.8
	918.5	981.9

2 Net finance costs

	Year to 31 December 2014 £m	Year to 31 December 2013 £m
Interest payable on bank borrowings	(20.7)	(23.1)
Interest payable on finance leases	(0.1)	(0.1)
Interest payable on other borrowings	(1.3)	(0.7)
Amortisation of issue costs of bank loans (note i)	(1.0)	(1.1)
Fair value loss on interest rate swaps (fair value hedge)	(0.5)	(1.5)
Fair value adjustment of bank borrowings attributable to interest rate risk	0.5	1.5
Finance costs	(23.1)	(25.0)
Finance income	2.9	2.4
Net finance costs	(20.2)	(22.6)

(i) This relates to loan issue costs arising on the 2011 €510 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.

3 Expenses by nature

	Year to 31 December 2014 £m	Year to 31 December 2013 £m
The following items have been included in arriving at operating profit:		
Staff costs (note 26)	399.5	408.1
Depreciation of property, plant and equipment (note 10):		
– Owned assets	170.0	170.1
– Under finance leases	2.6	3.0
Amortisation of intangible assets (included within other operating expenses) (note 9):		
– Customer contracts	21.5	25.7
– Computer software	4.8	5.1
Profit on sale of property, plant and equipment	(3.3)	(2.0)
Cost of inventory recognised as an expense in 'cost of sales'	7.9	8.4
Net cost of inventory written (back)	(0.2)	(0.1)
Other operating lease rentals payable:		
– Plant and machinery	13.4	12.5
– Property	7.6	7.7
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	0.7	0.7
– Tax advisory services	0.2	0.2
– Tax compliance services	0.2	0.2
Total services	1.3	1.3

4 Exceptional items

Included within operating profit is the following item which the group considers to be exceptional:

	Year to 31 December 2014 £m	Year to 31 December 2013 £m
Release of onerous contract provision	–	1.8
Total	–	1.8

There were no exceptional items in 2014 (2013: income £1.8 million).

5 Taxation

	Year to 31 December 2014 £m	Year to 31 December 2013 £m
Analysis of tax charge for the year		
Current tax:		
Tax on profits for the current year	23.5	22.6
Adjustments in respect of previous years	0.7	2.5
	24.2	25.1
Deferred tax (note 19):		
Origination and reversal of temporary differences	4.5	3.6
Changes in statutory tax rates	(0.5)	(0.9)
Adjustments in respect of previous years	(1.1)	(0.6)
	2.9	2.1
Total tax charge	27.1	27.2

The amount of overseas tax included in the total tax charge is £23.8 million (2013: £22.0 million).

The tax charge for the year is different from the effective UK statutory rate of 21.5% (2013: 23.25%). The difference is explained below:

	Year to 31 December 2014 £m	Year to 31 December 2013 £m
Profit before taxation	117.0	112.4
Multiplied by the effective rate of corporation tax in the UK of 21.5% (2013: 23.25%)	25.2	26.1
Effects of:		
Items not deductible for tax purposes	0.7	0.9
Non-taxable income	(1.0)	(0.7)
Taxable profit different to profit on disposal of assets	(0.2)	–
Overseas tax rate differences	2.2	0.4
Changes in statutory tax rates	(0.5)	(0.9)
Unrecognised tax gains/(losses)	0.2	0.1
Other	0.9	0.7
Adjustment in respect of prior years	(0.4)	0.6
Total tax charge	27.1	27.2

The main rate of corporation tax as at 31 December 2014 was 21%. Legislation to reduce the main rate of corporation tax to 20% was substantively enacted on 2 July 2013 and is effective from 1 April 2015.

5 Taxation (continued)

The tax (charge) relating to components of other comprehensive income and equity is as follows:

	Year to 31 December 2014 £m	Year to 31 December 2013 £m
Currency translation differences	(9.9)	4.3
Actuarial losses/(gains)	4.0	(4.2)
Cash flow hedges	1.3	(0.6)
Total (charged) to comprehensive income	(4.6)	(0.5)
Tax credit/(charged) relating to share-based payments	1.9	(0.6)
Total (charged) to equity	(2.7)	(1.1)
Analysed as:		
Current tax	3.3	0.2
Deferred tax (note 19)	(6.0)	(1.3)
	(2.7)	(1.1)

6 Dividends

	Year to 31 December 2014 £m	Year to 31 December 2013 £m
Equity dividends paid during the year		
Final dividend for the year ended 31 December 2013 of 19.2 pence per share (2012: 17.5 pence)	32.6	29.8
Interim dividend for the year ended 31 December 2014 of 9.5 pence per share (2013: 8.8 pence)	16.2	15.0
	48.8	44.8
Proposed final equity dividend for approval at the AGM		
Proposed final dividend for the year ended 31 December 2014 of 20.5 pence per share (2013: 19.2 pence)	35.0	32.8

The directors recommend a final dividend for the financial year ended 31 December 2014 of 20.5 pence per ordinary share to be paid on 8 May 2015 to shareholders who are on the register at 10 April 2015. This dividend is not reflected in these financial statements as it does not represent a liability at 31 December 2014.

7 Earnings per share

Basic earnings per ordinary share are based on the group profit for the year and a weighted average of 170,250,581 (2013: 170,063,960) 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 2014 Number of shares	31 December 2013 Number of shares
In issue	170,250,581	170,063,960
Dilutive potential ordinary shares arising from unexercised share options	588,063	690,404
	170,838,644	170,754,364

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 2014		Year to 31 December 2013	
	£m	Earnings per share pence	£m	Earnings per share pence
Profit attributable to owners of parent company for basic earnings per share calculation	89.6	52.6	84.7	49.8
Onerous contract provision release (after taxation)	–	–	(1.4)	(0.8)
Amortisation of customer contracts (after taxation)	16.6	9.8	19.3	11.3
Impact of tax rate reductions: UK and Denmark	(0.5)	(0.3)	(0.9)	(0.5)
Adjusted earnings	105.7	62.1	101.7	59.8
Diluted basic earnings		52.4	–	49.6
Diluted adjusted earnings		61.9	–	59.6

8 Goodwill

	2014 £m	2013 £m
Cost		
At 1 January	496.4	496.8
Acquisitions (note 25)	–	0.4
Currency translation	(36.4)	(0.8)
At 31 December	460.0	496.4
Accumulated amortisation and impairment		
At 1 January	73.0	72.8
Currency translation	(3.2)	0.2
At 31 December	69.8	73.0
Net book amount at 31 December	390.2	423.4

Composition of CGUs

The group's 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 reflects this business line structure. Management monitor goodwill at operating segment level and goodwill has been allocated 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 of the time of the change of composition of CGUs in 2012.

Under the existing 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. For the purpose of a goodwill impairment review, acquired goodwill has been allocated to nine groups of CGUs being the operating segments. The operating segments are Workwear, Facilities, UK Flat Linen, Scandinavian Flat Linen, Germany & Austria Healthcare, Ireland, Direct Sales, Clinical Solutions and Decontamination.

8 Goodwill (continued)

For reporting purposes, the goodwill has been allocated to the operating segments as outlined below.

	2014		2013	
	Impairment charge £m	Net book amount of goodwill £m	Impairment charge £m	Net book amount of goodwill £m
Core Growth:				
Workwear	–	144.9	–	157.7
Facility	–	160.4	–	175.9
UK Flat Linen	–	19.9	–	19.9
Manage for Value:				
Scandinavian Flat Linen	–	37.5	–	41.3
Germany and Austria Healthcare	–	6.8	–	7.8
Ireland	–	2.2	–	2.3
Direct Sales	–	4.5	–	4.5
Clinical Solutions	–	14.0	–	14.0
Decontamination	–	–	–	–
Total	–	390.2	–	423.4

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% (2013: 2%) and are appropriate because these are long-term businesses. The growth rate of 2% (2013: 2%) does not exceed long-term GDP estimates for countries that the group operates within. The main assumptions on which forecast cash flows have been based are revenue, operating margin and cash growth. Projected cash flows have been discounted using pre-tax discount rates of 11% (2013: 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 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.

For Germany and Austria Healthcare the recoverable amount calculated based upon value in use exceeded the carrying value of goodwill by 11% (2013: 51%), reflecting the growth and margin pressures that have been faced by this Business Line in 2014 and which are expected to improve only modestly as part of the group's 3 year strategic plan. The key assumptions used for the value in use calculation are:

➔ Modest revenue growth, on alike for like basis in excess of the long-term growth rate for each of the next 3 years

➔ Continued margin improvement to higher single digits over the next 3 years

➔ More than 100% of profit converting to operating cash flow over the 3 year period

If any of the above conditions are not met then impairment of the carrying value of the goodwill within this Business Line may become necessary.

9 Other intangible assets

	Computer software £m	Intellectual property rights £m	Customer contracts £m	Total £m
Cost				
At 1 January 2014	40.3	1.4	189.0	230.7
Acquisitions (note 25)	–	–	11.0	11.0
Additions at cost	4.5	–	0.1	4.6
Disposals	(0.1)	–	–	(0.1)
Reclassified from plant and machinery	0.2	–	–	0.2
Currency translation	(2.0)	–	(15.3)	(17.3)
At 31 December 2014	42.9	1.4	184.8	229.1
Accumulated depreciation				
At 1 January 2014	30.2	1.4	148.6	180.2
Charge for the year	4.8	–	21.5	26.3
Disposals	(0.1)	–	–	(0.1)
Currency translation	(1.7)	–	(12.7)	(14.4)
At 31 December 2014	33.2	1.4	157.4	192.0
Net book amount at 31 December 2014	9.7	–	27.4	37.1
Net book amount at 31 December 2013	10.1	–	40.4	50.5

	Computer software £m	Intellectual property rights £m	Customer contracts £m	Total £m
Cost				
At 1 January 2013	40.6	1.4	191.5	233.5
Acquisitions	–	–	1.0	1.0
Additions at cost	3.6	–	–	3.6
Disposals	(4.1)	–	–	(4.1)
Currency translation	0.2	–	(3.5)	(3.3)
At 31 December 2013	40.3	1.4	189.0	230.7
Accumulated depreciation				
At 1 January 2013	29.1	1.4	126.0	156.5
Charge for the year	5.1	–	25.7	30.8
Disposals	(4.1)	–	–	(4.1)
Currency translation	0.1	–	(3.1)	(3.0)
At 31 December 2013	30.2	1.4	148.6	180.2
Net book amount at 31 December 2013	10.1	–	40.4	50.5
Net book amount at 31 December 2012	11.5	–	65.5	77.0

All amortisation charges have been charged through other operating expenses.

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 2014	249.1	482.1	660.8	1,392.0
Additions at cost	4.8	30.7	149.9	185.4
Acquisitions (note 25)	1.7	0.1	1.6	3.4
Disposals	(1.6)	(21.8)	(86.8)	(110.2)
Reclassified to computer software	–	(0.2)	–	(0.2)
Currency translation	(15.3)	(28.1)	(40.5)	(83.9)
At 31 December 2014	238.7	462.8	685.0	1,386.5
Accumulated depreciation				
At 1 January 2014	105.9	341.5	436.6	884.0
Charge for the year	7.4	31.1	134.1	172.6
Disposals	(0.5)	(18.6)	(86.1)	(105.2)
Currency translation	(7.5)	(20.4)	(28.2)	(56.1)
At 31 December 2014	105.3	333.6	456.4	895.3
Net book amount at 31 December 2014	133.4	129.2	228.6	491.2
Net book amount at 31 December 2013	143.2	140.6	224.2	508.0

	2014 £m	2013 £m
Plant and machinery net book value includes:		
Assets held under finance leases	5.3	6.4
Finance lease additions	2.2	2.9
Split of depreciation:		
Owned assets	(170.0)	(170.1)
Leased assets	(2.6)	(3.0)
	(172.6)	(173.1)

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 2013	249.0	500.7	626.7	1,376.4
Additions at cost	1.7	28.7	142.1	172.5
Acquisitions	(0.4)*	0.1	–	(0.3)
Disposals	(1.2)	(48.0)	(111.8)	(161.0)
Reclassified to assets held for sale	(1.2)	–	–	(1.2)
Currency translation	1.2	0.6	3.8	5.6
At 31 December 2013	249.1	482.1	660.8	1,392.0
Accumulated depreciation				
At 1 January 2013	97.9	353.5	411.3	862.7
Charge for the year	7.9	34.1	131.1	173.1
Disposals	(0.4)	(47.1)	(109.3)	(156.8)
Reclassified to assets held for sale	(0.1)	–	–	(0.1)
Currency translation	0.6	1.0	3.5	5.1
At 31 December 2013	105.9	341.5	436.6	884.0
Net book amount at 31 December 2013	143.2	140.6	224.2	508.0
Net book amount at 31 December 2012	151.1	147.2	215.4	513.7

*During the year a revision to the fair value of land and buildings acquired as a result of acquisitions made in 2012 resulted in a reduction in the value of assets acquired by £0.4 million and a related increase in the value of goodwill arising on acquisition.

11 Inventories

	As at 31 December 2014 £m	As at 31 December 2013 £m
Raw materials	12.3	11.7
Finished goods	27.0	23.0
	39.3	34.7

The cost of inventories recognised as an expense in 'cost of sales' during the year amounted to £7.9 million (2013: £8.4 million). During the year a net £0.2 million of inventory was written back (2013: £0.1 million written back).

12 Trade and other receivables

	As at 31 December 2014 £m	As at 31 December 2013 £m
Current:		
Trade receivables	127.1	129.0
Less: Provision for impairment of receivables	(3.4)	(4.2)
	123.7	124.8
Other receivables	5.5	6.5
Prepayments and accrued income	34.3	34.3
	163.5	165.6

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 2014 £m	As at 31 December 2013 £m
Sterling	30.5	31.7
Euro	40.5	40.2
Swedish krona	28.6	29.4
Danish krone	17.2	16.4
Other	12.4	13.6
	129.2	131.3

Provision for impairment of trade receivables

	As at 31 December 2014 £m	As at 31 December 2013 £m
At 1 January	4.2	5.0
Exchange adjustments	(0.2)	–
Charge for the year	0.9	0.7
Uncollectable amounts written off, net of recoveries	(1.5)	(1.5)
At 31 December	3.4	4.2

The charge for the year is recognised as an expense in administrative expenses.

12 Trade and other receivables (continued)

As at 31 December 2014, trade receivables of £45.2 million (2013: £47.8 million) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	As at 31 December 2014 £m	As at 31 December 2013 £m
Up to one month	35.4	37.1
One to three months	5.9	7.5
Over three months	3.9	3.2
	45.2	47.8

The other classes within trade and other receivables do not contain impaired assets.

13 Cash and cash equivalents

	As at 31 December 2014 £m	As at 31 December 2013 £m
Cash at bank and in hand	96.9	89.2
	96.9	89.2

Cash at bank and in hand earns interest at floating rates based on bank deposit rates.

14 Trade and other payables

	As at 31 December 2014 £m	As at 31 December 2013 £m
Non-current:		
Accruals and deferred income	1.2	1.5
	1.2	1.5
Current:		
Trade payables	64.0	57.8
Other tax and social security payable	28.6	30.8
Other payables	8.8	9.9
Deferred consideration payable on acquisitions	0.5	0.5
Accruals and deferred income	98.4	96.8
	200.3	195.8

15 Borrowings

Current	As at 31 December 2014 £m	As at 31 December 2013 £m
Bank loans – unsecured	1.2	30.8
Finance lease obligations	1.3	1.9
	2.5	32.7

Non-current	As at 31 December 2014 £m	As at 31 December 2013 £m
Private Placement notes – unsecured	320.5	334.2
Bank loans – unsecured	144.0	106.5
	464.5	440.7
Finance lease obligations	4.3	4.8
	468.8	445.5

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:

	As at 31 December 2014		As at 31 December 2013	
	£m	EIR %	£m	EIR %
Borrowings under the revolving credit facilities				
Euro	11.0	0.94	30.0	1.19
Danish krone	52.5	1.14	44.8	1.16
Swedish krona	79.8	1.11	61.3	2.05
	143.3	1.11	136.1	1.57
Borrowings under the private placement (2006)				
Euro	58.7	4.52	62.6	4.52
Danish krone	13.0	4.63	49.0	1.95
Swedish krona	58.1	4.49	65.9	4.49
Currency translation	(1.0)	–	(25.4)	–
	128.8	4.52	152.1	3.80
Borrowings under the private placement (2009)				
Sterling	25.0	5.74	25.0	5.74
Euro	135.2	5.22	144.3	5.22
Currency translation	31.5	–	12.8	–
	191.7	5.30	182.1	5.30
Unamortised loan costs	(0.8)	–	(1.8)	–
Other bank borrowings				
Danish krone	0.6	3.45	0.5	3.45
Euro	0.8	5.25	2.5	5.38
Sterling	1.3	1.88	–	–
	465.7	3.68	471.5	3.70

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. During the year this facility was reduced to €510 million. This facility expires on 15 July 2016.

In December 2009, the group issued private placement notes of US$259 million and £25 million. The US$259 million was immediately swapped into euros.

15 Borrowings (continued)

In May 2006, the group issued private placement notes of US$250 million which were immediately swapped into a basket of Danish krone, Swedish krona and euros. During the year US$50 million private placement notes and the associated Danish krone swap were repaid. For further details of the group's derivative financial instruments against its borrowings see note 16.

The private placement amounts in the table above are stated at the year end exchange rates.

As underlying currencies have been swapped from US dollars via derivative contracts, the group has a gain on financial instruments (see note 16) which is offset by the currency translation loss on the underlying borrowing noted above. The borrowing under the US private placements of £334.2 million reflects the £25 million, the US$459 million translated at the year end sterling to dollar rate and the impact of fair value hedge movement.

As set out in note 32, on 19 February 2015 the group issued further private placement notes to existing US investors.

Fair value of financial assets and liabilities

	As at 31 December 2014		As at 31 December 2013	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Long-term borrowings	(468.8)	(496.1)	(445.5)	(475.9)
Fair value of other financial assets and liabilities				
Short-term borrowings	(2.5)	(2.5)	(32.7)	(32.7)
Trade and other payables (note 14)	(73.3)	(73.3)	(68.2)	(68.2)
Trade and other receivables (note 12)	129.2	129.2	131.3	131.3
Cash at bank and in hand (note 13)	96.9	96.9	89.2	89.2

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.

All financial instruments are in level 2 of the IFRS13 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 2014			As at 31 December 2013		
	Borrowings £m	Finance leases £m	Total £m	Borrowings £m	Finance leases £m	Total £m
Within one year	1.2	1.3	2.5	30.8	1.9	32.7
In more than one year but not more	226.3	1.5	227.8	2.8	1.8	4.6
Over two years but not more than	173.1	2.8	175.9	274.0	3.0	277.0
Over five years	65.1	–	65.1	163.9	–	163.9
	465.7	5.6	471.3	471.5	6.7	478.2

15 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 2014 £m	As at 31 December 2013 £m
Expiring in more than one year but not more than two years	255.7	310.5
	255.7	310.5

The minimum lease payments under finance leases fall due as follows:

	As at 31 December 2014 £m	As at 31 December 2013 £m
Not later than one year	1.5	2.0
Later than one year but not more than five	4.4	4.9
	5.9	6.9
Future finance charges on finance leases	(0.3)	(0.2)
Present value of finance lease liabilities	5.6	6.7

16 Derivative financial instruments

The derivatives we have used qualify for one or more hedge type designations under IAS 39. The fair values of the group's derivatives have been determined based on available market information at the balance sheet date and the following methodologies:

- the fair value of forward foreign exchange contracts are calculated by discounting the contracted forward values and translating at the balance sheet rates; and
- the fair value of both interest rate swaps and cross-currency interest rate swaps are calculated by discounting expected future principal and interest cash flows derived from appropriate yield curves.

The fair value measurements of the derivatives are classified as Level 2 in the fair value hierarchy as defined by 'Amendments to IFRS 13 Financial Instruments: Disclosure'.

The fair value and the notional amounts by designated hedge type are as follows:

	As at 31 December 2014			As at 31 December 2013		
	Assets fair value £m	Liabilities fair value £m	Notional £m	Assets fair value £m	Liabilities fair value £m	Notional £m
Fair value hedges						
Cross-currency interest rate swaps	–	–	–	2.1	–	30.3
	–	–		2.1	–	
Cash flow hedges						
Cross-currency interest rate swaps	20.1	–	295.5	11.8	(2.6)	278.3
Forward foreign exchange contracts	0.4	–	21.9	–	(0.4)	5.3
	20.5	–		11.8	(3.0)	
Net investment hedges						
Cross-currency interest rate swaps	20.0	(17.9)	328.5	9.0	(37.1)	309.6
	20.0	(17.9)		9.0	(37.1)	
Total	40.5	(17.9)		22.9	(40.1)	

16 Derivative financial instruments (continued)

The ineffective portion arising from fair value hedges was £nil (2013: profit of £156,526).

The maturity of all derivative financial instruments is as follows (excluding break clauses):

	As at 31 December 2014						As at 31 December 2013					
	In one year or less	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years	In one year or less	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years
Fair value hedges												
Asset	–	–	–	–	–	–	2.1	–	–	–	–	–
Cash flow hedges												
Asset	0.4	8.7	–	8.3	2.2	0.9	–	–	5.0	–	6.3	0.5
Liability	–	–	–	–	–	–	(0.4)	–	0.1	–	–	(2.7)
Net investment hedges												
Asset	(0.3)	2.6	–	–	10.1	7.6	(0.3)	–	1.4	–	–	7.9
Liability	(0.6)	(8.2)	–	(9.1)	–	–	(6.5)	–	(15.4)	–	(15.2)	–
Total												
Asset	0.1	11.3	–	8.3	12.3	8.5	1.8	–	6.4	–	6.3	8.4
Liability	(0.6)	(8.2)	–	(9.1)	–	–	(6.9)	–	(15.3)	–	(15.2)	(2.7)

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 2014						As at 31 December 2013					
	In one year or less	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years	In one year or less	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years
Fair value hedges												
Asset	–	–	–	–	–	–	2.1	–	–	–	–	–
Cash flow hedges												
Asset	0.4	16.9	0.6	–	2.1	0.5	–	–	11.3	–	–	0.5
Liability	–	–	–	–	–	–	(2.5)	–	0.1	(0.6)	–	–
Net investment hedges												
Asset	(0.3)	2.6	3.8	–	13.4	0.5	5.4	–	1.4	1.6	–	0.5
Liability	(0.6)	(17.3)	–	–	–	–	(6.5)	–	(30.6)	–	–	–
Total												
Asset	0.1	19.5	4.4	–	15.5	1.0	7.5	–	12.7	1.6	–	1.0
Liability	(0.6)	(17.3)	–	–	–	–	(9.0)	–	(30.5)	(0.6)	–	–

Background

At 31 December 2014 the group has in issue US$459 million and £25 million long-term senior guarantee notes under private placements in the US. In May 2006 the group placed US$250 million at fixed rates for periods between eight and twelve years, during the year US$50 million of this debt was repaid. In December 2009 the group undertook a further placement of US$259 million and £25 million at fixed rates for periods between seven and twelve years. In both placements the foreign currency amounts were immediately swapped into other currencies: Danish krone, Swedish krona and euros. This is to offset the foreign exchange rate exposure arising on the group's foreign currency assets.

The conversion from US dollars into currency was achieved in two stages. In the first stage swaps were taken out to convert US dollars to sterling. All of these swaps have been designated as cash flow hedges, with the exception of one swap from the 2006 placement, which has been designated as a fair value hedge, this swap was repaid in the year. 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.

16 Derivative financial instruments (continued)

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 15 instruments is £20.1 million, of which the currency component is a gain of £17.1 million and a loss of £6.2 million taken to the hedging reserve.

The total exchange component of the cash flow hedge derivatives movement has been accounted for within the profit and loss account (£17.1 million gain). The £6.2 million loss has been taken to the hedging reserve and will be continuously released to the income statement until the repayment of the private placement.

The forward foreign exchange contracts have resulted in the recognition of a derivative asset of £0.4 million (2013: derivative liability of £0.4 million). During the year a gain of £1.1 million (2013: loss of £0.5 million) was recognised in equity. This equity transfer will then be recognised in the income statement in line with the hedged transaction.

Net investment hedges

The second stage of the US private placement swaps results in sterling being exchanged into Danish krone, Swedish krona and euros. At 31 December 2014 the fixed rate borrowings vary between rates of 4.45% and 5.57% on the fixed European swaps. The floating Danish krone swap varies against CIBOR.

These swaps are accounted for as hedges of the group's assets in the relevant countries. The movement on the derivative asset arising has been accounted for as a component part of currency translation (£30.0 million gain).

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 2014 was £143.3 million (2013: £136.1 million). The foreign exchange gain of £11.3 million on translation is taken to reserves as a component part of currency translation.

Fair value hedges

US$50 million of the 2006 US private placement was swapped into a floating Danish krone 309.1 million, via a sterling swap. The sterling swap was dealt with as a fair value hedge. During the year, the swap has been repaid, therefore there is no ineffective portion of the fair value hedge to be reported (2013: profit £156,526).

The fair value hedge has resulted in the recognition of no derivative asset or liability (2013: £2.1 million).

17 Financial risk management

17.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk; fair value interest rate risk; cash flow interest rate risk and price risk); credit risk and liquidity risk. The group's overall risk management programmes focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the group finance team under the supervision of the Chief Financial Officer under policies approved by the board of directors. The Chief Financial Officer identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board approves written principles for foreign exchange risk, interest rate risk and credit risk, and the use of derivative financial instruments and non-derivative financial instruments, and receives regular reports on such matters.

a) Market risk

i) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro, Swedish krona and Danish krone. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The majority of operations in the group bill their revenues and incur their costs in the same functional currency. The group faces some currency exposure in respect of the procurement of textiles and capital equipment from Far East suppliers. The group policy is to enter forward contracts to purchase US dollars based upon the expected purchases. These derivatives are classified as cash flow hedges.

17.1 Financial risk factors (continued)

The group's policy is not to hedge foreign currency exposures on the translation of its overseas profit to sterling. Where appropriate, borrowings are effectively arranged in currencies so as to provide a natural hedge against the investment in overseas net assets.

During 2014 and 2013, derivative financial instruments were used to manage foreign currency risk as follows:

	As at 31 December 2014						
	Sterling £m	Euro £m	US dollar £m	Danish krone £m	Swedish krona £m	Other £m	Total £m
Cash and cash equivalents	37.4	72.5	–	19.1	95.2	38.1	262.3
Bank overdrafts	(120.4)	(43.6)	–	–	–	(1.4)	(165.4)
Net cash and cash equivalents (note 13)	(83.0)	28.9	–	19.1	95.2	36.7	96.9
Borrowings, excluding finance lease liabilities (note 15)	(25.5)	(11.8)	(295.5)	(53.1)	(79.8)	–	(465.7)
Finance lease liabilities (note 15)	(0.6)	(0.2)	–	–	(4.6)	(0.2)	(5.6)
Pre-derivative position	(109.1)	16.9	(295.5)	(34.0)	10.8	36.5	(374.4)
Derivative effect (note 16)	0.3	(201.6)	295.5	(13.1)	(58.5)	–	22.6
Post-derivative position	(108.8)	(184.7)	–	(47.1)	(47.7)	36.5	(351.8)

	As at 31 December 2013						
	Sterling £m	Euro £m	US dollar £m	Danish krone £m	Swedish krona £m	Other £m	Total £m
Cash and cash equivalents	24.0	59.9	–	48.7	75.4	32.3	240.3
Bank overdrafts	(132.4)	(17.4)	–	–	–	(1.3)	(151.1)
Net cash and cash equivalents (note 13)	(108.4)	42.5	–	48.7	75.4	31.0	89.2
Borrowings, excluding finance lease liabilities (note 15)	(23.2)	(32.5)	(309.2)	(45.3)	(61.3)	–	(471.5)
Finance lease liabilities (note 15)	(1.4)	(0.2)	–	–	(4.7)	(0.4)	(6.7)
Pre-derivative position	(133.0)	9.8	(309.2)	3.4	9.4	30.6	(389.0)
Derivative effect (note 16)	(0.4)	(212.9)	309.2	(48.2)	(64.9)	–	(17.2)
Post-derivative position	(133.4)	(203.1)	–	(44.8)	(55.5)	30.6	(406.2)

The exposure to euro, Swedish krona and Danish krone largely relate to our net investment hedge activities as described and shown in note 16.

ii) Price risk

The group is not exposed to any equity securities price risk. The group may from time to time be exposed to changes in the price of cotton. To mitigate against this risk the group may enter into forward contracts to buy cotton based textiles at a future date. Such contracts are not recognised as derivative financial instruments as they are held with the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements.

iii) Cash flow and fair value interest rate risk

The group's interest bearing assets include cash and cash equivalents which earn interest at floating rates. The group's income and operating cash flows are substantially independent of changes in market interest rates.

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. Group policy is to maintain a majority of its borrowings at fixed rate using interest rate swaps to achieve this when necessary. During 2014 and 2013, the group's borrowings at variable rate were denominated in sterling, euro, Swedish krona and Danish krone.

17.1 Financial risk factors (continued)

The following table sets out the carrying amount, by contractual repricing date (or maturity where there is no repricing), of fixed rate borrowings that are exposed to interest rate risk before taking into account interest rate swaps:

	As at 31 December 2014 £m	As at 31 December 2013 £m
Fixed interest rate borrowings		
In one year or less	2.5	32.7
In more than one year, but not more than two years	84.5	4.6
In more than two years but not more than five years	175.9	140.9
In more than five years	65.1	163.9
	328.0	342.1
Floating interest rate borrowings	143.3	136.1
Total borrowings	471.3	478.2

During 2014 and 2013, net debt was managed using derivative instruments to hedge interest rate risk as follows:

	As at 31 December 2014			As at 31 December 2013		
	Fixed-rate £m	Floating-rate £m	Total £m	Fixed-rate £m	Floating-rate £m	Total £m
Cash and cash equivalents	–	96.9	96.9	–	89.2	89.2
Borrowings	(328.0)	(143.3)	(471.3)	(342.1)	(136.1)	(478.2)
Pre-derivative net debt position	(328.0)	(46.4)	(374.4)	(342.1)	(46.9)	(389.0)
Derivative effect (note i)	22.2	–	22.2	11.4	(28.2)	(16.8)
Post-derivative net debt position	(305.8)	(46.4)	(352.2)	(330.7)	(75.1)	(405.8)

(i) Excludes the forward foreign exchange contract derivatives.

b) Credit risk

Credit risk is managed on a group or local basis as appropriate. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Trade receivables consist of a large number of customers spread across geographical areas. If there is no independent rating, management assesses the credit quality of the customer taking into account, its financial position, past experience and other factors. Individual risk limits are set based on internal ratings. Management monitors the utilisation of credit limits regularly.

Management believes there is no further credit risk provision required in excess of the normal provision for doubtful debts.

Treasury related credit risk

Counterparty risk arises from the investment of surplus funds and from use of derivative instruments.

As at 31 December 2014 and 31 December 2013, we had a number of exposures to individual counterparties. In accordance with our treasury policies and exposure management practices, counterparty credit exposure limits are continually monitored and no individual exposure is considered significant in the ordinary course of treasury management activity. Management does not expect any significant losses from non-performance by these counterparties.

The counterparty exposure under all financial assets including trade and other receivables, cash and cash equivalents and derivative financial contracts were £266.6 million (2013: £243.4 million). The group does not hold any collateral as security.

c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the group and is aggregated by group finance. Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 15) at all times so that the group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plans, covenant compliance, and compliance with internal balance sheet ratio targets.

The table below analyses the group's financial liabilities, excluding break clauses, which will be settled on a net basis into relative maturity groupings based on the remaining period at the balance sheet to the contract maturity date. The amounts disclosed in the table are contractual.

17.1 Financial risk factors (continued)

undiscounted cash flows using spot interest and foreign exchange rates at 31 December 2014. Balances due within 12 months equal their carrying balances as the impact of the discount is not significant.

	As at 31 December 2014				
	Due within one year £m	Due between one and two years £m	Due between two and five years £m	Due five years and beyond £m	Total £m
Non-derivative financial liabilities					
Borrowings, excluding finance lease liabilities	1.2	226.3	173.1	65.1	465.7
Interest payments on borrowings	3.0	2.3	4.3	–	9.6
Finance lease liabilities	1.3	1.5	2.8	–	5.6
Other non-interest bearing liabilities	170.2	–	–	–	170.2
Derivative financial liabilities					
Derivative contracts – payments	12.9	11.1	22.9	5.5	52.4
Total at 31 December 2014	188.6	241.2	203.1	70.6	703.5

	As at 31 December 2013				
	Due within one year £m	Due between one and two years £m	Due between two and five years £m	Due five years and beyond £m	Total £m
Non-derivative financial liabilities					
Borrowings, excluding finance lease liabilities	30.8	2.8	274.0	163.9	471.5
Interest payments on borrowings	3.6	3.6	5.5	1.4	14.1
Finance lease liabilities	2.0	1.8	3.1	–	6.9
Other non-interest bearing liabilities	163.9	–	–	–	163.9
Derivative financial liabilities					
Derivative contracts – payments	14.1	14.0	29.9	12.6	70.6
Total at 31 December 2013	214.4	22.2	312.5	177.9	727.0

d) Sensitivity analysis

Financial instruments affected by market risk include borrowings, deposits and derivative financial instruments. The following analysis is intended to illustrate the sensitivity to changes in market variables, being UK, euro, Swedish krona and Danish krone interest rates and sterling exchange rate on our financial instruments. We have excluded from this analysis the impact of movements in market variables on the carrying values of trade receivables and payables, since these are not exposed to risk from the market variables.

This analysis excludes the impact of movements in market variables on the carrying value of pension and other post-retirement obligations, provisions and on the non-financial assets and liabilities of overseas subsidiaries.

The sensitivity analysis has been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives portfolio and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2014 and 31 December 2013. As a consequence, this sensitivity analysis relates to the positions at those dates and is not representative of the years then ended, as all of these varied.

The following assumptions were made in calculating the sensitivity analysis:

- financial derivatives in net investment hedging relationship will not influence interest or foreign exchange sensitivity analysis;
- the sensitivity of accrued interest to movements in interest rates is calculated on net floating rate exposures on debt, deposits and derivative instruments;
- the sensitivity of accrued interest to movements in interest rates is recorded fully within the income statement; and
- changes in the carrying value of financial instruments from movements in exchange rates are recorded fully within equity.

The following table shows the group's exposure to foreign exchange risk as at 31 December 2014 and 31 December 2013, which is a result of increase/decrease of 10% movement in foreign exchange gains/losses on translation of foreign currency denominated borrowings. The foreign exchange risk is naturally hedged against the net assets of our operations in Continental Europe. All foreign exchange on both the borrowings and net assets is taken to reserves where it will offset.

17.1 Financial risk factors (continued)

	As at 31 December 2014 Equity £m	As at 31 December 2013 Equity £m
Euro exchange rate + 10%	16.8	18.5
Euro exchange rate –10%	(20.5)	(22.6)
Danish krone exchange rate +10%	4.3	4.1
Danish krone exchange rate –10%	(5.2)	(5.0)
Swedish krona exchange rate +10%	4.3	5.0
Swedish krona exchange rate –10%	(5.3)	(6.2)

The table below shows the sensitivity of post-tax profit to interest rates as at 31 December 2014 and 31 December 2013, due to an increase/decrease in interest rates of 100 basis points (bp) with all other variables held constant. Post-tax profit for the year would have been mainly affected through interest expense on floating rate cash and cash equivalents and borrowings.

	As at 31 December 2014 Income statement £m	As at 31 December 2013 Income statement £m
UK interest rates +100bp	(0.8)	(1.1)
UK interest rates –100bp	0.8	1.1
Euro interest rates +100bp	0.2	0.1
Euro interest rates –100bp	(0.2)	(0.1)
Danish krone interest rates +100bp	(0.3)	(0.3)
Danish krone interest rates –100bp	0.3	0.3
Swedish krona interest rates +100bp	0.2	0.1
Swedish krona interest rates –100bp	(0.2)	(0.1)

17.2 Capital management

The group's objectives when managing its capital structure are to safeguard the group's ability to continue as a going concern, to provide appropriate returns for shareholders and benefits for other stakeholders.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or take other steps to increase share capital or reduce debt.

The group manages its capital structure using a number of measures and taking into account its future strategic plans. Such measures include its net interest cover and leverage ratios, which are included in its banking covenants. The group continues to remain compliant with all its banking covenants.

Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents.

	As at 31 December 2014 £m	As at 31 December 2013 £m
Total borrowings	471.3	478.2
Less cash and cash equivalents	(96.9)	(89.2)
Net debt	374.4	389.0
Total equity	505.4	531.9
Total capital	879.8	920.9

17.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method (see notes 15 and 16). The different levels have been defined as follows:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

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 2014:

	Level 1	Level 2	Level 3	Total
Assets				
Derivatives used for hedging				
Cross-currency interest rate swaps	–	40.1	–	40.1
Forward foreign exchange contracts	–	0.4	–	0.4
Total assets	–	40.5	–	40.5

	Level 1	Level 2	Level 3	Total
Liabilities				
Derivatives used for hedging				
Cross-currency interest rate swaps	–	(17.9)	–	(17.9)
Forward foreign exchange contracts	–	–	–	–
Total liabilities	–	(17.9)	–	(17.9)

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2013:

	Level 1	Level 2	Level 3	Total
Assets				
Derivatives used for hedging				
Cross-currency interest rate swaps	–	22.9	–	22.9
Total assets	–	22.9	–	22.9
Liabilities				
Derivatives used for hedging				
Cross-currency interest rate swaps	–	(39.7)	–	(39.7)
Forward foreign exchange contracts	–	(0.4)	–	(0.4)
Total liabilities	–	(40.1)	–	(40.1)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar instruments;
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value; and
- other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

17.4 Offsetting financial assets and financial liabilities

(a) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet: Financial instruments	Related amounts not set off in the balance sheet: Cash collateral received	Net amount
At 31 December 2014						
Derivative financial assets	40.8	–	40.8	(17.6)	–	23.2
Cash and cash equivalents	262.3	(165.4)	96.9	–	–	96.9
Total	303.1	(165.4)	137.7	(17.6)	–	120.1

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet: Financial instruments	Related amounts not set off in the balance sheet: Cash collateral received	Net amount
At 31 December 2013						
Derivative financial assets	22.9	–	22.9	(22.9)	–	–
Cash and cash equivalents	240.3	(151.1)	89.2	–	–	89.2
Total	263.2	(151.1)	112.1	(22.9)	–	89.2

(b) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet: Financial instruments	Related amounts not set off in the balance sheet: Cash collateral received	Net amount
At 31 December 2014						
Derivative financial liabilities	(17.6)	–	(17.6)	17.6	–	–
Bank overdrafts	(165.4)	165.4	–	–	–	–
Total	(183.0)	165.4	(17.6)	17.6	–	–

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet: Financial instruments	Related amounts not set off in the balance sheet: Cash collateral received	Net amount
At 31 December 2013						
Derivative financial liabilities	(40.1)	–	(40.1)	22.9	–	(17.2)
Bank overdrafts	(151.1)	(151.1)	–	–	–	–
Total	(191.2)	(151.1)	(40.1)	22.9	–	(17.2)

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. Per the terms of each agreement, an event of default includes failure by a party to make payment when due; failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within period of 30 to 60 days after notice of such failure is given to the party; or bankruptcy.

18 Provisions

	Restructuring £m	Property disposals £m	Onerous contract provision £m	Other £m	Total £m
At 1 January 2014	1.8	2.5	0.5	0.6	5.4
Charged/(released) in the year	–	(2.0)	(0.3)	1.4	(0.9)
Utilised in the year	(0.8)	(0.4)	–	–	(1.2)
Currency translation	(0.1)	(0.1)	–	–	(0.2)
At 31 December 2014	0.9	–	0.2	2.0	3.1
Represented by:					
Non-current	–	–	–	–	–
Current	0.9	–	0.2	2.0	3.1

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 group's exposure to these warranties, guarantees and indemnities is dependent on the ability of the previously disposed businesses to meet their contractual liabilities through counter indemnities in full. Following a review during the year, the group no longer anticipates any exposure under these contractual obligations and as a consequence the provision has been released within administrative expenses during the period.

Onerous contract provision

The group holds a provision for future losses on two decontamination contracts which are considered to be onerous. The release of the provision in 2014 is shown within administrative expenses within the income statement.

Other

Other includes legal provisions arising through legislation of £nil (2013: £0.6 million) and also a provision for the historic environmental clean-up costs at one of its plants in Holland (see also note 30) which the group believes are covered by an indemnity from a 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 this site. The company expects to have this warranty confirmed in full and consequently has accounted for the receivable, at fair value, within other debtors. The charge and related income are shown within administrative expenses.

19 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using the tax rate applicable to the territory in which the difference arises.

(a) The movement on the net deferred tax account is as shown below:

	2014 £m	2013 £m
At 1 January	(42.0)	(38.3)
Acquisitions (note 25)	(1.7)	–
(Charged) to income (note 5)	(2.9)	(2.1)
Other movements	–	0.1
(Charged) to equity (note 5)	(6.0)	(1.3)
Currency translation	3.1	(0.4)
At 31 December	(49.5)	(42.0)

The balance sheet presentation shown below is after the offsetting of deferred tax balances within the same tax jurisdiction. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

19 Deferred tax (continued)

Balance sheet presentation

Deferred tax assets	As at 31 December 2014 £m	As at 31 December 2013 £m
– due after more than one year	8.1	13.6
Deferred tax liabilities		
– due after more than one year	(57.6)	(55.6)
	(49.5)	(42.0)

(b) The individual movements in deferred tax assets and deferred tax liabilities, before the offsetting of balances within the same jurisdiction, are shown below:

Deferred tax liabilities

	Accelerated tax depreciation £m	Pensions £m	Derivatives £m	Other £m	Total £m
At 1 January 2014	(56.0)	(8.2)	–	(7.8)	(72.0)
Acquisition of subsidiary	–	–	–	(1.7)	(1.7)
Transfer (from) assets	–	–	(3.9)	–	(3.9)
Credited/(charged) to income	0.2	–	(0.2)	0.8	0.8
Credited to equity	–	1.1	–	–	1.1
Reclassification of asset	0.6	–	–	(0.6)	–
Currency translation	4.4	(0.1)	–	0.3	4.6
At 31 December 2014	(50.8)	(7.2)	(4.1)	(9.0)	(71.1)

Deferred tax assets

	Provisions £m	Pensions £m	Tax losses £m	Derivatives £m	Other £m	Total £m
At 1 January 2014	1.3	2.4	8.6	4.7	13.0	30.0
Transfer to liabilities	–	–	–	3.9	–	3.9
Credited/(charged) to income	0.1	(0.1)	(1.9)	–	(1.7)	(3.6)
Credited/(charged) to equity	–	1.5	–	(8.6)	–	(7.1)
Reclassification of liability	–	0.1	–	–	(0.1)	–
Currency translation	(0.1)	(0.3)	(0.6)	–	(0.6)	(1.6)
At 31 December 2014	1.3	3.6	6.1	–	10.6	21.6

Deferred tax assets have been recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets where it is considered probable that these assets will be recovered.

Deferred tax assets have not been recognised as follows:

	As at 31 December 2014 £m	As at 31 December 2013 £m
Unused tax losses	1.9	2.0

Included in unused tax losses is an amount of £0.6 million (2013: £0.9 million) which will expire between 2015 and 2019 if the relevant losses are not used.

No deferred tax is recognised on unremitted earnings from overseas subsidiaries.

20 Share capital

	Ordinary shares millions	Ordinary shares £m
Allotted and fully paid		
At 1 January 2014	172.5	51.8
Allotted in respect of share option schemes	0.1	–
At 31 December 2014	172.6	51.8

Fully paid ordinary shares have a par value of 30 pence.

Potential issues of ordinary shares

Share options

Options on 465,545 shares were exercised in 2014 (223,561 at an exercise price of £3.23, 239,462 at an exercise price of £3.47 and 2,522 at an exercise price of £7.26). For arrangements granted since October 2002, which were exercised in the year, the weighted average market price at the time of exercise was £9.92. The number of shares subject to options is given below:

	Not exercised at 31 December 2014	Not exercised at 31 December 2013	Price per share pence
Berendsen Sharesave Plan 2006			
Date of grant 29 October 2009	8,182	230,793	323.00
27 October 2011	99,737	373,821	347.00
24 October 2013	267,760	321,542	726.00
23 October 2014	362,548	–	792.00
Berendsen Irish SAYE Scheme 2009			
Date of grant 29 October 2009	346	9,810	323.00
	738,573	935,966	

20 Share capital (continued)

Share awards

As at 31 December 2014, the following conditional share awards granted to directors and staff remain outstanding:

		31 December 2014	31 December 2013
Performance Share Plan			
Date of grant	3 March 2011	–	435,097
	7 March 2012	450,639	450,639
	7 March 2013	319,494	319,494
	6 March 2014	222,004	–
Co-Investment Plan			
Date of grant	12 April 2011	–	677,912
	10 April 2012	707,572	707,572
	9 April 2013	447,292	447,292
	7 April 2014	310,816	–
Deferred Bonus Share Plan			
Date of grant	3 March 2011	–	81,179
	7 March 2012	84,208	84,208
	7 March 2013	92,726	92,726
	6 March 2014	57,645	–
Berendsen Long-term Incentive Plan (three years)			
Date of grant	7 March 2012	186,356	186,356
	7 March 2013	143,894	143,894
	6 March 2014	93,500	–
Berendsen Long-term Incentive Plan (three years)			
Date of grant	7 March 2012	–	396,848
	7 March 2013	309,821	324,383
	6 March 2014	186,400	–
Executive Incentive Plan			
Date of grant	4 March 2011	–	736,891
One-off Share award			
Date of grant	2 April 2012	19,730	19,730
		3,632,097	5,104,221

21 Share-based payments

The following share-based expenses charged in the year are included within administration expenses:

	Year to 31 December 2014 £m	Year to 31 December 2013 £m
Performance share plans	1.7	1.6
Executive incentive plan	0.1	(0.6)
Co-Investment plan	2.8	2.7
Berendsen Long-term Incentive Plans	0.6	1.6
Executive and Sharesave option schemes	0.4	0.2
	5.6	5.5

21 Share-based payments (continued)

Share options

During the year the group had eight share-based payment arrangements granted since October 2002, outstanding with employees to grant share options. The schemes are equity settled. The details of the arrangements are set out below:

	Number of options originally granted	Contractual life	Exercise price (pence)	Share price at date of grant	Number of employees at grant	Expected volatility	Expected remaining life	Risk free rate	Expected dividend yield	Fair value per option (pence)
Berendsen Sharesave Plan 2006										
29 October 2009	301,044	5.5 years	323.0	402.6	152	27%	0.5 years	2.0%	4.8%	65.32
27 October 2011	360,278	3.5 years	347.0	433.2	458	29%	0.5 years	0.6%	4.2%	75.26
27 October 2011	118,964	5.5 years	347.0	433.2	92	27%	2.5 years	1.2%	4.2%	74.02
24 October 2013	225,323	3.5 years	726.0	907.0	585	23%	2.5 years	0.8%	4.3%	1.70
24 October 2013	98,475	5.5 years	726.0	907.0	140	25%	4.5 years	1.5%	4.3%	1.89
23 October 2014	242,528	3.5 years	792.0	990.0	573	20%	3.5 years	1.0%	4.8%	1.64
23 October 2014	124,268	5.5 years	792.0	990.0	121	22%	5.5 years	1.5%	4.8%	1.70
Berendsen Irish SAYE Scheme 2009										
29 October 2009	20,639	5.5 years	323.0	418.0	11	27%	0.5 years	2.0%	4.8%	65.35

The group has used the Black-Scholes model to value its share option awards.

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the length of the option period.

The options granted under the Sharesave Plan are available to all UK employees. The options granted under the Irish scheme are available to all Republic of Ireland employees. The exercise price of the granted options is equal to the average market price of the shares less 20% at the date of invitation. Options are conditional on the employee completing three or five years service (the vesting period). There are no other conditions. The options are exercisable for a period of six months after vesting.

21 Share-based payments (continued)

A reconciliation of movements in the number of share options for the group can be summarised as follows:

Berendsen Sharesave Plan 2006

	1 January 2014	Number of shares			31 December 2014	Exercise price (pence)	Exercise period
		Granted	Exercised	Lapsed			
29 October 2009	230,793	–	(215,468)	(7,143)	8,182	323.0	Dec 2014 – May 2015
27 October 2011	274,907	–	(237,940)	(26,157)	10,810	347.0	Dec 2014 – May 2015
27 October 2011	98,914	–	(1,522)	(8,465)	88,927	347.0	Dec 2016 – May 2017
24 October 2013	223,067	–	(1,740)	(36,082)	185,245	726.0	Dec 2016 – May 2017
24 October 2013	98,475	–	(782)	(15,178)	82,515	726.0	Dec 2018 – May 2019
23 October 2014	–	242,528	–	(3,483)	239,045	792.0	Dec 2017 – May 2018
23 October 2014	–	124,268	–	(765)	123,503	792.0	Dec 2019 – May 2020

	1 January 2013	Number of shares			31 December 2013	Exercise price (pence)	Exercise period
		Granted	Exercised	Lapsed			
31 October 2007	6,039	–	(6,039)	–	–	445.00	Dec 2012 – May 2013
29 October 2009	12,862	–	(11,066)	(1,796)	–	323.00	Dec 2012 – May 2013
29 October 2009	236,761	–	(1,728)	(4,240)	230,793	323.00	Dec 2014 – May 2015
27 October 2011	306,763	–	(2,731)	(29,125)	274,907	347.00	Dec 2014 – May 2015
27 October 2011	102,283	–	–	(3,369)	98,914	347.00	Dec 2016 – May 2017
24 October 2013	–	225,323	–	(2,256)	223,067	726.00	Dec 2016 – May 2017
24 October 2013	–	98,475	–	–	98,475	726.00	Dec 2018 – May 2019

Berendsen Irish SAYE Scheme 2009

	1 January 2014	Number of shares			31 December 2014	Exercise price (pence)	Exercise period
		Granted	Exercised	Lapsed			
29 October 2009	9,810	–	(8,093)	(1,371)	346	323.0	Dec 2014 – May 2015

	1 January 2013	Number of shares			31 December 2013	Exercise price (pence)	Exercise period
		Granted	Exercised	Lapsed			
29 October 2009	2,600	–	(1,148)	(1,452)	–	323.00	Dec 2012 – May 2013
29 October 2009	9,810	–	–	–	9,810	323.00	Dec 2014 – May 2015

21 Share-based payments (continued)

Share awards

During the year the group had 20 conditional share awards granted to directors and staff. The schemes are equity settled. The details of the arrangements are set out below:

	Number of options originally granted	Contractual life	Share price at date of grant	Number of employees at grant	Expected volatility	Average correlation	Expected life	Risk free rate	Expected dividend yield	Fair value per option (pence)
Performance Share Plan										
Date of grant 3 March 2011	435,097	3 years	488.1	6	29%	n/a	3 years	1.9%	4.2%	430.05
7 March 2012	450,639	3 years	517.9	7	29%	n/a	3 years	0.6%	7.3%	416.56
7 March 2013	319,494	3 years	712.0	7	24%	n/a	3 years	0.4%	5.8%	598.16
6 March 2014	222,004	3 years	1035.0	7	23%	n/a	3 years	1.1%	4.4%	907.07
Deferred Bonus Share Plan										
Date of grant 3 March 2011	81,179	3 years	488.1	6	25%	n/a	3 years	1.4%	4.2%	52.53
7 March 2012	84,208	3 years	517.9	7	26%	n/a	3 years	0.6%	7.3%	44.01
7 March 2013	92,726	3 years	712.0	7	24%	n/a	3 years	0.4%	5.8%	60.91
6 March 2014	57,645	3 years	1035.0	7	23%	n/a	3 years	1.1%	4.4%	106.7
Executive Incentive Plan										
Date of grant 4 March 2011	917,367	3 years	488.1	92	29%	n/a	3 years	1.9%	4.2%	430.05
Co-Investment Plan										
Date of grant 12 April 2011	677,912	3 years	488.1	8	29%	n/a	3 years	1.8%	4.2%	430.05
10 April 2012	707,572	3 years	518.0	11	25%	n/a	3 years	0.5%	7.3%	416.54
9 April 2013	447,292	3 years	768.0	7	24%	n/a	3 years	0.3%	5.4%	653.45
7 April 2014	310,816	3 years	1035.0	7	23%	n/a	3 years	1.1%	4.4%	907.07
One-off Share Award										
Date of grant 2 April 2012	19,730	3 years	523.0	1	25%	n/a	3 years	0.6%	7.3%	421.53
Berendsen Long-term Incentive Plan										
Date of grant 7 March 2012	209,624	3 years	517.9	11	26%	n/a	3 years	0.6%	7.3%	416.56
7 March 2012	427,399	2 years	517.9	83	26%	n/a	2 years	0.4%	7.3%	447.92
7 March 2013	143,894	3 years	712.0	11	24%	n/a	3 years	0.4%	5.8%	598.16
7 March 2013	324,383	2 years	712.0	83	24%	n/a	2 years	0.2%	5.8%	633.92
6 March 2014	93,500	3 years	1035.0	11	23%	n/a	3 years	1.1%	4.4%	907.07
6 March 2014	191,400	2 years	1035.0	94	19%	n/a	2 years	0.7%	4.4%	948.07

21 Share-based payments (continued)

The Performance Share Plan (PSP) provides for the grant of awards in the form of conditional free shares or nil costs options. Shares in relation to the award will be released to participants at the end of a three-year performance period, dependent upon the extent to which the performance conditions (adjusted EPS and ROIC) have been satisfied.

The Co-Investment Plan (CIP) provides for the grant of awards in the form of nil cost options. Under this scheme, certain senior executives can invest up to 35% of their salary in shares annually, which is then matched on a gross basis with a granted award. The awards will be released to participants at the end of a three-year performance period, dependent upon the extent to which the performance conditions (adjusted EPS and ROIC) have been satisfied. Awards granted before 2013 had a guaranteed match, where a proportion of the awards granted were not dependent upon performance conditions.

The Deferred Bonus Share Plan (DBSP) provides for the grant of awards that equal a quarter of an executive director's annual bonus. Awards are conditional free shares which are dependent on the employee completing three years' service from the date of the grant.

The Berendsen Long-Term Incentive Plan (BLTIP) provides for the grant of awards in the form of nil cost options which are conditional on the employee achieving relevant, stretching three or two-year performance targets which are business unit specific. This scheme replaces the Executive Incentive Plan.

The Executive Incentive Plan (EIP) awards are conditional on the employee achieving relevant, stretching three-year performance targets. Awards are no longer granted under this scheme.

A one-off share award was granted on 2 April 2012 following the purchase of the Decontam business in Germany. The award is not performance related and will vest on 2 April 2015. If, however, prior to the vesting of the award, the individual ceases to be an employee of the company by reason of notice of termination of his employment (whether given or received), the award will lapse.

The group has used the Black-Scholes model to value its share awards.

The volatility at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the length of the award period.

A reconciliation of movements in the number of share awards for the group can be summarised as follows:

Performance Share Plan

	1 January 2014	Number of shares			31 December 2014	Vesting period/date
		Granted	Vested	Lapsed		
3 March 2011	435,097	–	(337,197)	(97,900)	–	3 March 2014
7 March 2012	450,639	–	–	–	450,639	7 March 2015 – 7 March 2019
7 March 2013	319,494	–	–	–	319,494	7 March 2016 – 7 March 2020
6 March 2014	–	222,004	–	–	222,004	6 March 2017 – 6 March 2021

	1 January 2013	Number of shares			31 December 2013	Vesting period/date
		Granted	Vested	Lapsed		
4 March 2010	516,433	–	(322,770)	(193,663)	–	4 March 2013
3 March 2011	435,097	–	–	–	435,097	3 March 2014
7 March 2012	450,639	–	–	–	450,639	7 March 2015 – 7 March 2019
7 March 2013	–	319,494	–	–	319,494	7 March 2016 – 7 March 2020

21 Share-based payments (continued)

Co-Investment Plan

	1 January 2014	Number of shares Granted	Vested	Lapsed	31 December 2014	Vesting period/date
12 April 2011	677,912	–	(563,509)	(114,403)	–	12 April 2014
10 April 2012	707,572	–	–	–	707,572	10 April 2015 – 10 April 2019
9 April 2013	447,292	–	–	–	447,292	9 April 2016 – 9 April 2020
7 April 2014	–	310,816	–	–	310,816	7 April 2017 – 7 April 2021

	1 January 2013	Number of shares Granted	Vested	Lapsed	31 December 2013	Vesting period/date
15 April 2010	729,603	–	(518,430)	(211,173)	–	15 April 2013
12 April 2011	677,912	–	–	–	677,912	12 April 2014
10 April 2012	707,572	–	–	–	707,572	10 April 2015 – 10 April 2019
9 April 2013	–	447,292	–	–	447,292	9 April 2016 – 9 April 2020

Deferred Bonus Share Plan

	1 January 2014	Number of shares Granted	Vested	Lapsed	31 December 2014	Vesting date
3 March 2011	81,179	–	(81,179)	–	–	3 March 2014
7 March 2012	84,208	–	–	–	84,208	7 March 2015
7 March 2013	92,726	–	–	–	92,726	7 March 2016
6 March 2014	–	57,645	–	–	57,645	6 March 2017

	1 January 2013	Number of shares Granted	Vested	Lapsed	31 December 2013	Vesting date
4 March 2010	71,599	–	(71,599)	–	–	4 March 2013
3 March 2011	81,179	–	–	–	81,179	3 March 2014
7 March 2012	84,208	–	–	–	84,208	7 March 2015
7 March 2013	–	92,726	–	–	92,726	7 March 2016

21 Share-based payments (continued)

Berendsen Long-term Incentive Plan

	1 January 2014	Number of shares Granted	Vested	Lapsed	31 December 2014	Vesting period/date
7 March 2012	186,356	–	–	–	186,356	7 March 2015
7 March 2012	396,848	–	(220,246)	(176,602)	–	7 March 2014
7 March 2013	143,894	–	–	–	143,894	7 March 2016
7 March 2013	324,383	–	–	(14,562)	309,821	7 March 2015
6 March 2014	–	93,500	–	–	93,500	6 March 2017
6 March 2014	–	191,400	–	(5,000)	186,400	6 March 2016

	1 January 2013	Number of shares Granted	Vested	Lapsed	31 December 2013	Vesting period/date
7 March 2012	186,356	–	–	–	186,356	7 March 2015
7 March 2012	412,331	–	–	(15,483)	396,848	7 March 2014
7 March 2013	–	143,894	–	–	143,894	7 March 2016
7 March 2013	–	331,383	–	(7,000)	324,383	7 March 2015

Executive Incentive Plan

	1 January 2014	Number of shares Granted	Vested	Lapsed	31 December 2014	Vesting date
4 March 2011	736,891	–	(415,654)	(321,237)	–	4 March 2014

	1 January 2013	Number of shares Granted	Vested	Lapsed	31 December 2013	Vesting period/date
4 March 2010	887,169	–	(397,815)	(489,354)	–	4 March 2013
4 March 2011	771,468	–	–	(34,577)	736,891	4 March 2014

One-off Share Award

	1 January 2014	Number of shares Granted	Vested	Lapsed	31 December 2014	Vesting date
2 April 2013	19,730	–	–	–	19,730	2 April 2015

22 Principal subsidiary undertakings

Company	Class of shares held	Country of incorporation
UK and Ireland		
Berendsen UK Limited(1)	Ordinary	England
Spring Grove Services Limited	Ordinary	Republic of Ireland
Central Laundries Limited	Ordinary	Northern Ireland
IH Sterile Services Limited	Ordinary	England
Berendsen Finance Limited(1)	Ordinary	England
Micronclean (Newbury) Limited	Ordinary	England
Continental Europe		
Berendsen A/S(2)	Ordinary	Denmark
Berendsen Textil Service A/S(1)	Ordinary	Denmark
Berendsen Textil Service AB	Ordinary	Sweden
Berendsen Sourcing AB	Ordinary	Sweden
Berendsen Textil Service AB – Filial I Finland	Ordinary	Sweden
Berendsen Tekstil Service AS	Ordinary	Norway
AS 'Berendsen Tekstila Serviss'	Ordinary	Latvia
'Berendsen Textile Service', UAB	Ordinary	Lithuania
Berendsen Beteiligungs GmbH	Ordinary	Germany
Berendsen GmbH	Ordinary	Austria
Berendsen Textiel Service BV	Ordinary	Holland
Groene Team B.V.	Ordinary	Holland
Berendsen Textile Service Sp.z.o.o.	Ordinary	Poland
Berendsen Textile Servis s.r.o.	Ordinary	Czech Republic
Berendsen Textile Service A/S	Ordinary	Estonia
AS Svarmil	Ordinary	Estonia

(1) Owned directly by Berendsen plc. All principal subsidiary undertakings are 100% owned and consolidated.
(2) The principal activity of these companies is that of a holding company. The principal activity of all other companies is that of textile maintenance.

Under section 410 Companies Act 2006 the directors have taken the exemption for only the principal subsidiary undertakings to be disclosed. The full information will be annexed to the company's next annual return.

23 Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:

Cash generated from operations	Year to 31 December 2014 £m	Year to 31 December 2013 £m
Profit for the year	89.9	85.2
Adjustments for:		
Taxation	27.1	27.2
Amortisation of intangible assets	26.3	30.8
Depreciation of property, plant and equipment	172.6	173.1
Profit on sale of property, plant and equipment	(3.3)	(2.0)
Finance income	(2.9)	(2.4)
Finance costs	23.1	25.0
Special pension contribution payments (note 27)	(5.0)	(5.0)
Other movements	4.0	3.8
Changes in working capital (excluding effect of acquisitions, disposals and exchange differences on consolidation):		
Inventories	(5.7)	0.8
Trade and other receivables	(5.8)	(1.4)
Trade and other payables	14.3	12.2
Provisions	(2.1)	(2.1)
Cash generated from operations	332.5	345.2

In the cash flow statement, proceeds from sale of property (including assets held for sale), plant and equipment comprise:

	Year to 31 December 2014 £m	Year to 31 December 2013 £m
Net book amount	7.1	4.2
Profit on sale of property, plant and equipment	3.3	2.0
Proceeds from sale of property, plant and equipment	10.4	6.2

	Year to 31 December 2014 £m	Year to 31 December 2013 £m
Free cash flow	122.6	139.4
Analysis of free cash flow		
Net cash generated from operating activities	295.0	301.4
Add back special pension contribution payments	5.0	5.0
Purchases of property, plant and equipment	(183.2)	(169.6)
Proceeds from the sale of property, plant and equipment	10.4	6.2
Purchases of intangible assets	(4.6)	(3.6)
Free cash flow	122.6	139.4

24 Reconciliation of net cash flow to movement in net debt

	Year to 31 December 2014 £m	Year to 31 December 2013 £m
Increase in cash	26.1	19.2
Cash outflow from movement in debt and lease financing	19.2	56.3
Decrease in net debt resulting from cash flows	45.3	75.5
Net finance leases	(2.2)	(2.9)
Bank loans and lease obligations acquired with subsidiaries	(1.3)	–
Currency translation	(27.2)	2.1
Decrease in net debt during the year	14.6	74.7
Net debt at beginning of year	(389.0)	(463.7)
Net debt at end of year	(374.4)	(389.0)

25 Acquisitions and disposals

Acquisitions

During the year the group acquired Micronclean (Newbury) Ltd, a UK cleanroom business and the trade and assets of a textile maintenance business in Poland. 100% of the share capital of the group's principal acquisition, Micronclean (Newbury) Limited, was acquired on 15 September. This acquisition took the group into the UK cleanroom market for the first time.

Details of the provisional fair values of the assets and liabilities are set out below:

	Micronclean (Newbury) Ltd Provisional fair values £m	Other Acquisitions Provisional fair values £m	Total Provisional fair values £m
Intangible assets (note 9)	8.4	2.6	11.0
Property, plant and equipment (note 10)	2.9	0.5	3.4
Inventory	0.6	–	0.6
Trade and other receivables	1.6	–	1.6
Cash and cash equivalents	0.6	–	0.6
Bank overdrafts	(0.6)	–	(0.6)
Trade and other payables	(1.2)	–	(1.2)
Interest bearing loans and borrowings	(1.3)	–	(1.3)
Deferred tax liabilities (note 19)	(1.7)	–	(1.7)
Net assets acquired	9.3	3.1	12.4
Goodwill (note 8)	–	–	–
Consideration	9.3	3.1	12.4
Consideration satisfied by:			
Cash	9.3	2.8	12.1
Deferred consideration	–	0.3	0.3
	9.3	3.1	12.4

Acquisition related costs of £0.2 million (2013: £nil) 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.

	2014 £m
Revenue	8.6
Loss after tax	(0.8)

25 Acquisitions and disposals (continued)

From the date of acquisition to 31 December 2014, the above acquisitions contributed £2.4 million to revenue and £(0.4) 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	12.1
Deferred consideration paid for previous acquisitions	0.3
	12.4

26 Employees and directors

Staff costs for the group during the year:

	Year to 31 December 2014 £m	Year to 31 December 2013 £m
Wages and salaries	334.6	339.3
Social security costs	46.1	46.6
Other pension costs	13.2	16.7
Share-based payment charges (note 21)	5.6	5.5
	399.5	408.1

Average monthly number of people (including directors) employed

	2014 Number	2013 Number
By business line		
Workwear	3,497	3,775
Facility	2,116	1,924
UK Flat Linen	4,121	4,501
Total Core	9,734	10,200
Clinical Solutions and Decontamination	1,200	1,202
Flat Linen outside UK	3,308	3,249
Total Manage for Value	4,508	4,451
Central	390	362
Group	14,632	15,013

Key management compensation

	Year to 31 December 2014 £m	Year to 31 December 2013 £m
Salaries and short-term employee benefits	5.3	5.4
Post-employment benefit contributions	0.5	0.5
Share-based payments	4.3	3.8
	10.1	9.7

The key management compensation above includes seven (2013: seven) Berendsen plc directors and five (2013: five) Executive Board members who are not Berendsen plc directors.

26 Employees and directors (continued)

Directors

	Year to 31 December 2014 £m	Year to 31 December 2013 £m
Salaries and short-term employee benefits	2.2	2.3
Post-employment benefit contributions	0.2	0.2
Share-based payments	1.7	1.5
	4.1	4.0

As at 31 December 2014, two (2013: two) directors were accruing retirement benefits under money purchase schemes, in respect of their services to the company.

Further details of the directors' emoluments, including benefits received by the highest paid director, are disclosed in the Remuneration report on page 82.

27 Pension commitments

Defined contribution schemes

Pension costs for defined contribution schemes are as follows:

	Year to 31 December 2014 £m	Year to 31 December 2013 £m
Defined contribution schemes (note i)	12.5	15.5

(i) Total included within staff costs (note 26).

Defined benefit plans

The Group operates a number of defined benefit schemes and unfunded schemes. Of these, the principal schemes are the defined benefit plans in the UK and the unfunded scheme in Sweden.

Within the United Kingdom, the group now operates only the one registered defined benefit pension scheme (Berendsen DB (UK) Retirement Benefits Scheme (formerly known as the Davis Service Group Retirement Benefits Scheme)), following a merger with the one other smaller scheme on 1 February 2013. The triennial valuation of the newly merged scheme at that date requires that, as well as the employer contributions for the 110 active members of the scheme, Berendsen will continue contributions to cover the past service deficit, arising under the technical provisions, of £1.25 million per quarter until August 2015. The level of benefits provided depends on each member's length of scheme membership and salary in the final years leading up to retirement. In the UK plan, the pensions in payment are generally increased by 5% in respect of pre-1 February 1999 membership, and by the retail price index for membership from that date. Benefit payments are made from trustee administered funds. Plan assets are governed by regulations in the UK, as is the nature of the relationship between the group and the trustees and their composition. Responsibility for governance of the plan, including investment decisions and contribution schedules, lies jointly with the company and the trustees. The trustees must comprise 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 and Norway. Under all unfunded schemes the group discharges its pension obligations through schemes administered by insurance companies or government agencies.

The overall surplus on the plans is £1.0 million (of which £35.7 million surplus is in respect of the UK plan). There is a deficit of £34.7 million on other funded and unfunded plans, of which £26.6 million relates to Sweden.

Where a defined benefit scheme is administered by an insurance company with a collective of other companies and the insurance company is unable to assess the share of the group's pension obligation, the pension scheme has been accounted for as a defined contribution pension scheme.

At the last valuation date the present value of the defined benefit obligation was comprised of 588 active employees, 2,516 deferred members and 1,561 members in retirement.

Expected contributions, including special contributions, to post employment benefit schemes for the year ended 31 December 2015 are £6.4 million (2014: £7 million).

The weighted average duration of the defined benefit obligation across all schemes is 18.4 years (2013: 18.2 years).

27 Pension commitments (continued)

The actuarial valuations of the UK scheme, together with the other defined benefit schemes operated by the group have been updated as at 31 December 2014 by qualified actuaries using revised assumptions that are consistent with the requirements of IAS19. The principal assumptions made by the actuaries were:

	2014 %	2013 %
Rate of increase in pensionable salaries	2.8	3.1
Rate of increase in pensions in payment and deferred pensions	2.8	3.0
Discount rate	3.5	4.5
Inflation rate – RPI	2.8	2.9
Inflation rate – CPI	2.0	2.3

Mortality rate

Assumptions regarding future mortality experience are set based on advice, published statistics and experience in each territory. The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date is as follows:

	2014	2013
Male	23.3	23.2
Female	24.2	24.1

The average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date, is as follows:

	2014	2013
Male	23.6	23.5
Female	26.1	26.0

	As at 31 December 2014 £m	As at 31 December 2013 £m
The amounts recognised in the balance sheet are determined as follows:		
Present value of obligations	(338.1)	(302.2)
Fair value of plan assets	339.1	309.3
Net asset recognised in balance sheet	1.0	7.1
Analysed as:		
Pension scheme surplus	35.7	38.2
Pension scheme deficit and unfunded schemes	(34.7)	(31.1)
	1.0	7.1

The major categories of plan assets as a percentage of total plan assets are as follows:

	2014 %	2013 %
European equities	13	25
North American equities	5	9
Asia Pacific equities	5	8
European bonds	43	40
European gilts	3	3
Other	31	15
	100	100

Other assets consist principally of investments in managed multi-asset growth funds. In the case of the funded plans, the group ensures that the investment position is managed within a framework that considers the Scheme's liability profile, funding position, expected return of the various asset classes and the need for diversification. Within this framework, the group's objective is to ensure that sufficiently liquid assets are available to meet benefit payments and the Scheme's assets achieve a return that is consistent with the assumptions made by the Trustees in determining the funding of the Scheme.

27 Pension commitments (continued)

A large portion of assets in 2014 consists of equities and bonds, although the Scheme also invests in diversified growth funds and a small amount of cash. The majority of equities are invested in a globally diversified portfolio of international blue chip entities with a target of 35% UK and 65% overseas. The other growth assets are the diversified growth funds which have a target of 32% of the overall portfolio. The remainder of the Scheme's assets are invested in corporated bonds.

The trustees sought the employer's agreement to implement a Liability Driven Investment portfolio. This will use specialist assets that employ leverage, to match more of the Scheme's liabilities, for a given asset value, than a conventional bond. This portfolio will be implemented when market conditions become more favourable.

The group has agreed that it will aim to eliminate the deficit on a technical provisions basis by the end of 2015 and deficit contributions of £1.25 million per quarter are being made to achieve this. Funding levels are monitored on a quarterly basis and the current agreed contribution rate in respect of active members is 29.5% of pensionable salaries. These contribution rates have been set following the completion of the latest triennial valuation of the scheme as at 1 February 2013.

	Year to 31 December 2014 £m	Year to 31 December 2013 £m
The amounts recognised in the income statement are as follows:		
Current service cost	1.8	2.2
Interest cost	12.9	12.6
Return on plan assets	(14.0)	(12.6)
Curtailment gain	–	(1.0)
Total included within staff costs (note 26)	0.7	1.2

	2014 £m	2013 £m
Changes in the present value of the defined benefit obligation are as follows:		
Present value of obligations as at 1 January	302.2	302.7
Current service cost	1.8	2.2
Interest cost	12.9	12.6
Curtailment gain	–	(1.0)
Actuarial loss/(gain)	37.3	(5.5)
Benefits paid	(11.2)	(9.1)
Contributions by members	0.1	0.2
Currency translation	(5.0)	0.1
Present value of obligations as at 31 December	338.1	302.2

	2014 £m	2013 £m
Changes in the fair value of the plan assets are as follows:		
Fair value of plan assets as at 1 January	309.3	282.2
Return on plan assets	14.0	12.6
Employer special contributions	5.0	5.0
Contributions – employee and employer	1.4	2.0
Benefits paid	(10.2)	(8.3)
Actuarial gain	20.8	15.4
Currency translation	(1.2)	0.4
Fair value of plan assets as at 31 December	339.1	309.3

27 Pension commitments (continued)

Actuarial gains and losses in the year may be further analysed as follows:

	2014 £m	2013 £m
Return on plan assets	20.7	14.6
Gain/(loss) from changes in demographic assumptions	9.0	(6.0)
(Loss)/gain from changes in financial assumptions	(47.1)	6.1
Experience gain	0.9	6.2
Net actuarial (loss)/gain recognised in the year	(16.5)	20.9

Cumulative actuarial gains and losses recognised in equity

	2014 £m	2013 £m
1 January	(104.7)	(125.6)
Net actuarial (loss)/gain recognised in the year	(16.5)	20.9
31 December	(121.2)	(104.7)

The actual return on plan assets was a gain of £34.8 million (2013: gain of £28.0 million).

The pension surplus is recognised in the balance sheet as the company has the right to any surplus after settlement of all liabilities under the terms of the trust deed.

Sensitivities

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is set out below for the defined benefit schemes and unfunded schemes.

Defined benefit schemes

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 9%	Increase by 9%
Salary growth rate	0.5%	No change	No change
Pension growth rate	0.5%	Increase by 4%	Decrease by 3%
Life expectancy	Change by 1 year	Increase by 3%	Decrease by 3%

Unfunded schemes

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 9%	Increase by 10%
Salary growth rate	0.5%	Increase by 5%	Decrease by 4%
Pension growth rate	0.5%	Increase by 7%	Decrease by 7%
Life expectancy	Change by 1 year	Increase by 4%	Decrease by 4%

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit to significant actuarial assumptions the same method has been applied when calculating the pension liability recognised within the statement of financial position.

28 Operating lease commitments – minimum lease payments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2014		2013	
	Property £m	Vehicles, plant and equipment £m	Property £m	Vehicles, plant and equipment £m
Within one year	6.7	11.8	6.6	9.3
Later than one year and less than five years	16.9	22.7	15.8	18.9
After five years	10.7	0.9	12.6	0.4
	34.3	35.4	35.0	28.6

The group leases various offices and warehouses under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights.

29 Capital commitments

	As at 31 December 2014 £m	As at 31 December 2013 £m
Contracts placed for future capital expenditure not provided in the financial statements:		
Property, plant and equipment	19.1	16.0

30 Contingent liabilities

The group operates from a number of laundries across Europe. Some of the sites have operated as laundry sites for many years, and historic environmental liabilities may exist, although the group has indemnities from third parties in respect of a number of sites. The extent of these liabilities and the cover provided by the indemnities are reviewed where appropriate with the relevant third party. The company is currently defending a legal claim to the warranties received for any environmental damage that might have existed when it purchased laundry sites in Sweden. The company expects to have its warranties, which were contractually received in a clear and unequivocal manner, to be confirmed in full. The company does not expect to incur any significant loss in respect of these or any other sites.

31 Related parties

There have been no significant related party transactions in the year ended 31 December 2014 (2013: nil).

32 Post balance sheet events

On 19 February 2015 the group undertook a private placement in the US for DKK 655 million and €80 million repayable in 2025 at an average coupon of 2.1% in order to replace existing long-term borrowings, ahead of maturity, at interest rates which compare favourably to the current USPP borrowings.