

Berendsen UK Limited (formerly The Sunlight Service Group Limited)

Annual report and financial statements

For the year ended 31 December 2013

Company Registration number: 00228604 (England & Wales)



Berendsen UK Limited (formerly The Sunlight Service Group Limited)

Annual report and financial statements for the year ended 31 December 2013

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Berendsen UK Limited (formerly The Sunlight Service Group Limited)

Annual report and financial statements for the year ended 31 December 2013

Directors and officers

Directors

D M Embleton
S R Finch
S Hannah
J A Carr
K Quinn
P J Ventress

Company secretary

N J Hiorns

Registered office

4 Grosvenor Place
London,
SW1X 7DL

Bankers

HSBC Plc
133 Regent Street
London
W1A 4BQ

Company registered number

00228604

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
One Reading Central
23 Forbury Road
Reading
Berkshire
RG1 3JH

Principal activities

The company is the UK market leader in providing services to hotels and restaurants, healthcare, commercial and public sectors in connection with flat linen and workwear. It operates through approximately 50 plants in the UK. The principal activity of the company is the provision of linen and workwear services, garment supply, laundering and dry cleaning services together with the supply of related products and services. The company also provides sterile medical consumables through its Clinical Solutions division.

Business review

Company revenues and operating profits before exceptional items grew to £370.9 million (2% increase) and £39.2 million (11% increase) respectively during the year (2012 £363.7 million and £35.4 million respectively).

Our UK Flat Linen business (so called because a large part of the offering are the sheets, pillowcases, tableclothes etc that are ironed flat) cover hotel and healthcare customers where we hold the market-leading position. Revenue was 4% ahead of last year at £204.6 million (£196.7 million) and adjusted operating profit marginally higher at £26.3 million (£26.2 million). We are pleased with the increase in revenue growth rate to 4% (2% in the year to 31 December 2012), which has been driven by a combination of higher underlying volumes, new contract wins and price increases. The business continues to place innovation at the heart of its customer service proposition.

In Hotels we are seeing clear signs of recovery in the UK economy with a 4% increase in underlying volumes in our group customers compared to the same period last year and a particularly strong end to the year. Our salesforce continues to improve its sales management processes, particularly with the introduction of a new customer relationship management (CRM) system leading to greater efficiency. We have introduced differentiated service and product ranges to address a broader market in addition to our traditional area of focus on the branded groups. These have been well received. The competitive environment remains tough, however, and we did experience a higher level of contract churn in the second half, which management is focused on reversing. Although gas prices remained at a higher level than expected we were able to offset these through productivity gains in the second half.

In Healthcare, we are also investing in innovation in service and product enhancements. These have been well received and focus on our customer needs. We saw little change in underlying volumes but we benefited from new contract wins, add-on sales from our innovations in product and services to the hospitals, and contractual price increases. We remain well placed to capture further outsourcing and we are in dialogue with a number of attractive prospects.

Our Workwear business grew revenue marginally over 2012. However, operating profit increased 15% over 2012 as we have continued to deliver significant benefits at our Rainhill plant since the conversion to the principles of lean production and self-managed teams, branded as CL2000. Productivity at the plant is up and its margin increased by almost 4ppts over the year. We are also taking the opportunity to consolidate production in 2014 and we are consulting on the closure of one of our smaller plants into Rainhill to drive for further productivity improvements. There is a modest cost of exit, which we expect to be reported in the segment result in the first half of 2014. In October 2013, we completed on schedule the conversion of a second plant, at Wakefield, and have already seen productivity improvements in line with our plan.

In Clinical Solutions revenue fell to £56.2 million (£58.5 million) but adjusted operating profit increased significantly to £4.3 million compared to £2.8 million last year, an increase of 54%. Weaker sales of single use surgical drapes and gowns followed the loss of a significant customer as a result of changes in its circumstances. Although revenues were held back by this, we significantly increased our profit in

Business review (continued)

the period with the completion of our turnaround plan for our sterile consumables business.

Further discussion of the key indicators used to evaluate the performance of the company, in the context of Berendsen plc (the company's parent undertaking) as a whole, are provided in the group's annual report which does not form part of this report. A full business review is also provided in the group's annual report.

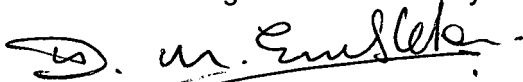
Events after the Balance Sheet Date

On 9 May 2014 the company and its immediate parent company agreed that the company's share premium account was in excess of the company's capital requirements. As a result, the company held a board meeting on the 9 May 2014 and approved the reduction of the share premium account by £143,857,484 and an increase in the Profit and Loss account by the same amount. The impact of this transaction is to restore the company's capacity to pay dividends.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to a stagnant UK economy and the associated impacts on hotel volumes and price pressures, loss of key personnel, unforeseen loss of capacity, non-compliance with health and safety procedures or recognised practices, exposure to public sector markets with strong budget pressures and levels of funding for pension schemes. Further discussion of these risks and uncertainties, in the context of the group as a whole is provided in Berendsen plc's annual report which does not form part of this report.

The strategic report on pages 2 to 3 was approved by the board of directors on 23rd May 2014 and were signed on its behalf by:



D M Embleton
Director

Berendsen UK Limited (formerly The Sunlight Service Group Limited)

Report of the directors for the year ended 31 December 2013

The directors present their report together with the audited financial statements of the company for the year ended 31 December 2013.

Strategic report

The UK Companies Act 2006 requires the company to present a fair review of the business of the company during the financial year ended 31 December 2013 including a description of the principal risks and uncertainties facing the company. The Strategic report can be found on pages 2 to 3.

Results and dividends

The profit and loss account is set out on page 9 and shows the loss (2012: profit) for the year. The company has declared and paid the following dividends on ordinary shares:

	2013	2012
	£'000	£'000
2012 second interim dividend of 12.84p (2012 - 16.41p) per share	4,649	5,941
2013 interim dividend of 28.07p (2012 – 16.41p) per share	10,163	5,941
	<u>14,812</u>	<u>11,882</u>

The loss after tax of £69,414,000 (2012 – profit £22,137,000) was transferred to reserves at the end of the year. The company received no dividend income (2012: £33,165,000) from shares in group undertakings.

Exceptional items

The exceptional item in 2013 of £95,911,00 (2012: £34,254,000), represents the impairment of the fixed asset investment. The charge of £95,911,000 (2012: £34,254,000) is shown as an exceptional item within Administration expenses.

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below:

D M Embleton
S R Finch
S Hannah
J A Carr
K Quinn
P J Ventress

Under the Companies Act 2006 Second Commencement Order, the directors are exempt from disclosing their interests in the share capital of any group company.

Directors Indemnity

The company's Articles of Association provide that in so far as permitted by law the company may indemnify any director of the company or of any associated company against any liability. In addition the company has arranged appropriate insurance cover in respect of legal action against its directors and officers.

Employees

Applications for employment of disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees. During the year, the policy of providing employees with information about the company has continued. We maintain ongoing dialogue with our employees and listen to their concerns and needs. Communication takes place through various committees which meet regularly and exchange information about the company. Schemes have been implemented to ensure that employees are properly rewarded for performance and loyalty.

Political and charitable donations

The company made no political contributions during the year (2012 - £nil). Donations to United Kingdom charities amounted to £5,000 (2012 - £3,000), principally relating to local charities serving the communities in which the group operates.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in debt and equity market prices and interest rate risk. Berendsen plc, of which the company is a member, has in place a risk management program that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs. The most significant risks are set out as follows:

Credit risk

The company, where appropriate, has implemented policies that require appropriate credit checks on potential customers before sales are made.

Interest rate cash flow risk

The company has interest bearing liabilities. Where possible, the company has a policy of maintaining debt at a fixed rate to ensure certainty of future interest cash flows or where this is not possible, minimizing the incremental rate charged over the bank base rate on non-fixed rate debt borrowings. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature in response to changes in the economic environment.

Funding for pension scheme

The levels of funding required for our defined benefit pension scheme is predominantly dependent upon fluctuations in equity markets, movements in interest rates and changing life expectancy and are reviewed on a regular basis by the Berendsen plc board in conjunction with its external pension advisers.

Financial instruments

The company enters into 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. These derivatives are designated cash flow hedges.

Berendsen UK Limited (formerly The Sunlight Service Group Limited)

Report of the directors for the year ended 31 December 2013 (*Continued*)

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, the Directors' Report 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 company and of the profit or loss of 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

Each of the directors who held office as at the date of approval of this report confirms the following:

- So far as they are aware, there is no relevant audit information of which the company's auditors are unaware; and
- Each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

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

By order of the board



N J Hiorns
Company Secretary

23rd May 2014

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Berendsen UK Limited (formerly The Sunlight Service Group Limited), comprise:

- the balance sheet as at 31 December 2013;
- the profit and loss for the year then ended
- statement of total recognised gains and losses for the year ended 31 December 2013; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

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

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

In addition, we read all the financial and non-financial information in the Annual report and financial statement 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

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.

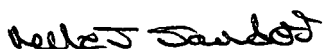
Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 6, 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.



Miles Saunders (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading

23rd May 2014

Berendsen UK Limited (formerly The Sunlight Service Group Limited)

Profit and loss account for the year ended 31 December 2013

		2013	2013	2012	2012
	Note	£'000	£'000	£'000	£'000
Turnover	2		370,886		363,685
Cost of sales			(212,050)		(210,322)
Gross profit			158,836		153,363
Distribution costs		(66,234)		(66,020)	
Administration expenses					
Excluding exceptional items		(53,238)		(51,917)	
Exceptional item - Impairment of fixed asset investment	4	(95,911)		(34,254)	
Administration expenses including exceptional items		(149,149)		(86,171)	
			(215,383)		(152,191)
Operating (loss)/profit	4		(56,547)		1,172
Income from shares in group undertakings			-		33,165
Profit on disposal of fixed assets	4		-		94
(Loss)/profit on ordinary activities before interest and taxation			(56,547)		34,431
Interest receivable and similar income	5	485		314	
Interest payable and similar charges	6	(4,592)		(4,723)	
Other finance income	7	1,809		738	
			(2,298)		(3,671)
(Loss)/profit on ordinary activities before taxation			(58,845)		30,760
Tax on loss/profit on ordinary activities	8		(10,569)		(8,623)
(Loss)/profit for the financial year			(69,414)		22,137

All amounts relate to continuing activities.

Berendsen UK Limited (formerly The Sunlight Service Group Limited)**Statement of total recognised gains and losses for the year ended 31 December 2013**

	Note	2013 £'000	2012 £'000
(Loss)/profit for the financial year		(69,414)	22,137
Actuarial gains on defined benefit pension scheme	25	3,457	994
Movement on deferred tax relating to pension surplus/deficit	17	(803)	(244)
Impact of change in corporation tax rate on deferred tax relating to pension surplus/deficit	17	21	(62)
Total recognised gains and losses relating to the year		<u>(66,739)</u>	<u>22,825</u>

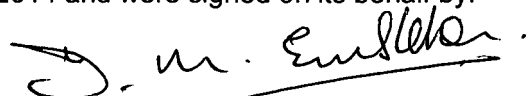
There are no material differences between the (loss)/profit on ordinary activities before tax and the (loss)/profit for the financial year stated above and their historical cost equivalents.

Berendsen UK Limited (formerly The Sunlight Service Group Limited)

Balance sheet as at 31 December 2013

	Note	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Fixed assets					
Intangible assets	10	11,180		14,651	
Tangible assets	11	159,543		157,253	
Investments	12	137,538		233,449	
			308,261		405,353
Current assets					
Stocks	13	19,016		19,716	
Debtors	14	64,270		61,721	
Financial assets	15	-		-	
Cash at bank and in hand		51,952		35,183	
			135,238		116,620
Creditors: amounts falling due within one year	16		(87,719)		(76,892)
Net current assets			47,519		39,728
Total assets less current liabilities			355,780		445,081
Creditors: amounts falling due after more than one year	16		(263,810)		(264,682)
Net assets excluding pension asset/(liability)			91,970		180,399
Pension asset/(liability)	25		2,077		(3,819)
Net assets including pension asset/(liability)			94,047		176,580
Capital and reserves					
Called up share capital	18		3,621		3,621
Share premium account	19		143,857		143,857
Other reserves	19		316		316
Profit and loss account	19		(53,747)		28,786
Total shareholders' funds	20		94,047		176,580

The financial statements on pages 9 to 33 were approved by the board of directors on 23rd May 2014 and were signed on its behalf by:



D M Embleton

Director

Company Registration number: 00228604

1 Accounting policies

Group financial statements have not been prepared as the company is exempt from preparing and delivering group financial statements under section 400 of the Companies Act 2006 on the grounds that the company is a wholly owned subsidiary of Berendsen plc and the consolidated financial statements are publicly available.

Basis for preparation of financial statements

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies which have been applied consistently throughout the year are set out below.

Cash flow statement

The company is a wholly owned subsidiary of Berendsen plc and the cash flows of the company are included in the consolidated cash flow statement of Berendsen plc and the financial statements are publicly available. Consequently, the company is exempt under the terms of Financial Reporting Standard Number 1 (revised 1996) 'Cash flow statements' from publishing a cash flow statement.

Turnover

Turnover comprises the fair value for the rendering of services and rental of textiles, net of value added tax and similar sales based taxes, rebates and discounts. 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 linen and washroom 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. Deferred revenue represents amounts invoiced in respect of services that are due to be performed largely in the following month.

Investments

Investments are stated at fair value in accordance with FRS 23. Investments are tested for impairment when an event that might affect asset value has occurred. An impairment loss is recognised to the extent that the carrying value cannot be recovered either by selling the asset or by the discounted future cash flows of the investment.

1 Accounting policies (Continued)

Goodwill

Goodwill is capitalised as an intangible asset and amortised through the profit and loss account over the periods expected to benefit from this goodwill. Goodwill is amortised through the profit and loss account on a straight line basis over the years, not exceeding 10 years. Impairment reviews are carried out on an annual basis and any impairment is reflected in the profit and loss account.

Tangible fixed assets

The company took advantage of the arrangements under FRS 15 "Tangible Fixed Assets" which allow the retention of the carrying value of revalued land and buildings acquired prior to 31 December 1999. All additions since this date are stated at cost. Other fixed assets are stated at historical cost purchase price less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Where an asset that was previously revalued is disposed of, its book value is eliminated and an appropriate transfer made from the revaluation reserve to the profit and loss reserve.

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

Freehold land and buildings	- 50 years straight line
Leasehold land and buildings	- by equal instalments over the period of the lease
Plant and machinery (owned and leased)	- rates of 10%-33% per annum
Hire and rental inventory	- 15%-100% per annum

Properties occupied and utilised in the company's business – 2% per annum on an estimate of the buildings element of freehold properties and properties on leases 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. Hire and rental inventory includes linen, towelling, garments, cleaning cloths, floor-mats and cabinets in service and on hand.

Stocks

Stocks comprise consumable items, raw materials and finished goods and are valued at the lower of cost and net realisable value. Cost is based upon the cost of purchase on a first in, first out basis. Some stock is included at a valuation based on a standard cost, which is reviewed annually. Net realisable value is based on estimated selling price less further costs incurred on disposal. Provision is made for obsolete stock where necessary.

Taxation

UK corporation tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Except where otherwise required by Accounting Standards, no timing differences are recognised in respect of:

- (a) property revaluations surpluses where there is no commitment to sell the asset,

1 Accounting policies (Continued)

Taxation (Continued)

- (b) gains on sale of assets where those gains have been rolled over into replacement assets, and
- (c) deferred tax assets except to the extent that it is more likely than not that they will be recovered.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Pension costs

The company has both defined benefit and defined contribution plans.

The company operates one defined benefit pension scheme. The scheme is funded through payments to insurance companies or a trustee administered fund, determined by periodic actuarial calculations. 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 company pays fixed contributions into a separate entity. The company 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 years.

The asset/liability recognised in the balance sheet in respect of the defined benefit pension plan 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 asset/liability. The pension asset/liability is shown net of deferred tax in the balance sheet.

Current and past service costs, to the extent they have vested, are recognised in operating costs in the profit and loss account 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 total recognised gains and losses net of deferred tax.

For defined contribution plans, the company pays contributions to publicly or privately administered pension insurance or trustee administered plans on a mandatory, contractual or voluntary basis. The company 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. The contributions are charged to the profit and loss account.

1 Accounting policies (Continued)

Government grants

Government grants are included within deferred income in the balance sheet and credited to the profit and loss account against the expenditure to which they relate, over a period of 15 years.

Leases

Leases of property, plant and equipment where the company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception 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 rental obligations, net of finance charges, are included in long term payables. The interest element of the finance cost is charged to the profit and loss account 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 are charge to the profit and loss account on a straight line basis over the period of the lease.

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated into sterling at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Forward exchange contracts

The group enters into 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. These derivatives are designated cash flow hedges. The contracts all have a maturity of less than one year. The effective portion of the changes in the fair value of derivatives that are designated to qualify as cash flow hedges are recognised in equity.

The company has taken the exemption not to present FRS 29 disclosures in the notes to the financial statements as full equivalent disclosures are presented within the consolidated financial statements of its parent company.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an Annual General Meeting. Dividends on shares wholly recognised as liabilities are recognised as expenses and classified within interest payable.

Provisions

Provisions for vacant properties, restructuring costs and legal claims are recognised when the company has a present legal or constructive obligation as a result of past events, 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.

1 Accounting policies (Continued)

Share based plans

The company's parent undertaking, Berendsen plc, awards employees share options from time to time, both on a discretionary and a non-discretionary basis which are subject to vesting conditions. The economic cost of awarding these share options to its employees is recognised as an employee benefit expense in the profit and loss account equivalent to the fair value of the benefit awarded. The fair value is determined via reference to the Black Scholes option pricing model for those schemes which have no market vesting conditions and via the Monte Carlo Model for any awards made under the Performance Share Plan. The charge is recognised in the profit and loss account over the vesting period of the award. The related capital contribution is offset by an equal and opposite intercompany charge from the parent undertaking. There has been no revision to the estimates in the year.

Given the size of the fair value of the options granted, the share based payments expense to date has not been material to these financial statements and hence no share based payment disclosures have been made in these financial statements.

2 Segmental reporting

The company has taken advantage of the exemption contained within SSAP 25 "Segmental reporting" not to disclose any segmental information on the basis of being a wholly owned subsidiary, as consolidated financial statements of the ultimate parent company Berendsen plc are publicly available.

Berendsen UK Limited (formerly The Sunlight Service Group Limited)

Notes forming part of the financial statements for the year ended 31 December 2013 (Continued)

3. Employees

	2013	2012
	£'000	£'000
Staff costs (including executive directors) consist of:		
Wages and salaries	124,476	124,818
Social security costs	9,801	9,824
Pension costs	2,410	1,865
Share based payments	1,720	1,908
	<u>138,407</u>	<u>138,415</u>

The average monthly number of employees (including executive directors) employed by the company during the year was:

	2013	2012
	Number	Number
Operations	4,886	5,192
Distribution	1,717	1,706
Administration	731	851
	<u>7,334</u>	<u>7,749</u>

Directors' emoluments:

	2013	2012
	£'000	£'000
Aggregate emoluments	1,387	1,340
Company contributions to pension schemes	79	19
Total emoluments	<u>1,466</u>	<u>1,359</u>

	2013	2012
	Number	Number
Directors in the defined benefit scheme	4	4
Directors who exercised share options in the parent company	2	1

Berendsen UK Limited (formerly The Sunlight Service Group Limited)**Notes forming part of the financial statements for the year ended 31 December 2013 (Continued)****3 Employees (continued)**

	2013	2012
	£'000	£'000
The amounts in respect of the highest paid director are as follows:		
Aggregate emoluments	583	504
Company contributions to pension schemes	Nil	Nil

The value of the pension in payment of the highest paid director at the end of the year was £52,843 p.a. (2012 - £50,957 p.a).

The highest paid director, exercised share options during the year (2012: none).

The emoluments of K Quinn and P J Ventress are paid by the parent company which makes no recharge to the company. K Quinn and P J Ventress are directors of the parent company and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, the above details include no emoluments in respect of K Quinn and P J Ventress. Their total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the parent company.

The company's parent undertaking, Berendsen plc, awards employees share options. Details of share option plans are disclosed in the consolidated financial statements of Berendsen plc, which are publicly available

4 Operating (loss)/profit

	2013	2012
	£'000	£'000
This is stated after charging:		
Depreciation of tangible fixed assets (note 11)		
owned assets	62,326	58,651
leased assets	1,447	1,876
Amortisation of goodwill (note 10)	3,471	3,587
Profit on disposal of fixed assets	129	94
Operating lease charges:		
hire charges of plant and machinery	4,870	3,806
other	2,127	2,215
Exceptional item	95,911	34,254
Profit/(loss) on foreign exchange	151	(18)
Fees payable to the company's auditor for the audit of the company's annual financial statements	152	155
Fees payable to the company's auditor and its associates for other services:		
The audit of the company's subsidiaries	18	33

The exceptional item in 2013 of £95,911,000 (2012: £34,254,000), represents the impairment of the fixed asset investment. The charge of £95,911,000 (2012: £34,254,000) is shown as an exceptional item within Administration expenses.

Berendsen UK Limited (formerly The Sunlight Service Group Limited)

Notes forming part of the financial statements for the year ended 31 December 2013 (Continued)

5 Interest receivable and similar income

	2013	2012
	£'000	£'000
Bank interest	425	255
Due from group undertakings	60	59
	<u>485</u>	<u>314</u>

6 Interest payable and similar charges

	2013	2012
	£'000	£'000
Finance lease and hire purchase	14	92
Due to group undertakings	4,577	4,624
Bank loans and overdrafts	1	7
	<u>4,592</u>	<u>4,723</u>

7 Other finance income

	2013	2012
	£'000	£'000
Expected return on pension scheme assets (note 25)	6,607	5,407
Interest on pension liabilities (note 25)	(4,798)	(4,669)
	<u>1,809</u>	<u>738</u>

8 Tax on (loss)/profit on ordinary activities

	2013	2012
	£'000	£'000
(a) Analysis of tax for the year		
<i>Current tax</i>		
UK Corporation tax on losses/profits for the year	6,041	5,316
Adjustments in respect of prior years	1,730	4,070
Total current tax	<u>7,771</u>	<u>9,386</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	1,348	(1,915)
Adjustment in respect of prior years	336	145
Relating to the FRS 17 pension liability in respect of additional pension contribution credits	968	793
Changes in tax rates and laws – Other timing differences	146	214
Total deferred tax (note 17)	<u>2,798</u>	<u>(763)</u>
Tax on (loss)/profit on ordinary activities	<u>10,569</u>	<u>8,623</u>

8 Tax on loss/profit on ordinary activities (Continued)

(b) Factors affecting the current tax charge for the year

The tax assessed for the year is higher (2012: higher) than the standard rate of corporation tax of 23.25% (2012 – 24.5 %) in the UK. The difference is explained below:

	2013 £'000	2012 £'000
(Loss)/profit on ordinary activities before taxation	(58,845)	30,760
(Loss)/profit on ordinary activities multiplied by the standard rate of UK corporation tax of 23.25% (2012 – 24.5 %)	(13,681)	7,536
Effects of:		
Capital allowances in excess of depreciation	(2,422)	(2,902)
Timing differences	(95)	(172)
Expenses not deductible for tax purposes, including pension liability	818	735
Impact of exercise of share options in parent company	92	284
Differences between chargeable gains and profit on disposal	16	-
Additional pension contribution credits	(968)	(699)
Investment impairment not deductible for corporation tax	22,299	8,659
Non-taxable income	(18)	(8,125)
UK Corporation tax on losses/profits for the year	6,041	5,316
Adjustments in respect of prior years	1,730	4,070
Total current tax charge for the year	7,771	9,386

(c) Factors that may affect future tax charge

	2013 £'000	2012 £'000
Taxes that would arise if properties were to be disposed of at their revalued amounts	12	16
Tax on rolled-over gains which become payable only if their relevant assets are sold and no qualifying assets are available for subsequent roll-over	3,189	3,449

The main rate of corporation tax as at 31 December 2013 was 23%. Legislation to reduce the main rate of corporation tax to 21% was substantively enacted on 2 July 2013 and will be effective from 1 April 2014. A further reduction in the tax rate to 20% from 1 April 2015 was also enacted on 2 July 2013.

Berendsen UK Limited (formerly The Sunlight Service Group Limited)

Notes forming part of the financial statements for the year ended 31 December 2013 (Continued)

9 Dividends

	2013	2012
	£'000	£'000
2012 Second Interim dividend of 12.84p (2012 – 16.41p) per ordinary share	4,649	5,941
2013 Interim dividend of 28.07p (2012 – 16.41p) per ordinary share	10,163	5,941
	14,812	11,882

10 Intangible assets

Intangible fixed assets represent goodwill primarily arising on the acquisition of the trade and assets of a number of businesses of subsidiary undertakings.

	Goodwill
	£'000
<i>Cost</i>	
At 1 January 2013	43,168
Additions during the year	-
At 31 December 2013	43,168
<i>Accumulated amortisation</i>	
At 1 January 2013	28,517
Charge for the year	3,471
At 31 December 2013	31,988
<i>Net book value</i>	
At 31 December 2013	11,180
At 1 January 2013	14,651

Berendsen UK Limited (formerly The Sunlight Service Group Limited)

Notes forming part of the financial statements for the year ended 31 December 2013 (Continued)

11 Tangible assets

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Plant and machinery (owned) £'000	Plant and machinery (leased) £'000	Hire and rental inventory £'000	Total £'000
<i>Cost or valuation</i>						
At 1 January 2013	29,887	1,403	199,345	17,079	150,272	397,986
Additions	768	-	14,447	185	51,186	66,586
Disposals	(314)	-	(40,150)	(3,790)	(40,983)	(85,237)
At 31 December 2013	30,341	1,403	173,642	13,474	160,475	379,335
<i>Accumulated depreciation</i>						
At 1 January 2013	6,330	683	141,707	14,536	77,477	240,733
Charge for the year	637	41	14,440	1,406	47,249	63,773
Disposals	(173)	-	(39,805)	(3,753)	(40,983)	(84,714)
At 31 December 2013	6,794	724	116,342	12,189	83,743	219,792
<i>Net book value</i>						
At 31 December 2013	23,547	679	57,300	1,285	76,732	159,543
At 1 January 2013	23,557	720	57,638	2,543	72,795	157,253

11 Tangible assets (Continued)

The net book value of tangible fixed assets includes an amount of £13,474,000 (2012: £17,079,000) as cost and £12,189,000 (2012: £14,536,000) as depreciation in respect of assets held under finance leases.

Leasehold land and buildings can be analysed as follows:

	2013	2012
	£'000	£'000
Long leasehold	478	491
Short leasehold	201	229
	679	720

Analysis of freehold land and buildings at cost or valuation

	2013	2012
	£'000	£'000
At cost	30,161	29,707
At valuation	180	180
	30,341	29,887

On first time adoption of FRS 15, 'Tangible fixed assets', in the financial statements for the year ended 31 December 1998, the company took advantage of the transitional arrangements available and retained the book amounts at that date of the freehold land and buildings that had previously been revalued in accordance with the company's accounting policies. The freehold land and buildings concerned were independently valued on an open market basis by D E & J Levy, Surveyors and Valuers and the valuation incorporated in the financial statements at that date.

If freehold land and buildings had not been revalued, the amounts at which they would be included are not materially different to the balance sheet carrying values.

12 Investments

	Shares in subsidiary undertakings £'000
<i>Cost and net book value</i>	
At 1 January 2013 and 31 December 2013	287,515
<i>Impairment</i>	
At 1 January 2013	54,066
Impairment charge for the year	95,911
At 31 December 2013	149,977
Net book value at 31 December 2013	137,538
Net book value at 1 January 2013	233,449

Following a review of the underlying net book value of the subsidiary undertakings at the end of the year, an impairment charge of £95,911,00 (2012: £34,254,000) was booked as an exceptional item. The charge is shown as an exceptional item within Administration expenses.

The company owns the whole of the issued share capital of the following companies, all of which are incorporated in Great Britain. The directors believe the carrying value of the investments is supported by the underlying net assets and profitability of the business.

Principal activity	Proportion and type of ordinary shares held	Country of incorporation of registration
Trading		
IH Sterile Services Limited	100% Ordinary shares	England
Non-trading		
Camborne-Redruth Laundry Company	100% Ordinary shares	England
Hall and Letts Limited	100% Ordinary shares	England
Lakeland Pennine Group Plc	100% Ordinary shares	England
Laundrycraft Limited	100% Ordinary shares	England
Midland Laundry Group Holdings Limited	100% Ordinary shares	England
Mitre Furnishing Group Limited	100% Ordinary shares	England
Sunlight (New Era Linen) Limited	100% Ordinary shares	England
Society Linen Limited	100% Ordinary shares	England
Spring Grove Services Group Limited	100% Ordinary shares	England
Sunlight Clinical Solutions Limited	100% Ordinary shares	England
Sunlight Textile Services Limited	100% Ordinary shares	England
The Sunlight Service Group Limited	100% Ordinary shares	England

13 Stocks

	2013	2012
	£'000	£'000
Raw materials and consumables	8,355	7,932
Work in progress	223	484
Finished goods	10,438	11,300
	19,016	19,716

There is no material difference between the replacement cost of stocks and the amounts stated above.

14 Debtors

	2013	2012
	£'000	£'000
Trade debtors	28,435	28,057
Amount owed by group undertakings	7,031	4,670
Other debtors	487	755
Prepayments & accrued income	26,198	24,211
Deferred tax asset (see note 17)	2,119	3,974
Corporation tax recoverable	-	54
	64,270	61,721

All amounts owing are recoverable within one year. Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment except where they relate to current trading subsidiaries, for which interest is receivable at a rate of 1% above the current bank base rate.

15 Derivative financial instruments

	2013	2012
	£'000	£'000
Forward foreign exchange contracts (see note 16)	405	74

The company faces some currency exposure in respect of the procurement of textiles and capital equipment from Far East suppliers. The company's policy is to enter into forward contracts to purchase US dollars based upon the expected purchases. During the year the company 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. These derivatives are designated cash flow hedges. The contracts all have a maturity of less than one year. The forward foreign exchange contracts have resulted in the recognition of a derivative liability of £405,000 at 31 December 2013 (2012 £74,000) disclosed within creditors falling due within one year (see note 16).

16 Creditors

a. Amounts falling due within one year:

	2013 £'000	2012 £'000
Bank overdraft – unsecured (see c. below)	1,273	1,535
Trade creditors	20,727	17,985
Amounts owed to group undertakings	11,563	5,379
Finance leases (see c. below)	942	1,541
Other creditors	31	98
Other taxation and social security	12,825	14,500
Corporation tax payable	2,031	115
Accruals and deferred income	37,922	35,665
Forward foreign exchange contracts (see note 15)	405	74
	<u>87,719</u>	<u>76,892</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

b. Amounts falling due after more than one year:

	2013 £'000	2013 £'000
Amounts owned to parent company	148,900	148,900
Amounts owned to subsidiary undertakings	114,376	114,376
Obligations under finance leases (see c. below)	462	1,256
Deferred government grants	72	150
	<u>263,810</u>	<u>264,682</u>

The amounts due to the parent company and to subsidiary undertakings all fall due within two to five years. The amount owed to the parent company attracts an interest rate of 1.75% above the bank base rate (2012: 1.75% above bank base rate). All the amounts are unsecured.

c. Maturity of financial liabilities:

	2013 £'000	2013 £'000
Within one year	2,215	3,076
In more than one year but not more than two years	462	1,256
	<u>2,677</u>	<u>4,332</u>

17 Deferred tax

Deferred tax asset comprises:

	2013	2012
	£'000	£'000
Excess of tax allowances over depreciation	2,550	4,112
Other timing differences	(431)	(138)
Deferred tax asset at 31 December	2,119	3,974

Movement in deferred tax asset

	2013	2012
	£'000	£'000
At 1 January	3,974	2,418
Deferred tax (charge)/credit in profit and loss account (note 8(a))	(1,855)	1,556
Deferred tax asset at 31 December	2,119	3,974

Deferred tax (liability)/asset relating to the FRS 17 pension surplus/deficit

	2013	2012
	£'000	£'000
At 1 January	1,156	2,255
Deferred tax charged to the profit and loss account (note 8(a))	(968)	(793)
Deferred tax credit to the profit and loss account – rate change (note 8(a))	25	-
Deferred tax charged in the Statement of total recognised gains and losses	(803)	(244)
Deferred tax credited/(charged) in the Statement of total recognised gains and losses for tax rate changes	21	(62)
At 31 December	(569)	1,156

Berendsen UK Limited (formerly The Sunlight Service Group Limited)

Notes forming part of the financial statements for the year ended 31 December 2013 (Continued)

18 Called up share capital

	2013 £'000	2012 £'000
<i>Allotted and fully paid</i>		
36,206,050 (2012: 36,206,050) ordinary shares of 10p each	<u>3,621</u>	<u>3,621</u>

19 Reserves

	Share Premium Account £'000	Other Reserves £'000	Profit and loss account £'000
At 1 January 2013	143,857	316	28,786
Total recognised gains and losses for the financial year	-	-	(66,739)
Dividends (note 9)	-	-	(14,812)
Other recognised share based payments charge on equity settled scheme	-	-	(390)
Foreign exchange loss on forward contracts	-	-	(592)
At 31 December 2013	<u>143,857</u>	<u>316</u>	<u>(53,747)</u>

20 Reconciliation of movements in total shareholders' funds

	2013 £'000	2012 £'000
(Loss)/profit for the financial year	(69,414)	22,137
Actuarial gain on pension scheme (note 25)	3,457	994
Movement on deferred tax relating to pension surplus/deficit (note 17)	(803)	(244)
Impact of change in corporation tax rate on deferred tax relating to pension surplus/deficit	21	(62)
Dividends (note 9)	(14,812)	(11,882)
Other recognised share based payments charge on equity settled scheme	(390)	(839)
Foreign exchange (loss)/gain on forward contracts	(592)	(234)
Net (decrease)/increase in shareholders' funds	<u>(82,533)</u>	9,870
Opening shareholders' funds	<u>176,580</u>	166,710
Closing shareholders' funds	<u>94,047</u>	<u>176,580</u>

21 Contingent liabilities

The company has guaranteed, together with other group companies, the revolving credit facility provided by Danske Bank to Berendsen plc. At 31 December 2013, the amount drawn down against this facility was £136.1 million (2012 - £187.7 million). The company, together with other group companies, has also guaranteed the US private placements provided to Berendsen plc. At 31 December 2013, the amount drawn down against these facilities was £334.2 million (2012 - £341.8 million).

The company has provided guarantees to third parties in respect of its subsidiary undertaking IH Sterile Services Limited ("IHSS") in respect of IHSS' obligations under its four property lease and various decontamination services contracts for the supply of decontamination services to various NHS Trusts and related bodies in the NW London and Kent areas.

The company has entered into a commitment to provide financial support to its subsidiary undertaking IH Sterile Services Limited for the foreseeable future.

22 Capital commitments

	2013	2012
	£'000	£'000
Contracted but not provided for	15,436	8,710

23 Financial commitments

As at 31 December 2013, the company had annual commitments under non-cancellable operating leases as set out below:

	2013	2013	2012	2012
	Land and	Other	Land and	Other
	buildings	£'000	buildings	£'000
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within one year	18	232	145	58
In two to five years	846	3,964	630	2,268
Over five years	1,253	702	1,133	1,192
	2,117	4,898	1,908	3,518

24 Related party transactions

The company has taken advantage of the exemption contained within Financial Reporting Standard 8 "Related Party Disclosures" not to disclose any transactions with entities which are part of the group, on the basis of being a wholly owned subsidiary, as consolidated financial statements of the ultimate parent company Berendsen plc are publicly available.

A list of all other group companies is included in the financial statements of the ultimate parent company.

25 Pension commitments

(a) Defined contribution schemes

The company provides a defined contribution scheme for eligible members of the company and its subsidiary undertakings. The assets of the scheme are held separately from those of the company in an independently administered fund. The total pension cost for the company was £1,855,000 (2012: £1,101,000). There were unpaid contributions at the end of the year of £3,040 (2012: £3,000).

(b) Defined benefit scheme

The company 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 Sunlight Defined Benefit Scheme on 1 February 2013. The newly merged scheme is operated by Berendsen plc, the company's ultimate parent company. The scheme is funded in accordance with advice given by independent qualified actuaries and the assets held in a separate trustee administered fund.

The triennial valuation of the newly merged scheme requires that, as well as the employer contributions for the active members of the scheme, Berendsen will continue contributions to cover the past service deficit, arising under the technical provisions, of approximately £0.5m 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. 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 company 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.

The actuarial valuation of the scheme has been updated at 31 December 2013 by independent, qualified actuaries. The major assumptions used by the actuary were:

	2013	2012
Rate of increase in salaries	3.1%	2.8%
Rate of increase of pensions in payment:	3.2%	2.8%
Discount rate	4.6%	4.5%
Inflation rate	3.3%	3.0%
Expected return on plan assets		
Equities	8.0%	7.9%
Bonds	4.5%	3.5%

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed term investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and other investments reflect long-term real rates of return experienced in the respective markets.

25 Pension commitments (Continued)

Mortality rate

Assumptions regarding future mortality experience are set based on advice, published statistics and experience. These assumptions are reflected in the life expectancies at the balance sheet date as shown in the table below.

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

	2013	2012	2011
Male	23.2	22.7	21.9
Female	24.1	23.4	23.1

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

	2013	2012	2011
Male	23.5	22.6	23.4
Female	26.0	24.9	24.7

The scheme is not segregated between the participating employers. The financials below are based on estimates and assumptions provided by the scheme actuary.

The net scheme asset/(liability) recognised in the balance sheet was:

	2013 £'000	2012 £'000
Total market value of assets	114,036	103,502
Actuarial value of liability	(111,390)	(108,477)
Total asset/(liability) in the scheme	2,646	(4,975)
Related deferred tax (liability)/asset	(569)	1,156
Net pension asset/(liability)	2,077	(3,819)

Analysis of the amount charged to operating loss/profit:

	2013 £'000	2012 £'000
Current service cost	554	764

Analysis of the amount credited to other finance income:

	2013 £'000	2012 £'000
Expected return on scheme assets	6,607	5,407
Interest on pension liabilities	(4,798)	(4,669)
Net finance income	1,809	738

25 Pension commitments (Continued)

Cumulative actuarial gains and losses recognised in statement of total recognised gains and losses:

	2013	2012
	£'000	£'000
At 1 January	18,393	19,387
Net actuarial gains recognised in the year	(3,457)	(994)
At 31 December	14,936	18,393

Reconciliation of the present value of scheme liabilities:

	2013	2012
	£'000	£'000
1 January	108,477	100,698
Current service cost	554	764
Interest cost	4,798	4,669
Actuarial (gains)/losses	(3,029)	648
Change in assumptions	3,808	5,150
Employee contributions	85	137
Benefits paid	(3,303)	(3,589)
At 31 December	111,390	108,477

Reconciliation of the fair value of scheme assets:

	2013	2012
	£'000	£'000
1 January	103,502	91,561
Expected return	6,607	5,407
Actuarial gains	4,236	6,792
Benefits paid	(3,303)	(3,589)
Employee contributions	85	137
Employer – regular contributions	542	1,524
Employer – special contributions	2,367	1,670
At 31 December	114,036	103,502

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

	2013	2012
	%	%
Equities	43	53
Bond	44	41
Other	13	6
	100	100

Other assets comprise principally of investments in a managed dynamic asset allocation fund.

The actual return on plan assets was a gain of £10.8 million (2012: gain of £12.2 million).

25 Pension commitments (Continued)

Analysis of the movement in the scheme asset/(liability) during the year:

	2013	2012
	£'000	£'000
Deficit in the scheme at the beginning of the year	(4,975)	(9,137)
Movement in the year:		
Current service cost	(554)	(764)
Employer – regular contributions	542	1,524
Employer – special contributions	2,367	1,670
Net finance income	1,809	738
Actuarial gain	3,457	994
Surplus/(deficit) in the scheme at the end of the year	2,646	(4,975)

Amounts for current and previous four years:

	2013	2012	2011	2010	2009
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation	(111,390)	(108,477)	(100,698)	(89,138)	(85,369)
Plan assets	114,036	103,502	91,561	86,439	72,144
Surplus/(deficit)	2,646	(4,975)	(9,137)	(2,699)	(13,225)
Experience gain/(loss) on scheme assets:	4,236	6,792	(2,042)	7,753	9,150
Experience gain/(loss) on scheme liabilities:	3,029	(648)	(397)	2,337	(535)
Total gain/(loss) recognised in the statement of total recognised gains and losses	3,457	994	(10,899)	6,003	(6,654)

Expected employer contributions, including special contributions, to the defined benefit scheme for the year ending 31 December 2014 are £2.9 million.

26 Events after the Balance Sheet Date

On 9 May 2014 the company and its immediate parent company agreed that the company's share premium account was in excess of the company's capital requirements. As a result, the company held a board meeting on the 9 May 2014 and approved the reduction of the share premium account by £143,857,484 and an increase in the Profit and Loss account by the same amount. The impact of this transaction is to restore the company's capacity to pay dividends.

27 Ultimate parent company and controlling party

At 31 December 2013, the company's immediate and ultimate parent company and controlling party was Berendsen plc, which is the parent of both the smallest and largest groups to consolidate these financial statements. The parent company is incorporated in England and Wales. Copies of the consolidated financial statements of Berendsen plc are available from the registered office of that company: 4 Grosvenor Place, London SW1X 7DL.