Interim Report 2010

JOHNSON
SERVICE GROUP PLC

Johnson Service Group provides services to both consumers and businesses. Today, our key businesses are in the textile rental, drycleaning and facilities management sectors.

Chairman's Statement

I am pleased to report an overall result in line with expectations. We have now completed the acquisition of 4 of the announced PFI contracts from Jarvis (in administration) for our SGP business which has significantly enhanced our presence in this market, with the remaining 4 being operated under licence pending completion. Net debt has been reduced further to £64.6 million and we have significant headroom under existing bank facilities. An increased interim dividend of 0.27p (2009: 0.25p) will be paid in November 2010.

The Textile Rental division has performed very well and has benefited from a reduced cost base. Within the Drycleaning division, revenue was severely impacted by the very bad weather at the start of the year as announced previously, although the like for like comparisons improved subsequently. A restructuring programme is being implemented which will improve the strength of the business for the second half and beyond. The Facilities Management business, SGP, has maintained its level of adjusted operating profit despite increased costs as a result of the additional infrastructure we have added, which will benefit the medium to long term growth of the business.

Group Results

Throughout this statement "continuing adjusted operating profit" refers to continuing operating profit before amortisation and impairment of intangibles (excluding software amortisation) and exceptional items. "Adjusted profit before tax" refers to continuing adjusted operating profit less finance costs, excluding, in the second half of 2009, exceptional finance costs in relation to bank facility fees. References to "continuing" exclude the results of Workplace Engineering, which was disposed of in December 2009 and the results for the six months to June 2009 have been restated.

Total continuing revenue in the six months to 30 June 2010 was £113.0 million (2009: £117.1 million), while continuing underlying revenue, excluding costs recharged to customers, was £109.8 million (2009: £113.4 million). Continuing adjusted operating profit, was maintained at £8.0 million (2009: £8.0 million).

Adjusted profit before tax on a continuing basis increased to £6.2 million (2009: £5.3 million), benefiting from a significantly lower interest charge.

Net exceptional items from continuing operations for the half year was a charge of £7.0 million (2009: £2.2 million credit) arising from a provision of £6.5 million relating to the restructuring of the Drycleaning division and £0.5 million in respect of professional fees and other costs in relation to business acquisitions. The exceptional credit in 2009 was in respect of a reduction in the long term liabilities of the Group's defined benefit pension schemes.

Net finance costs were £1.8 million (2009: £2.7 million) reflecting the significantly lower average borrowings and a net notional interest credit of £0.4 million (2009: £0.3 million charge) arising on the post retirement net liabilities of the Group.

After the charge for exceptional items and amortisation of intangibles (excluding software) of £8.4 million (2009: £0.6 million credit) the continuing pre-tax loss was £2.2 million (2009: £5.9 million profit). Adjusted fully diluted earnings per share from continuing operations were 28.6% higher at 1.8p (2009: 1.4p) while continuing fully diluted earnings per share after exceptional items and amortisation of software were a loss of 0.7p (2009: 1.6p profit).

Finances

Total net debt at the end of the first half was reduced to £64.6 million (December 2009: £67.7 million). The lower net debt is evidence of our intention to reduce debt whilst continuing to invest in opportunities for the Group.

The bank facility, which runs to April 2013, is currently £77.5 million and will reduce to £76.0 million by the end of the second half. This facility is significantly in excess of the anticipated level of borrowings, with comfortable cover on all bank covenants, for the foreseeable future.

Interest cover based on continuing adjusted operating profit was 4.4 times (2009: 3.0 times) with interest costs continuing to benefit from the current low levels of LIBOR on the unhedged portion of the debt. Hedges are in place for £40 million of the Term Loan, whereby LIBOR is replaced by a fixed rate of 1.9% for the period to 10 January 2011 and by 3.0% for the 2 years to 8 January 2013.

Pension Deficit

The recorded net deficit after tax for all post retirement obligations has increased from £14.7 million at December 2009 to £19.7 million at June 2010. The increase arises from a combination of a reduction in the market value of assets, particularly equity investments, combined with an

Chairman's Statement continued

increase in liabilities. Although the Group has introduced various changes in the last 18 months, notably pension increase exchanges and the freezing of pensionable salary for active members to reduce the scale of liabilities, the adverse movement in discount rates has offset the benefit of these actions.

The current agreements reached with the Trustees of the three defined benefit pension schemes require additional contributions of £1.6 million in 2010 and £1.7 million in 2011. The valuation of the largest scheme as at 5 April 2010 is underway and is likely to be finalised towards the end of the year, at which point the additional contribution will be reviewed.

Dividend

An increased interim dividend of 0.27p (2009: 0.25p) is being proposed.

The interim dividend will be paid on 12 November 2010 to those Shareholders on the register of members on 15 October 2010. The ex dividend date is 13 October 2010.

DIVISIONAL PERFORMANCE

Textile Rental

The Textile Rental division performed well above our expectations throughout the first six months of 2010 despite the challenges of difficult trading conditions within the industrial market sectors of the UK.

Although revenue reduced marginally by 2.3% to £56.3 million (2009: £57.6 million) adjusted operating profit increased significantly by 13.4% to £7.6 million (2009: £6.7 million). In particular, benefits were derived from management cost reduction programmes initiated in mid-2009. In addition gas prices were much reduced, benefiting total energy costs for 2010 as a whole, although the current expectations are that costs will increase in 2011.

The business continued to invest in major capital expenditure projects at both Apparelmaster and Stalbridge Linen sites which will continue to drive production and energy efficiencies in the future.

As previously announced the Division has formally registered for a Climate Change Agreement and we are pleased to report that we have been making good progress towards the annual targets negotiated with the Department of Energy and Climate Change.

Despite continued investment programmes in both capital projects and textile rental stocks for customers, the Division was successful in generating £6.6 million cash before interest, making a major contribution to the overall Group results.

At our market leading Apparelmaster business, profit increased by 3.2% to £6.4 million (2009: £6.2 million) on revenue that marginally decreased by 2.2% to £43.8 million (2009: £44.8 million). This decrease in revenue largely reflected the reduced spend by existing customers, albeit customer terminations reduced by 18.8% compared to the same period in the previous year. Investment programmes within our food production units improved the efficiency of several sites allowing production volumes to increase by 60,000 garments per week compared to the same period in the previous year. We have been successful with a number of contract wins including Arriva and Severn Trent.

At Stalbridge Linen Services the final stages of the turnaround programme are nearing completion and as a result the business generated £0.7 million of adjusted operating profit (2009: £27,000) on marginally reduced revenue, down 2.3% to £12.5 million (2009: £12.8 million). As the focus on excellent customer service continues, it is very pleasing to report that customer terminations reduced by 32% compared to the same period in the previous year. Capital investment programmes were implemented at Stalbridge in the first half of the year to assist with efficiency and energy benefits throughout the much busier summer period when volumes are expected to increase substantially.

The excellent first half performance by the Division provides confidence for a satisfactory outturn for the year, despite significant pressures on energy and cotton prices which are likely to have an impact towards the end of the year.

Drycleaning

The Drycleaning division operates under the brands Johnson Cleaners, our national retail arm, Jeeves of Belgravia, our London based luxury business and Alex Reid, our consumables business and major supplier to the Drycleaning sector. Revenue for the Division was 6.1% lower at £38.8 million (2009: £41.3 million) and adjusted operating profit reduced to £0.5 million (2009: £1.3 million).

Both revenue and adjusted operating profit were significantly impacted by the severe winter weather conditions at the start of 2010.

The revenue of Johnson Cleaners and Jeeves of Belgravia decreased by 4.7%, on a like for like basis, with revenue of £34.6 million (2009: £36.7 million).

It was anticipated that High Street trading would be tough at the start of 2010 with consumer confidence still low and VAT returning to the 17.5% threshold. Conditions however were exacerbated by the severe winter weather conditions in the early weeks of January, which brought much of Britain to a halt and had a significant impact on footfall on Britain's high streets.

The lost revenue and profit in the early part of January to the Division has had a major impact on the first half performance, reducing profitability by some £0.6 million.

After a very tough start to the year trading conditions became more consistent, with the like for like performance improving towards the half year end.

Management have been working continuously to optimise the performance of the store portfolio and have achieved continuing success through the introduction of new services and through further investment into GreenEarth® cleaning technology with almost 330 stores now utilising the process.

The 'Green Evolution' store refurbishment programme has also continued at pace with 153 stores now refurbished. The successful trading results of these branches continue, and are circa 4% better than the core estate.

The 10 Jeeves of Belgravia stores have continued to show an improved performance with two of the planned 3 refits for 2010 already completed.

Our consumables business, operating under the Alex Reid name, produced £0.1 million of adjusted operating profit (2009: £nil). Management changes, new IT systems and stock availability have improved the results of Alex Reid in the first half of 2010 and it is anticipated that further progress will be achieved in the second half of the year.

As indicated in the pre-close statement a number of loss making stores have been identified where, in Management's view, overall efficiencies and business focus will be improved by their closure. Consequently a programme has been initiated to strengthen the overall portfolio by the closure of 20 such stores over and above those at lease expiry during 2010.

Following the closure of these stores and planned new openings it is expected that the total number of stores will fall from 506 at June 2010 to approximately 470 at 31 December 2010.

A further 8 stores have been identified which make a contribution to their fixed costs, but where we are unable to restore profitability. A provision has been made in respect of these stores for the net cost to exit and for asset impairments.

The reduced number of stores and the resulting restructuring of the warehousing and logistical operations will benefit the Division through lower ongoing operating costs of the business.

The total exceptional cost recognised for the restructuring of the Division is £6.5 million of which £0.7 million is non-cash. It is estimated that £2.4 million will be expended in cash in 2010 with the remaining cash outflow over the next 5 years. The majority of the cash outflow is in respect of existing property lease commitments which will remain until the locations are disposed of.

Both as a result of the restructuring and other existing initiatives we expect Drycleaning profitability to improve significantly in the second half.

Facilities Management

SGP provides predominantly white collar property, building and facilities management (FM) services to many high street chains and to public and commercial organisations, based on a proprietary helpdesk arrangement. SGP currently manages or represents 48,000 retail and commercial units and controls some £1 billion of spend on behalf of its customers. The helpdesk, which operates on a 24/7 basis, is at the centre of all of our services and is engaged by customers to help them to control spend on reactive or planned maintenance of properties. The in-house IT system allows customers to interrogate their data on a current time basis and to target expenditure on critical areas of their operations.

FM contracts, both in the public and private sectors, represent some 66% of the Division's revenue in the first half, after excluding recharges to customers, with the remainder generated from property and project management, largely in the retail sector. SGP also provides specialist advice and management expertise on all aspects of property costs, projects and risk management.

As anticipated in our pre-close statement of 30 June, SGP has maintained revenue (excluding customer recharges) at

similar levels to the first half of 2009. Revenue excluding costs recharged to customers was 1.4% higher at £14.7 million (2009: £14.5 million) whilst revenue including recharges was 1.6% lower than the first half of 2009 at £17.9 million (2009: £18.2 million). The adjusted operating profit at £1.6 million was also maintained at 2009 levels (2009: £1.6 million) despite significant investment during the first half in additional overhead to support accelerated growth in revenue and profit in the medium and longer term. Whilst it is anticipated that there will be a gestation period before significant contractual wins come through for SGP, there are continuing signs of an upturn and strengthening of its business pipeline around the technical and project activity areas.

We are now pleased to confirm that the Group has completed the acquisition of one further PFI contract, along with the 3 completed by June, to add to SGP's portfolio, along with the related Special Purpose Company (SPC), from Jarvis (in administration) leaving 4 contracts still operated by SGP under licence. We continue to make progress on moving these remaining contracts towards completion. The 8 contracts, while under the management of Jarvis, generated revenue of £10.5 million in the year to March 2010, employ some 250 staff and each have over 15 years on the contract term remaining. We anticipate the acquisitions to be earnings enhancing in the second half of 2010 and beyond. The 8 contracts will add some 35% to SGP's revenue (excluding customer recharges) in a full year and will significantly increase its presence in the PFI market. Following the acquisition of the 8 contracts the proforma revenue generation from long term PFI contracts is expected to be approximately 60% of the total revenue (excluding customer recharges) of SGP.

During the second half of this year, SGP is planning an expansion of its Property management business in terms of branches and resources. This will be supported by further investment in its market leading IT software.

Whilst market conditions remain challenging, the PFI contract acquisitions, combined with project growth and the expansion of Property and Helpdesk activities should not only ensure SGP builds on this successful first half and achieves a satisfactory overall profit growth this year, but will also ensure it establishes a strong platform for 2011.

Board

Paul Moody joined the Board as a Non Executive Director on 10 March 2010 and is already proving to be a great asset. Michael Gatenby retired from the Board on 31 May 2010 after serving a term of eight years. We would like to thank Michael for his contribution and wish him well for the future.

Staff

I would like to thank employees at all levels for their continuing support and commitment to the Group over the last 6 months.

Outlook

We are pleased with the overall performance of the Group.

Textile Rental has had an outstanding first half year and although there are some cost pressures we are confident of a strong second half performance.

We believe that, following its restructuring and other initiatives, the Drycleaning division is better positioned for the future, with management now able to devote more attention on opportunities in the market rather than upon poorly performing units in sub-optimal locations.

SGP is building on its presence in the FM market and the acquired PFI contracts will significantly improve performance in the second half and beyond.

Overall we are confident that the Group will perform well in the second half.

John Talbot
Executive Chairman
1 September 2010

Responsibility Statement

The condensed consolidated interim financial statements comply with the Disclosure and Transparency Rules ('DTR') of the United Kingdom's Financial Services Authority in respect of the requirement to produce a half-yearly financial report. The interim report is the responsibility of, and has been approved by, the Directors.

The Directors confirm that to the best of their knowledge:

- this financial information has been prepared in accordance with IAS 34 as adopted by the European Union;
- this interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first half and description of principal risks and uncertainties for the remaining half of the year); and
- this interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

The Directors of Johnson Service Group PLC are listed in the Johnson Service Group PLC Annual Report for 2009, with the following changes since 31st December 2009:

- Paul Moody was appointed to the Board as a Non-Executive Director on 10th March 2010; and
- Michael Gatenby retired from the Board as a Non-Executive Director on 31st May 2010.

Details of current Directors are available on the Johnson Service Group PLC website: www.johnsonplc.com

By order of the Board

Y M Monaghan
Finance Director
1st September 2010

On behalf of the Board

Consolidated Income Statement

	Note	Half year to 30th June 2010 £m	Half year to 30th June 2009 (restated) £m	Year ended 31st December 2009 £m
Continuing operations:				
Revenue	3	113.0	117.1	236.4
Costs recharged to customers		(3.2)	(3.7)	(7.1)
Revenue excluding costs recharged to customers		109.8	113.4	229.3
Operating (Loss)/Profit	3	(0.4)	8.6	26.3
Operating Profit before Intangibles Amortisation and Impairment (excluding software amortisation) and Exceptional Items		8.0	8.0	17.5
Amortisation and impairment of intangible assets (excluding software amortisation)		(1.4)	(1.6)	(3.2)
Exceptional items	4			
- Pension credits		-	2.2	12.0
- Restructuring costs		(6.5)	-	-
- Costs in relation to business acquisition activity		(0.5)	-	-
Operating (Loss)/Profit	3	(0.4)	8.6	26.3
Finance costs - Ordinary finance costs		(1.8)	(2.8)	(5.5)
- Exceptional finance costs		-	-	(0.4)
Finance income		-	0.1	0.2
(Loss)/Profit before Taxation		(2.2)	5.9	20.6
Taxation	5	0.6	(1.6)	(5.7)
(Loss)/Profit For The Period From Continuing Operations		(1.6)	4.3	14.9
Discontinued Operations:				
Loss For The Period From Discontinued Operations		-	(0.4)	(3.5)
(Loss)/Profit For The Period Attributable To Equity Holders		(1.6)	3.9	11.4
Earnings Per Share*	7			
Basic earnings per share				
From continuing operations		(0.7p)	1.7p	6.1p
From discontinued operations		-	(0.1p)	(1.4p)
From continuing and discontinued operations		(0.7p)	1.6p	(4.7p)
Diluted earnings per share				
From continuing operations		(0.7p)	1.6p	5.8p
From discontinued operations		-	(0.1p)	(1.4p)
From continuing and discontinued operations		(0.7p)	1.5p	4.4p

* Earnings per share before intangibles amortisation and impairment (excluding software amortisation), exceptional items and exceptional finance costs are shown in Note 7.

The notes on pages 10 to 21 form an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Comprehensive Income

	Note	Half year to 30th June 2010 £m	Half year to 30th June 2009 £m	Year ended 31st December 2009 £m
(Loss)/Profit For The Period		(1.6)	3.9	11.4
Other Comprehensive Income				
Actuarial loss on defined benefit pension plans	9	(8.3)	(10.5)	(13.6)
Taxation in respect of actuarial loss		2.3	3.0	3.8
Cash flow hedges (net of taxation) – fair value of losses		(1.3)	(0.1)	(0.3)
– transfer to interest		0.2	–	1.1
Other Comprehensive Income For The Period		(7.1)	(7.6)	(9.0)
Total Comprehensive Income For The Period		(8.7)	(3.7)	2.4

Consolidated Statement of Changes in Shareholders' Equity

	Share Capital £m	Share Premium £m	Other Reserves £m	Retained Earnings £m	Total Equity £m
Balance at 1st January 2009	24.9	13.7	1.7	27.8	68.1
Total comprehensive income for the period	–	–	(0.1)	(3.6)	(3.7)
Reserve transfer	–	–	(0.1)	0.1	–
Share options (value of employee services)	–	–	–	0.4	0.4
Balance at 30th June 2009	24.9	13.7	1.5	24.7	64.8
Total comprehensive income for the period	–	–	0.9	5.2	6.1
Reserve transfer	–	–	–	–	–
Share options (value of employee services)	–	–	–	0.5	0.5
Dividends paid	–	–	–	(0.6)	(0.6)
Balance at 31st December 2009	24.9	13.7	2.4	29.8	70.8
Total comprehensive income for the period	–	–	(1.1)	(7.6)	(8.7)
Reserve transfer	–	–	(0.1)	0.1	–
Share options (value of employee services)	–	–	–	0.3	0.3
Dividends paid	–	–	–	(1.2)	(1.2)
Balance at 30th June 2010	24.9	13.7	1.2	21.4	61.2

The reserve transfer relates to the amortisation of the warrants through the Income Statement.

Consolidated Balance Sheet

	Note	As at 30th June 2010 £m	As at 30th June 2009 £m	As at 31st December 2009 £m
Assets				
Non-Current Assets				
Goodwill		87.6	89.2	87.6
Intangible assets		8.8	11.0	9.2
Property, plant and equipment		44.8	45.2	44.9
Textile rental items		19.8	20.7	19.6
Trade and other receivables		0.6	0.3	0.6
Deferred income tax assets		9.6	13.4	7.4
		171.2	179.8	169.3
Current Assets				
Inventories		3.8	3.9	3.4
Trade and other receivables		37.8	39.4	34.6
Current income tax assets		–	2.7	1.2
Cash and cash equivalents		0.5	7.6	2.7
		42.1	53.6	41.9
Liabilities				
Current Liabilities				
Trade and other payables		9.4	13.5	8.1
Other creditors and accruals		31.3	29.0	28.2
Current income tax liabilities		–	–	–
Borrowings	12	11.0	3.0	10.5
Derivative financial liabilities		0.1	0.9	–
Provisions		5.0	3.6	3.6
		56.8	50.0	50.4
Net Current (Liabilities)/Assets		(14.7)	3.6	(8.5)
Non-Current Liabilities				
Retirement benefit obligations	9	27.4	27.9	20.4
Deferred income tax liabilities		1.7	2.2	1.9
Other non-current liabilities		1.3	1.3	1.4
Borrowings	12	54.1	80.1	59.9
Derivative financial liabilities		1.4	–	–
Provisions		9.4	7.1	6.4
		95.3	118.6	90.0
Net Assets		61.2	64.8	70.8
Equity				
Capital And Reserves Attributable To The Company's Equity Holders				
Called up share capital		24.9	24.9	24.9
Share premium		13.7	13.7	13.7
Other reserves		1.2	1.5	2.4
Retained earnings		21.4	24.7	29.8
Total Equity		61.2	64.8	70.8

The notes on pages 10 to 21 form an integral part of these condensed consolidated interim financial statements. The condensed consolidated interim financial statements on pages 6 to 21 were approved by the Board of Directors on 1st September 2010 and signed on its behalf by:

Y M Monaghan
Finance Director

Consolidated Statement of Cash Flows

	Note	Half year to 30th June 2010 £m	Half year to 30th June 2009 (restated) £m	Year ended 31st December 2009 £m
Cash Flows From Operating Activities				
(Loss)/profit for the period		(1.6)	3.9	11.4
Adjustments for:				
Income tax – continuing operations	5	(0.6)	1.6	5.7
– discontinued operations		–	(0.1)	(0.9)
Finance income and expense		1.8	2.7	5.7
Depreciation		9.7	10.0	20.6
Amortisation of intangible assets		1.6	1.8	3.6
Impairment of goodwill		–	–	1.6
Impairment of property, plant and equipment		0.5	–	–
(Increase)/decrease in inventories		(0.4)	0.5	1.0
(Increase)/decrease in trade and other receivables		(3.0)	1.9	5.9
Increase/(decrease) in trade and other payables		3.3	(3.1)	(7.6)
Profit on sale of property, plant and equipment		–	(0.2)	(0.4)
Pre-tax loss on disposal of subsidiaries		–	–	0.1
Acquisition fees charged to income statement		0.5	–	–
Additional contribution to defined benefit pension schemes		(0.8)	(0.7)	(1.5)
Share-based payments		0.3	0.4	1.0
Retirement benefit obligations		(0.2)	(2.8)	(13.0)
Provisions		4.3	(0.9)	(1.6)
Cash generated from operations		15.4	15.0	31.6
Interest paid		(1.1)	(2.4)	(6.7)
Taxation received		2.1	–	4.8
Net cash generated from operating activities		16.4	12.6	29.7
Cash Flows From Investing Activities				
Acquisition of business (net of cash acquired)	11	(1.1)	(0.8)	(0.8)
Proceeds from sale of subsidiaries		–	–	0.2
Purchase of property, plant and equipment		(4.1)	(2.9)	(7.1)
Proceeds from sale of property, plant and equipment		0.1	0.4	0.7
Purchase of intangible assets		(0.1)	(0.3)	(0.4)
Purchase of textile rental items		(7.5)	(7.7)	(15.4)
Proceeds from sale of textile rental items		1.1	1.6	3.0
Interest received		–	0.1	0.2
Net cash used in investing activities		(11.6)	(9.6)	(19.6)
Cash Flows From Financing Activities				
Proceeds from borrowings		70.5	–	–
Repayments of borrowings		(77.5)	(0.2)	(13.7)
Capital element of finance leases		(0.4)	(0.4)	(0.8)
Dividends paid to company Shareholders		(1.2)	–	(0.6)
Net cash used in financing activities		(8.6)	(0.6)	(15.1)
Net (decrease)/increase in cash and cash equivalents		(3.8)	2.4	(5.0)
Cash and cash equivalents at beginning of period		0.2	5.2	5.2
Cash and cash equivalents at end of period	13	(3.6)	7.6	0.2

The notes on pages 10 to 21 form an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

Johnson Service Group PLC ('the Company') and its subsidiaries (together 'the Group') provide a unique range of managed services, operating in two principal areas: textile related services and facilities management.

The Company is incorporated and domiciled in the UK. The Company's registered number is 523335. The address of its registered office is Johnson House, Abbots Park, Monks Way, Preston Brook, Cheshire, WA7 3GH.

The Company has its primary listing on the London Stock Exchange, with its shares traded on AIM.

The condensed consolidated interim financial statements were approved for issue by the Board on 1st September 2010.

1 BASIS OF PREPARATION

These condensed consolidated interim financial statements of Johnson Service Group PLC are for the six months ended 30th June 2010. They have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

The condensed consolidated interim financial statements have not been reviewed or audited, nor do they comprise statutory accounts for the purpose of Section 434 of the Companies Act 2006, and do not include all of the information or disclosures required in the annual financial statements and should therefore be read in conjunction with the Group's 2009 consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Financial information for the year ended 31st December 2009 included herein is derived from the statutory accounts for that year, which have been filed with 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.

Financial information for the half year ended 30th June 2009 included herein is derived from the condensed consolidated interim financial statements for that period, restated to reflect the classification of Workplace Engineering as a discontinued operation.

2 PRINCIPAL RISKS AND UNCERTAINTIES

The Group set out in its 2009 Annual Report and Financial Statements the principal risks and uncertainties that could impact its performance; these remain unchanged since the Annual Report was published. The Group operates a structured risk management process, which identifies and evaluates risks and uncertainties and reviews mitigation activity.

The past six months have seen a gradual improvement in financial market conditions. This has resulted in an overall improvement in the risk environment. The Group has no exposure to sub-prime lending or collateralised debt obligations. The Group has sufficient headroom to enable it to conform to covenants on its existing borrowings and has sufficient working capital and undrawn financing facilities to service its operating activities.

The main area of potential risk and uncertainty on a short-term forward-looking basis over the remainder of the financial year centres on the sales and profit impact from economic conditions and consumer demand, together with the impact of product cost pressures, particularly as a result of sterling weakness, and an associated level of customer price inflation. Other potential risks and uncertainties around sales and/or profits include competitor activity, product supply and other operational processes, product safety, business interruption, infrastructure development, reliance on key personnel, and the regulatory environment.

Further details of the Principal Risks and Uncertainties facing the Group were detailed on pages 14 & 15 of the 2009 Annual Report.

3 SEGMENT ANALYSIS

Segment information is presented in respect of the Group's business segments, which are based on the Group's management and internal reporting structure as at 30th June 2010. Details of the Group's segments were provided on page 50 of the 2009 Annual Report.

The chief operating decision-maker has been identified as the Board of Directors (the Board). The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports and on the internal reporting structure.

The Board assesses the performance of the operating segments based on a measure of earnings before interest and tax, both including and excluding the effects of non-recurring items from the operating segments, such as restructuring costs and impairments when the impairment is the result of an isolated, non-recurring event. Interest income and expenditure are not included in the result for each operating segment that is reviewed by the Board. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis, for example, rental income received by the property company is credited back to the paying company for the purposes of segmental reporting.

Other information provided to the Board is measured in a manner consistent with that in the financial statements. Segmental assets exclude deferred tax assets, current tax assets and cash, all of which are managed on a central basis. Segmental liabilities include non-bank borrowings, but exclude deferred tax liabilities, current tax liabilities, bank borrowings, derivative financial liabilities and retirement benefit obligations that cannot be attributed directly to a segment, all of which are managed on a central basis. These balances are part of the reconciliation to total balance sheet assets and liabilities.

Inter-segment pricing is determined on an arm's length basis. The exceptional items have been included within the appropriate business segment as shown on pages 11 to 13.

3 SEGMENT ANALYSIS (continued)

The business segment results for the half year ended 30th June 2010, together with comparative figures, are as follows:

Half year ended 30th June 2010	Textile Rental Services £m	Drycleaning £m	Facilities Management £m	All Other Segments £m	Total £m
REVENUE					
Revenue	56.3	38.8	18.1	–	113.2
Inter-segment revenue	–	–	(0.2)	–	(0.2)
Revenue – continuing	**56.3**	**38.8**	**17.9**	**–**	**113.0**
Revenue – discontinued					–
Total revenue					113.0
REVENUE EXCLUDING COSTS RECHARGED TO CUSTOMERS					
Revenue	56.3	38.8	14.9	–	110.0
Inter-segment revenue	–	–	(0.2)	–	(0.2)
Revenue Excluding Costs Recharged To Customers – Continuing	**56.3**	**38.8**	**14.7**	**–**	**109.8**
Revenue – discontinued					–
Total revenue excluding costs recharged to customers					109.8
RESULT					
Operating Profit Before Intangibles Amortisation And Impairment (Excluding Software Amortisation) And Exceptional Items	**7.6**	**0.5**	**1.6**	**(1.7)**	**8.0**
Amortisation and impairment of intangible assets	(0.5)	–	(0.9)	–	(1.4)
Exceptional items					
– Restructuring costs	–	(6.5)	–	–	(6.5)
– Costs in relation to business acquisition activity	(0.1)	–	(0.4)	–	(0.5)
Operating Profit/(Loss)	**7.0**	**(6.0)**	**0.3**	**(1.7)**	**(0.4)**
Finance costs					(1.8)
Finance income					–
Loss before taxation					(2.2)
Taxation					0.6
Loss for the period – Continuing					(1.6)
Discontinued operations					–
Loss for the period					(1.6)

		Discontinued Operations £m	Textile Rental Services £m	Drycleaning £m	Facilities Management £m	All Other Segments £m	Total £m
Other Information							
Fixed asset additions							
– Property, plant and equipment		–	2.1	1.7	0.2	–	4.0
– Textile rental items		–	7.5	–	–	–	7.5
– Intangible software		–	–	–	0.1	–	0.1
Depreciation and amortisation expense							
– Property, plant and equipment		–	2.0	1.2	0.2	0.1	3.5
– Textile rental items		–	6.2	–	–	–	6.2
– Intangible software		–	–	0.1	0.1	–	0.2
Balance Sheet Information							
Segment assets		0.1	104.5	38.4	46.6	13.6	203.2
Unallocated assets:	Deferred income tax						9.6
	Current income tax						–
	Cash and cash equivalents						0.5
Total assets							213.3
Segment liabilities		(0.8)	(24.8)	(21.4)	(5.9)	(5.2)	(58.1)
Unallocated liabilities:	Borrowings						(64.1)
	Current income tax						–
	Deferred income tax						(1.7)
	Derivative financial liabilities						(1.5)
	Retirement benefits						(26.7)
Total liabilities							(152.1)
Return on Capital Employed			40.0%	19.6%	83.0%		

Notes to the Condensed Consolidated Interim Financial Statements continued

3 SEGMENT ANALYSIS (continued)

Half year ended 30th June 2009 (as restated)	Textile Rental Services £m	Drycleaning £m	Facilities Management £m	All Other Segments £m	Total £m
REVENUE					
Revenue	57.6	41.3	18.4	–	117.3
Inter-segment revenue	–	–	(0.2)	–	(0.2)
Revenue – continuing	**57.6**	**41.3**	**18.2**	**–**	**117.1**
Revenue – discontinued					2.9
Total revenue					120.0
REVENUE EXCLUDING COSTS RECHARGED TO CUSTOMERS					
Revenue	57.6	41.3	14.7	–	113.6
Inter-segment revenue	–	–	(0.2)	–	(0.2)
Revenue Excluding Costs Recharged To Customers – Continuing	**57.6**	**41.3**	**14.5**	**–**	**113.4**
Revenue – discontinued					2.9
Total revenue excluding costs recharged to customers					116.3
RESULT					
Operating Profit Before Intangibles Amortisation And Impairment (Excluding Software Amortisation) And Exceptional Items	**6.7**	**1.3**	**1.6**	**(1.6)**	**8.0**
Amortisation and impairment of intangible assets	(0.7)	–	(0.9)	–	(1.6)
Exceptional items					
– Pension credits	–	–	–	2.2	2.2
Operating Profit	**6.0**	**1.3**	**0.7**	**0.6**	**8.6**
Finance costs					(2.8)
Finance income					0.1
Profit before taxation					**5.9**
Taxation					(1.6)
Profit for the period – Continuing					**4.3**
Discontinued operations					(0.4)
Profit for the period					**3.9**

		Discontinued Operations £m	Textile Rental Services £m	Drycleaning £m	Facilities Management £m	All Other Segments £m	Total £m
Other Information							
Fixed asset additions							
– Property, plant and equipment		–	1.4	1.9	0.1	–	3.4
– Textile rental items		–	6.5	–	–	–	6.5
– Intangible software		–	0.2	–	0.1	–	0.3
Depreciation and amortisation expense							
– Property, plant and equipment		–	2.0	1.2	0.2	0.1	3.5
– Textile rental items		–	6.5	–	–	–	6.5
– Intangible software		–	–	–	0.1	0.1	0.2
Balance Sheet Information							
Segment assets		3.2	107.3	37.4	48.3	13.5	209.7
Unallocated assets:	Deferred income tax						13.4
	Current income tax						2.7
	Cash and cash equivalents						7.6
Total assets							233.4
Segment liabilities		(1.2)	(25.8)	(16.6)	(5.7)	(6.9)	(56.2)
Unallocated liabilities:	Borrowings						(81.4)
	Deferred income tax						(2.2)
	Derivative financial liabilities						(0.9)
	Retirement benefits						(27.9)
Total liabilities							(168.6)
Return on Capital Employed			34.7%	30.5%	77.5%		

3 SEGMENT ANALYSIS (continued)

Year ended 31st December 2009	Textile Rental Services £m	Drycleaning £m	Facilities Management £m	All Other Segments £m	Total £m
REVENUE					
Revenue	116.9	83.5	36.6	–	237.0
Inter-segment revenue	–	–	(0.6)	–	(0.6)
Revenue – continuing	**116.9**	**83.5**	**36.0**	**–**	**236.4**
Revenue – discontinued					4.0
Total revenue					240.4
REVENUE EXCLUDING COSTS RECHARGED TO CUSTOMERS					
Revenue	116.9	83.5	29.5	–	229.9
Inter-segment revenue	–	–	(0.6)	–	(0.6)
Revenue Excluding Costs Recharged To Customers – Continuing	**116.9**	**83.5**	**28.9**	**–**	**229.3**
Revenue – discontinued					4.0
Total revenue excluding costs recharged to customers					233.3
RESULT					
Operating Profit Before Intangibles Amortisation And Impairment (Excluding Software Amortisation) And Exceptional Items	**14.6**	**3.0**	**3.3**	**(3.4)**	**17.5**
Amortisation and impairment of intangible assets	(1.4)	–	(1.8)	–	(3.2)
Exceptional items					
– Pension Credits	–	–	0.5	11.5	12.0
Operating Profit	13.2	3.0	2.0	8.1	26.3
Finance costs – Ordinary finance costs					(5.5)
– Exceptional finance costs					(0.4)
Finance income					0.2
Profit before taxation					20.6
Taxation					(5.7)
Profit for the period – Continuing					14.9
Discontinued operations – Corporatewear					(3.5)
Profit for the period					11.4

		Discontinued Operations £m	Textile Rental Services £m	Drycleaning £m	Facilities Management £m	All Other Segments £m	Total £m
Other Information							
Fixed asset additions							
– Property, plant and equipment		–	2.9	4.2	0.2	–	7.3
– Textile rental items		–	13.5	–	–	–	13.5
– Intangible software		–	–	0.1	0.2	–	0.3
Depreciation and amortisation expense							
– Property, plant and equipment		0.1	4.3	2.5	0.3	0.2	7.4
– Textile rental items		–	13.2	–	–	–	13.2
– Intangible software		0.1	–	0.1	0.2	–	0.4
Balance Sheet Information							
Segment assets		0.1	102.5	37.7	45.5	14.1	199.9
Unallocated assets:	Deferred income tax						7.4
	Current income tax						1.2
	Cash and cash equivalents						2.7
Total assets							211.2
Segment liabilities		(1.0)	(22.7)	(16.1)	(4.7)	(4.8)	(49.3)
Unallocated liabilities:	Borrowings						(69.2)
	Deferred income tax						(1.9)
	Retirement benefits						(20.0)
Total liabilities							(140.4)
Return on Capital Employed			38.6%	24.2%	111.4%		

Notes to the Condensed Consolidated Interim Financial Statements continued

4 EXCEPTIONAL ITEMS

	Half year to 30th June 2010 £m	Half year to 30th June 2009 £m	Year ended 31st December 2009 £m
Pension Credits – Past Service Credit	–	2.2	2.2
– Curtailment gain	–	–	9.8
	–	2.2	12.0
Restructuring costs – Drycleaning	(6.5)	–	–
Costs in relation to business acquisition activity	(0.5)	–	–
Total exceptional items	(7.0)	2.2	12.0

Current year exceptional items

Restructuring costs – Drycleaning

The management of the Drycleaning division have been working to optimise the performance of stores in our more marginal locations. This review has identified a number of loss making stores which have continued to decline at a faster rate and where, in management's view, overall efficiency and focus will be improved by their closure. It has, therefore, been decided to strengthen the overall portfolio by the closure of 20 such stores over and above those at lease expiry which also allows a reduction in overhead. The review has also identified a further 8 stores which it is uneconomic to close at the present time but which are unlikely to be restored to profitability and in respect of which a provision has been recognised for both the least net cost of exiting these stores and asset impairments. The costs also include the restructuring of the warehousing and logistical operations supporting the division. Of the total restructuring cost, £0.7 million is non-cash. It is estimated that £2.4 million will be expended in cash in 2010 with the remaining cash outflow over the next 5 years. The majority of the cash outflow is in respect of existing property lease commitments which will remain until the locations are disposed of.

Costs in relation to business acquisition activity

As set out within the 2009 Annual Report, IFRS 3 (revised), 'Business combinations', is effective on the first annual reporting period beginning on or after 1st July 2009. The revised standard requires all acquisition-related costs (e.g. professional fees) to be expensed to the Income Statement. With effect from 1st January 2010, fees and expenses incurred on business acquisition activities are treated as exceptional. The cost above relates partly to £0.4 million of fees and expenses incurred on the acquisition of the PFI contracts from Jarvis PLC (in administration). The remainder of the cost relates to fees and expenses incurred during negotiations with other undisclosed targets.

Prior year exceptional items

During the prior period the Company made an offer to existing retirees in the Johnson Group Staff Pension Scheme and the Semara Augmented Pension Plan to exchange certain future pension increases for a one time increase. This was taken up by a significant number of retirees, resulting in a reduction in future liabilities, on an IAS 19 basis, of £2.5 million. This was treated as a past service credit of £2.2 million (net of expenses) and included as an exceptional credit in the Income Statement.

With effect from 5th April 2010 the Group implemented a freeze on pensionable salary for all current active members of the Group's defined benefit schemes. This resulted in a reduction of future liabilities, on an IAS 19 basis, of £9.9 million. This was treated as a curtailment gain of £9.8 million (net of expenses) and included as an exceptional item in the Income Statement as at 31st December 2009.

Exceptional finance costs

In addition to the exceptional items above, the Group treats certain finance costs as exceptional. Exceptional finance costs are included within Finance costs in the Income Statement. During the half year ended 30th June 2010 there were no exceptional finance costs (half year ended 30th June 2009: £nil; year ended 31st December 2009: £0.4 million). The exceptional finance costs in the year ended 31st December 2009 relate to the write-off of bank fees relating to the previous bank facility following the signing of a new bank facility on 18th December 2009.

5 TAXATION

	Half year to 30th June 2010 £m	Half year to 30th June 2009 (restated) £m	Year ended 31st December 2009 £m
Current tax			
UK corporation tax credit for the period – continuing operations	(0.9)	0.1	0.8
Adjustment in relation to previous periods – continuing operations	–	(0.2)	(3.5)
Current tax credit for the period – continuing operations	(0.9)	(0.1)	(2.7)
Deferred tax			
Origination and reversal of temporary differences – continuing operations	0.3	1.7	5.4
Adjustment in relation to previous periods – continuing operations	–	–	3.0
Deferred tax charge for the period – continuing operations	0.3	1.7	8.4
Total taxation (credit)/charge for continuing operations	(0.6)	1.6	5.7

5 TAXATION (continued)

Tax relief on intangibles amortisation has increased the taxation credit in the current period by £0.4 million (half year ended 30th June 2009: £0.4 million reduction in the charge; year ended 31st December 2009: £0.9 million reduction in the charge). The taxation effect of exceptional items (which in 2009 also included exceptional finance costs) has increased the tax credit in the current period by £1.9 million (half year ended 30th June 2009: £0.6 million increase in the charge; year ended 31st December 2009: £3.3 million increase in the charge).

Reconciliation of effective tax rate

Taxation on non-exceptional items for the six months to 30th June 2010 is calculated based on the estimated average annual effective tax rate of 28.3% (half year ended 30th June 2009: 27.9%; year ended 31st December 2009: 24.9%), as compared to the tax rates expected to be enacted or substantively enacted at the annual balance sheet date of 28% (half year ended 30th June 2009: 28%; year ended 31st December 2009: 28%). Taxation on exceptional items is calculated based on the actual tax charge or credit for each specific item. Differences between the estimated average annual effective tax rate and statutory rate include, but are not limited to, the effect of non-deductible expenses, the effect of tax losses utilised and under/over provisions in previous years.

Implications of the 'Finance Bill 2010'

The second Finance Bill of 2010 (the 'Bill') was given Royal Assent on 27th July 2010 and became Finance (No 2) Act 2010 (the Act). The Act, in the main, covers the tax rates announced in the Emergency Budget of 22nd June 2010 and includes legislation to reduce the main rate of Corporation Tax from 28% to 27% from 1st April 2011. This legislation had not been substantively enacted at the balance sheet date and, therefore, the effect is not included in these financial statements. The Emergency Budget also proposed further reductions in the main rate in future years: 26% in 2012-13, 25% in 2013-14, 24% in 2014-15, although these future reductions are not referred to in the Act.

Whilst the reduction in the main rate of Corporation tax from 28% to 27% will have no effect on current tax assets and liabilities which arise prior to the effective date of change, there are implications for deferred tax accounting. The reduction in tax rate will not impact deferred tax that is expected to reverse prior to 1st April 2011, however, for deferred tax that is expected to reverse after this date, the Group will be required to determine the impact of the above changes, although such impact is not expected to be material.

6 ADJUSTED PROFIT BEFORE AND AFTER TAXATION

	Half year to 30th June 2010 £m	Half year to 30th June 2009 (restated) £m	Year ended 31st December 2009 £m
(Loss)/profit before taxation	(2.2)	5.9	20.6
Intangibles amortisation and impairment (excluding software amortisation)	1.4	1.6	3.2
Pension credits	–	(2.2)	(12.0)
Restructuring costs – Drycleaning	6.5	–	–
Costs in relation to business acquisition activity	0.5	–	–
Exceptional finance costs in respect of bank fees	–	–	0.4
Adjusted profit before taxation	6.2	5.3	12.2
Taxation on adjusted profit before taxation	(1.7)	(1.4)	(3.3)
Adjusted profit after taxation attributable to continuing operations	4.5	3.9	8.9

Notes to the Condensed Consolidated Interim Financial Statements continued

7 EARNINGS PER SHARE

	Half year to 30th June 2010 £m	Half year to 30th June 2009 (restated) £m	Year ended 31st December 2009 £m
(Loss)/profit for the period attributable to Ordinary Shareholders (continuing operations)	(1.6)	4.3	14.9
Loss for the period attributable to Ordinary Shareholders (discontinued operations)	-	(0.4)	(3.5)
Intangibles amortisation (excluding software) (net of taxation) (continuing operations)	1.0	1.2	2.3
Intangibles amortisation (excluding software) (net of taxation) (discontinued operations)	-	-	1.6
Exceptional items from continuing operations (net of taxation)	5.1	(1.6)	(8.6)
Exceptional items from discontinued operations (net of taxation)	-	-	1.1
Exceptional finance costs in respect of bank fees (net of taxation)	-	-	0.3
Adjusted profit attributable to Ordinary Shareholders	4.5	3.5	8.1
Weighted average number of Ordinary shares	248,234,264	248,214,351	248,214,351
Potentially dilutive options *	12,907,898	9,432,016	10,792,760
Fully diluted number of Ordinary shares	261,142,162	257,646,367	259,007,111
Basic earnings per share			
From continuing operations	(0.7p)	1.7p	6.1p
From discontinued operations	-	(0.1p)	(1.4p)
From continuing and discontinued operations	(0.7p)	1.6p	4.7p
Adjustment for intangibles amortisation (continuing operations)	0.4p	0.5p	0.9p
Adjustment for intangibles amortisation (discontinued operations)	-	-	0.7p
Adjustment for exceptional items (continuing operations)	2.1p	(0.7p)	(3.5p)
Adjustment for exceptional items (discontinued operations)	-	-	0.4p
Adjustment for exceptional finance costs in respect of bank fees	-	-	0.1p
Adjusted basic earnings per share (continuing operations)	1.8p	1.5p	3.6p
Adjusted basic earnings per share (discontinued operations)	-	(0.1p)	(0.3p)
Adjusted basic earnings per share from continuing and discontinued operations	1.8p	1.4p	3.3p
Diluted earnings per share			
From continuing operations	(0.7p)	1.6p	5.8p
From discontinued operations	-	(0.1p)	(1.4p)
From continuing and discontinued operations	(0.7p)	1.5p	4.4p
Adjustment for intangibles amortisation (continuing operations)	0.4p	0.4p	0.9p
Adjustment for intangibles amortisation (discontinued operations)	-	-	0.7p
Adjustment for exceptional items (continuing operations)	2.1p	(0.6p)	(3.4p)
Adjustment for exceptional items (discontinued operations)	-	-	0.4p
Adjustment for exceptional finance costs in respect of bank fees	-	-	0.1p
Adjusted diluted earnings per share (continuing operations)	1.8p	1.4p	3.4p
Adjusted diluted earnings per share (discontinued operations)	-	(0.1p)	(0.3p)
Adjusted diluted earnings per share from continuing and discontinued operations	1.8p	1.3p	3.1p

• Includes outstanding share options granted to employees and warrants issued to the Company's banks.

7 EARNINGS PER SHARE (continued)

Basic earnings per share is calculated using the weighted average number of shares in issue during the period, excluding those held by the ESOP, based on the (loss)/profit for the period attributable to Ordinary Shareholders.

Adjusted earnings per share figures are given to exclude the effects of intangibles amortisation and impairment (excluding software amortisation), exceptional items and exceptional finance costs, all net of taxation, and are considered to show the underlying results of the Group.

For diluted earnings per share, the weighted average number of Ordinary shares in issue is adjusted to assume conversion of all potential dilutive Ordinary shares. The Company has potential dilutive Ordinary shares arising from share options granted to employees where the exercise price is less than the average market price of the Company's Ordinary shares during the period and warrants issued to the Company's banks.

Potential dilutive Ordinary shares are dilutive at the (loss)/profit from continuing operations level when their conversion to Ordinary shares would decrease earnings per share or increase loss per share from continuing operations. In the period to 30th June 2010, potential dilutive Ordinary shares are antidilutive, as their inclusion in the diluted basic earnings per share calculation would reduce the loss per share from continuing operations. For the period to 30th June 2009 and to 31st December 2009, potential dilutive Ordinary shares are dilutive, as their inclusion in the diluted basic earnings per share calculation decreases earnings per share from continuing operations.

There were no material events occurring after the Balance Sheet date that would have changed significantly the number of Ordinary shares or potential dilutive Ordinary shares outstanding at the Balance Sheet date, if those transactions had occurred before the end of the reporting period.

8 DIVIDENDS

	Half year to 30th June 2010	Half year to 30th June 2009	Year ended 31st December 2009
2010 Interim dividend proposed	0.27p	–	–
2009 Interim dividend proposed and paid	–	0.25p	0.25p
2009 Final dividend proposed and paid	–	–	0.50p

On 21st May 2010, a final dividend of 0.50 pence per Ordinary share in respect of 2009 was paid to Shareholders, utilising £1.2 million of Shareholders' funds.

The Directors are proposing an interim dividend in respect of the year ended 31st December 2010 of 0.27 pence which will reduce Shareholders' funds by £0.7 million. The dividend will be paid on 12th November 2010 to Shareholders on the register of members at the close of business on 15th October 2010. The Trustee of the ESOP has waived the entitlement to receive dividends on the Ordinary shares held by the Trust.

In accordance with International Financial Reporting Standards, these condensed consolidated interim financial statements do not reflect a liability in respect of the proposed interim dividend.

9 RETIREMENT BENEFIT OBLIGATIONS

The Group has applied the requirements of IAS 19, 'Employee Benefits' to its employee pension schemes and post-retirement healthcare benefits.

As part of the Group's objective to reduce its overall pension liability, and in accordance with the Schedule of Contributions, additional contributions of £0.6 million were paid by the Group to the Johnson Group Staff Pension Scheme during the period to 30th June 2010 (half year ended 30th June 2009: £0.6 million; year ended 31st December 2009: £1.2 million). A further contribution of £0.2 million was paid to the WML Final Salary Pension Scheme in the period to 30th June 2010 (half year ended 30th June 2009: £0.1 million; year ended 31st December 2009: £0.3 million).

Following discussions with the Group's appointed actuary it has been identified that an actuarial loss of £8.3 million should be recognised in the period to 30th June 2010. This is principally as a result of an adverse movement in actuarial assumptions (£4.3 million) and a fall in the value of equity investments (£4.0 million) as at the balance sheet date. Whilst the value of equity instruments has increased since the balance sheet date, accounting standards require us to value the scheme assets as at the balance sheet date.

The gross retirement benefit liability and associated deferred tax asset thereon, together with the net liability is shown below:

	As at 30th June 2010 £m	As at 30th June 2009 £m	As at 31st December 2009 £m
Gross retirement benefit liability	(27.4)	(27.9)	(20.4)
Deferred tax asset thereon	7.7	7.9	5.7
Net retirement benefit liability	(19.7)	(20.0)	(14.7)

Notes to the Condensed Consolidated Interim Financial Statements continued

10 CAPITAL EXPENDITURE AND COMMITMENTS

Capital Expenditure

In the six months ended 30th June 2010 the Group acquired property, plant and equipment and intangible assets with a net book value of £4.1 million (half year ended 30th June 2009: £3.7 million; year ended 31st December 2009: £7.6 million), not including property, plant and equipment and intangible assets acquired through business combinations. In addition, textile rental items with a net book value of £7.5 million were acquired during the period (half year ended 30th June 2009: £6.5 million; year ended 31st December 2009: £13.5 million), not including textile rental items acquired through business combinations.

Offsetting this, property, plant and equipment and intangible assets with a net book value of £0.1 million were disposed of during the period (half year ended 30th June 2009: £0.2 million; year ended 31st December 2009: £0.3 million), not including property, plant and equipment and intangible assets disposed of through the sale of subsidiaries. In addition, textile rental items with a net book value of £1.1 million were disposed of during the period (half year ended 30th June 2009: £1.6 million; year ended 31st December 2009: £3.0 million).

Capital Commitments

Orders placed for future capital expenditure contracted but not provided for in the financial statements are shown below:

	As at 30th June 2010 £m	As at 30th June 2009 £m	As at 31st December 2009 £m
Intangible assets (computer software)	**–**	0.1	–
Property, plant and equipment	**0.6**	1.6	0.3
	0.6	1.7	0.3

11 BUSINESS COMBINATIONS AND DISPOSALS

Business Combinations

During May and June 2010 the Group acquired 3 Public Finance Initiative contracts together with the entire issued share capital of the two related Special Purpose Companies (SPCs) from Jarvis PLC (in administration) for a total consideration of £1.2million. In addition professional fees and other costs of £0.4 million are payable in respect of these acquisitions. Of this amount £0.2 million is outstanding at the balance sheet date. Subsequent to the balance sheet date a further contract and its related SPC was acquired for a consideration of £0.2 million. In addition to the contracts already acquired the Group continues to manage, under licence, a further four FM contracts, together with the related SPCs, pending acquisition. In the six months to 30th June 2010 the profit and cash flows generated by this acquisition whilst under the ownership of the Group is not considered material.

The fair value of the receivables acquired is equal to the contractual value, and are expected to be collected within less than one year. The fair value of the assets and liabilities acquired, as at the balance sheet date, is as follows:

	£m
Intangible assets (customer contracts)	1.0
Receivables	0.2
Cash	0.3
Payables	(0.3)
Consideration	1.2

Analysis of net cash flow in respect of acquisitions:

	£m
Consideration	1.2
Cash acquired	(0.3)
Professional fees	0.2
	1.1

In addition during the six months to 30th June 2010 the Group has incurred fees and other costs of £0.1 million in respect of negotiations with other undisclosed targets. This, together with the £0.4 million of professional fees in relation to the Jarvis acquisition have been included as exceptional 'costs in relation to business acquisition activity' in the Income Statement.

On 31st March 2009, Johnsons Apparelmaster Limited acquired certain trade and assets, comprising rental contracts and garments, from a small independent competitor for a total consideration of £0.8 million, including associated costs. The assets acquired included £0.7 million of intangible assets, relating to customer contracts, and £0.1 million of textile rental items. There were no other acquisitions during the prior period.

Disposals

There have been no business disposals in the six months to 30th June 2010.

On 14th December 2009 Workplace Engineering Limited, disposed of its trade and certain assets for an initial cash consideration of £0.2 million. Full details are given in the 2009 Annual Report.

There were no other business disposals during 2009.

12 BORROWINGS

On 18th December 2009 a new bank facility of £78.5 million was agreed. The first drawdown of this facility took place on 8th January 2010 and was utilised to repay all remaining liabilities of the previous facility. Under this new facility bank loans are secured and are drawn down under a committed facility initially comprising of an amortising Term Loan of £58.5 million and a Revolving Credit Facility, including an overdraft facility, of £20.0 million which matures in April 2013. Individual tranches are drawn down, in sterling, for periods of up to six months at LIBOR rates of interest prevailing at the time of drawdown, plus the applicable margin.

As at 30th June 2010, the bank facilities available to the Group were £77.5 million, reducing from the previous £78.5 million due to a prepayment of £1.0 million of the Term Loan on 15th January 2010 following a repayment of corporation tax. Prior to this repayment, the new facility would have reduced by £2.0 million at 31st December 2010. This reduction has now decreased to £1.5 million following the prepayment in January, with further repayments of £1.5 million half yearly thereafter. The expected facility as at 31st December 2010 is now £76.0 million.

Under the new facility, the Group is committed to drawing down on the Term Loan in full. Day to day working capital requirements are managed by use of the Revolving Credit Facility and overdraft facility. As a result, the Group now has minimal cash balances on deposit but only needs to borrow sufficient funds to meet its short term requirements. This flexibility was not available under the previous facility, when the Group effectively had to borrow more funds than it required, and hence held considerable cash balances on deposit. Amounts borrowed on the Revolving Credit Facility and overdraft facility are included in the Balance Sheet within Borrowings (Current Liabilities).

Bank loans are stated net of unamortised issue costs of £1.4 million (30th June 2009: £0.6 million; 31st December 2009: £1.8 million).

13 ANALYSIS OF NET DEBT

	Cash and Cash Equivalents £m	Debt Due Within One Year £m	Debt Due After More Than One Year £m	Finance Leases £m	Total Net Debt £m
Balance at 31st December 2008	5.2	(3.1)	(78.6)	(2.0)	(78.5)
Cash flow	2.4	–	0.2	0.4	3.0
Other non-cash changes	–	1.0	(0.9)	(0.1)	–
Balance at 30th June 2009	7.6	(2.1)	(79.3)	(1.7)	(75.5)
Cash flow	(7.4)	(4.8)	18.3	0.4	6.5
Other non-cash changes	–	(0.3)	1.5	0.1	1.3
Balance at 31st December 2009	0.2	(7.2)	(59.5)	(1.2)	(67.7)
Cash flow	(3.8)	0.9	6.0	0.4	3.5
Other non-cash changes	–	–	(0.4)	–	(0.4)
Balance at 30th June 2010	(3.6)	(6.3)	(53.9)	(0.8)	(64.6)

At 30th June 2010 cash and cash equivalents includes £0.5 million of cash less an overdraft of £4.1 million (30th June 2009: £7.6 million of cash, no overdraft; 31st December 2009: £2.7 million of cash, £2.5 million overdraft). The overdraft is included within Borrowings (Current Liabilities) on the Balance Sheet.

14 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Half year to 30th June 2009	Half year to 30th June 2009	Year ended 31st December 2009
(Decrease)/increase in cash in the period	(3.8)	2.4	(5.0)
Cash inflow on change in debt and lease financing	7.3	0.6	14.5
Change in net debt resulting from cash flows	3.5	3.0	9.5
Effect of recognition and amortisation of bank facility issue costs	(0.4)	(0.2)	1.0
Other non cash movements	–	0.2	0.3
Movement in net debt during the period	3.1	3.0	10.8
Opening net debt	(67.7)	(78.5)	(78.5)
Closing net debt	(64.6)	(75.5)	(67.7)

Notes to the Condensed Consolidated Interim Financial Statements continued

15 RELATED PARTY TRANSACTIONS

Transactions during the year between the Company and its subsidiaries, which are related parties, have been conducted on an arm's length basis and eliminated on consolidation.

Full details of the Group's other related party relationships, transactions and balances are given in the Group's financial statements for the year ended 31st December 2009. There have been no material changes in these relationships in the half year to 30th June 2010 or up to the date of this report.

16 CONTINGENT LIABILITIES

The Group operates from a number of sites across the UK. Some of the sites have operated as laundry and drycleaning sites for many years and historic environmental liabilities may exist. Such liabilities are not expected to give rise to any significant loss.

The Group has granted its Bankers and Trustees of the Pension Schemes security over the assets of the Group. Security for the amount drawn under the Bank Facility Agreement ranks pari passu with the £28.0 million security of the Pension Trustee.

At 30th June 2010 there were no other contingent liabilities except for those arising from the ordinary course of the Group's business.

17 EVENTS AFTER THE BALANCE SHEET DATE

On 27th August 2010, the Group acquired a further Public Finance Initiative contract together with the entire issued share capital of the related Special Purpose Company (SPC) from Jarvis PLC (in administration) for a total consideration, including related professional fees, of £0.2 million.

There were no other events after the balance sheet date that would require disclosure in accordance with IAS 10, 'Events after the reporting period'.

18 ACCOUNTING POLICIES

Except as described below, the condensed consolidated interim financial statements have been prepared applying the accounting policies, presentation and methods of computation applied by the Group in the preparation of the published consolidated financial statements for the year ended 31st December 2009.

(a) Taxation

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(b) Seasonality of operations

Seasonality or cyclicality could affect the Drycleaning division and Stalbridge Linen Services, although the Directors do not consider this seasonality or cyclicality to be significant in the context of the consolidated interim financial statements.

(c) Standards and amendments to standards effective in 2010

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1st January 2010.

IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures'.

The amendments are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009. The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the Income Statement.

There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

As the Group has adopted IFRS 3 (revised), it is required to adopt IAS 27 (revised), 'consolidated and separate financial statements', at the same time. IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. There has been no impact of IAS 27 (revised) on the current period. There have been no transactions whereby an interest in an entity is retained after the loss of control of that entity; there have been no transactions with non-controlling interests.

(d) Standards, amendments to standards and interpretations effective in 2010, but not relevant

- IFRIC 17, 'Distributions of non-cash assets to owners'
- IFRIC 18, 'Transfers of assets from customers'
- Additional exemptions for first-time adopters' (Amendment to IFRS 1)
- Improvements to International Financial Reporting Standards 2009

18 ACCOUNTING POLICIES (continued)

(e) Standards, amendments to standards and interpretations that are not yet effective and have not been early adopted

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1st January 2010 and have not been early adopted.

IFRS 9, 'Financial instruments', issued in December 2009.

This addresses the classification and measurement of financial assets. The standard is not applicable until 1st January 2013 but is available for early adoption. IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. IFRS 9 is unlikely to affect the Group's accounting for its financial assets as it does not hold any available for sale investments.

Revised IAS 24, 'Related party disclosures', issued in November 2009.

This supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1st January 2011. Earlier application, in whole or in part, is permitted. It is not expected to have a material impact on the Group financial statements.

'Classification of rights issues' (Amendment to IAS 32), issued in October 2009.

For rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after 1st February 2010. Earlier application is permitted. It is not expected to have a material impact on the Group financial statements.

'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), issued in November 2009.

The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1st January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. It is not expected to have a material impact on the Group financial statements.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments'.

This clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1st July 2010. Earlier application is permitted. It is not expected to have a material impact on the Group financial statements.

(f) Critical accounting estimates and assumptions

The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

(g) Forward looking statements

Certain statements in this interim report are forward-looking. The terms 'expect', 'should be', 'will be' and similar expressions identify forward looking statements.

Although the Board believes that the expectations reflected in these forward-looking statements are reasonable, such statements are subject to a number of risks and uncertainties and actual results and events could differ materially from those expressed or implied by these forward-looking statements.

19 PUBLISHED FINANCIAL STATEMENTS

As previously announced, with effect from 20th January 2007, the Listing Rules and the Disclosure and Transparency Rules were amended and updated by the Financial Services Authority to implement a new reporting regime set out in the EU Transparency Directive. One of the changes brought about by the Transparency Directive was to remove the requirement for companies to either send out half-yearly reports to all Shareholders or to advertise the content in a national newspaper.

In order to reduce costs, the Company has taken advantage of this reporting regime and no longer publishes half-yearly reports for individual circulation to Shareholders. Information that would normally be included in a half-yearly report is made available on the Company's website at www.johnsonplc.com.

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Chairman of Nomination Committee

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Finance Director

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Paul Derek Ogle MIOD
Managing Director of the Drycleaning Division

Christopher Sander
Managing Director of the Textile Rental Division
Director responsible for Health, Safety and the Environment

Michael Bernard Del Mar
Non-Executive
Senior Independent Director
Chairman of Remuneration Committee
Member of Nomination Committee
Member of Audit Committee

Paul Stephen Moody
Non-Executive
Member of Remuneration Committee
Member of Nomination Committee
Member of Audit Committee

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Member of Nomination Committee
Chairman of Audit Committee

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